

City of Detroit
Office of the Inspector General
2017 3rd Quarterly Report
(July 1, 2017 – September 31, 2017)



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Inspector General

November 13, 2018

A Message from the Inspector General



As stated in the City of Detroit Office of Inspector General's 3rd Quarter Report for Calendar Year 2018, the following pages of *this report contain a brief description of the activities of the 3rd quarter of Calendar Year 2017 (July 1, 2017 – September 31, 2017).*

The report also contains duties and responsibilities of the Office of the Inspector General (OIG) under the City Charter how the Office operates; how OIG complaints are processed and resolved; information pertaining to investigations initiated and resolved during the 3rd quarter of Calendar Year 2017.

In that regard, I would like to thank my staff, who worked tirelessly to preserve honesty and integrity in the City government during the 3rd quarter of Calendar Year 2017. Without their dedication to the mission of the OIG, this report would not have been made possible.

The Office of the Inspector General's purpose is "to ensure honesty and integrity in City government by rooting out waste, abuse, fraud, and corruption." Waste, abuse, fraud or corruption committed by a government official, employee, contractor and/or any person affiliated with the governmental entity is like a disease that spreads unless it is first detected, contained, and treated or rooted out.

While actions generally speak for themselves, in a government setting, sometimes perception can be just as important. Government officials, employees and contractors must not only act in good faith, but must project transparency with whom they interact. When one person looks or acts badly, the image of the entire City is affected by that one person's conduct.

Integrity is what is perceived by the public through the honest conduct of the government. Honesty requires transparency in our official conduct and the people can only gain our trust when we act in the best interest of those whom we serve.

Honesty and integrity are not ideals or principles, they are ways with which we must govern and conduct business in the City. People must be able to trust and respect those who govern at their behest. Lest we forget in Detroit, the OIG is here to remind ourselves of the same.

Introduction

Prior to filing for bankruptcy in 2013, the City of Detroit suffered another negative historic moment in 2008. At the request of the Detroit City Council, then Governor Jennifer Granholm presided over a forfeiture hearing of then Mayor Kwame Kilpatrick, who was criminally charged with public corruption and eventually sentenced to a lengthy prison term.

Shortly thereafter, the 2009 Charter Commission was created to review and recommend certain revisions to the Charter. The people of the City of Detroit later adopted the Commission's recommendations on November 8, 2011 to ensure such negative history does not repeat itself. The 2012 Detroit City Charter therefore contains lessons learned in 2008 and the prior years.

More specifically, the 2012 Charter of the City of Detroit created the Office of Inspector General (OIG); and provided the OIG with independent authority "to ensure honesty and integrity in City government."

Although the creation of the OIG appears to make the Inspector General (IG) omnipotent over all branches of City government and contractors, its powers are limited under the Charter.

Specifically, Section 7.5-305 of the Charter limits the jurisdiction of the IG to "the conduct of any Public servant and City agency, program or official act, contractors and subcontractors . . . business entities . . . and persons" seeking certification or who are participating in "any city programs."

Section 7.5-306 of the Charter further restricts the power and the authority of the IG to "investigate. . . in order to detect and prevent waste, abuse, fraud and corruption;" and to report such matters and/or recommend certain actions be taken in accordance with Sections 7.5-308 and 311.

To conduct such investigation, Section 7.5-307 of the Charter provides the IG with the power to subpoena witnesses and evidence; to administer oaths and take testimony of individuals; to enter and inspect premises; and to enforce the same.

The Charter further requires that every public servant, contractor, subcontractor, licensee, applicant for certification to cooperate in the IG's investigation, as failure to do so would subject that person "to forfeiture of office, discipline, debarment or any other applicable penalty." See, Section 7.5-310.

To encourage individuals to report "waste, abuse, fraud and corruption," Section 7.5-313 prohibits and all investigative files deemed confidential except where production is required by law; and Section 7.5-315 prohibits retaliation against any persons who participate in the IG's investigation.

In keeping with due process, Section 7.5-311 of the Charter requires that when issuing a report or making recommendations "that criticizes an official act," the affected party be allowed "a reasonable opportunity to be heard at a hearing with the aid of counsel."

Since all governmental bodies must be held accountable in their role, the Charter requires that the IG issue quarterly reports to the City Council and the Mayor, which shall be made public and published on the City's website. See, Section 7.5-306.

The Detroit Office of Inspector General is a proud and active member of the Association of Inspectors General (AIG). The Association is the professional organization for offices dedicated to government accountability and oversight. The Detroit Office of Inspector General was founded on the model principals of the Association. One of the most important roles the AIG plays is establishing and encouraging adherence to quality standards through its certification program. Each OIG staff member has participated in AIG training and received their certification in their area of discipline. The Detroit Office of Inspector General joins a growing community of municipal Inspector General Offices across the country including Chicago, Baltimore, New Orleans, New York, and Philadelphia. What used to be a tool for good government for Federal and State Agencies is now making its way to local government.

Office of the Inspector General Organizational Structure: 3rd Quarter of 2017

Between July 1, 2017 and September 31, 2017, the organizational structure of the City of Detroit Office of the Inspector General consisted of the following:

James Heath, Esq., **Inspector General**;
Kamau Marable, **Deputy IG**;
Jennifer Bentley, Esq., **OIG Attorney**;
Edyth D. Porter-Stanley, **Forensic Auditor**;
Beverly L. Murray, **Forensic Auditor**;
Jacqueline Jackson, **Investigator**;
Kelechi Akinbosede, Esq., **Investigator**;
Derek Miller, **Investigator**;
Kasha Graves, **Administrative Assistant**; and
Tracey Neal, **Administrative Assistant**.

It is important to note the City of Detroit has three (3) different agencies which employ auditor(s) who perform unique function for each agency. With three (3) different types of auditors performing different functions, it is common to confuse their activities and purpose.

OAG Auditors

The OAG, like the OIG, is an independent agency pursuant to Article 7.5, Chapter 1 of the 2012 Charter of the City of Detroit (Charter). The Charter provides the OAG the authority to “make audits of the financial transactions, performance and operations of City agencies based on an annual risk-based audit plan prepared by the Auditor General, or as otherwise directed by the City Council. . . .” Therefore, the OAG provides internal audits of the City.

The OAG’s internal auditors conduct reviews of City of Detroit departments and programs, usually on regular time intervals. They report on internal control weaknesses, lack of compliance with policies and procedures, laws and regulations that result in project inefficiencies, and financial abnormalities.

External Independent Auditors

The City of Detroit, through its Office of the Chief Financial Officer, is also required to perform an audit of the City by external auditors on an annual basis.

The external auditors perform the annual financial audit to certify the accuracy of the financial information presented in the City's Comprehensive Annual Financial Report (CAFR). They accomplish this with an approach similar to that of the OAG, but the external auditors examine the financial accuracy of the CAFR, rather than a specific program or department.

OIG Forensic Auditors*

The American Institute of Certified Public Accountants (AICPA) and the Institute of Internal Auditor (IIA) both state that the primary purpose of external and internal audits is not to detect and identify fraud. However, *detecting and identifying fraud is the primary purpose of the OIG forensic auditors.*

The OIG's forensic auditors are specially trained to examine various financial records, reveal fraudulent activities, and identify criminal suspects. They are able to use this expertise to identify missing funds, and the reasoning for these missing funds, in conjunction with fraud investigations. As such, the auditors from the OIG often work with the auditors from the OAG; and audits performed by respective agencies complement one another. Some of the OIG investigations which are assigned to the OIG auditors are referrals from the OAG.

The OIG is currently working on policies and procedures to proactively identify fraudulent trends that can help spawn additional OIG investigations and cases for criminal prosecution.

How OIG Complaints Are Received

The OIG receives complaints in the following manner:

Via Internet: www.detoig.org or www.detroitmi.gov/inspectorgeneral

(The on-line complaint form is on a secure server, which allows individuals to provide information on a secure electronic report form 24 hours a day, 7 days a week.)

Via Telephone Hotline: 313-964-TIPS or 313-964-8477

Via OIG Telephone Line: 313-628-2517 or 313-628-2114

Via Facsimile: 313-628-2793

Via Mail: City of Detroit Office of the Inspector General
65 Cadillac Square, Suite 3210
Detroit, Michigan 48226

Via Personal Visit to the OIG Office at the above address.

Some complaints are referrals from the city's various departments and agencies. The OIG is proud of the professional relationship it maintains with its fellow public servants.

How OIG Complaints Are Resolved

All complaints submitted via the website automatically generate an OIG File with a complaint number.

Most complaints, either audio or on paper will result in an OIG File with a complaint number.

Some complaints received over the telephone directly by OIG personnel may result in a referral to another City department or agency, or to another legal entity. For example, the OIG does not handle matters involving private parties, such as identity theft, land-lord tenant dispute, or personal injury. In these cases, the OIG will refer the complainant to the appropriate entity without creating an OIG File.

Based on initial review of the complaint, one or two of the following may occur:

- 1) An investigative file may be opened and a new file number will be assigned;
- 2) An OIG employee may follow up with the complainant to obtain additional information pertaining to the complaint;
- 3) The OIG will send a letter stating that we have decided not to investigate your complaint or that we have closed your complaint (*sometimes, we are not able to obtain additional information from the complainant which may assist us in determining whether we are able to investigate the allegations made in the complaint*);
- 4) A referral to another department, agency, or legal entity, such as the City's Ombudsman's Office, Detroit Police Department, City of Detroit Buildings, Safety Engineering, and Environmental Department, Wayne County Sheriff or Prosecutor's Office, FBI, Michigan Department of Health and Human Services, or a legal aid office; or
- 5) The OIG will close the complaint without notifying the complainant. This usually occurs when the complainant has not left contact information or if the OIG does not believe it is appropriate to contact the complainant.

(For example, on occasion, two complainants with competing interests will file separate complaints with the OIG. If the OIG has a reasonable suspicion that criminal charges may result from a law enforcement investigation, the OIG will not notify either complainant before referring the case and closing it.)

Based on the OIG's historical data, the majority of complaints received by the OIG do not result in an investigation. However, all of the complaints are carefully reviewed before the complaint is rejected or referred to another agency.

For example, in the first three quarters of 2018, the OIG received 204 complaints but only initiated 32 investigations. One of the primary reasons we did not initiate investigations into all complaints is a common misunderstanding of the OIG's jurisdiction. People often mistake the OIG as an agency which performs inspection of buildings or as an agency which enforces the law. Therefore, we typically receive an inordinate amount of requests for building inspections. Other common

complaints involve parking ticket resolutions, identity theft, and property owner disputes. The OIG attempts to aid each complainant in finding the appropriate entity to resolve their problems. In particular, our administrative support staff works tirelessly to ensure that each complaint is addressed appropriately in a professional manner. Therefore, the initiated investigations-to-complaints ratio should not be confused with the OIG's workload.

How OIG Investigations Are Conducted and Resolved

The OIG may initiate an investigation based on information received in the complaint or on its own initiative.

An investigation is initiated when an Investigative File is opened and an auditor(s) and/or investigator(s) is/are assigned to the file.

An investigation would generally involve one or more of the following:

- 1) Interview of complainant(s) and/or witness(es);
- 2) Acquisition of evidence and/or documents and review of the same; and
- 3) Analyses of the evidence and/or documents reviewed, including forensic audit or review.

An OIG investigation would result in findings by the OIG, which may substantiate the complainant's allegation of waste, abuse, fraud or corruption in the City's operation or personnel or that of its contractors and/or subcontractors.

In some instances, although the complainant's allegations do not equate to waste, abuse, fraud or corruption, during the investigation of the allegations, the OIG may find other instances of waste, abuse, fraud or corruption. In such instances, the OIG will launch a separate investigation on its own initiative.

Likewise, if the investigation reveals that criminal activity may be involved, pursuant to Section 7.5-308 of the 2012 Charter of the City of Detroit (the Charter), the Inspector General is required to "promptly refer the matter to the appropriate prosecuting authorities."

The OIG summarizes the findings of the investigation in the OIG's final report. However, pursuant to Section 7.5-311(1) of the Charter, "no report or recommendation that criticizes an official act shall be announced until every agency or person affected [by the report or recommendation] is allowed a reasonable opportunity to be heard at a hearing with the aid of counsel."

The Inspector General conducts the hearing pursuant to Sections 2-111 and 7.5-311 of the 2012 Charter, and in accordance with the OIG Administrative Rules for Hearings.

Lastly, Section 7.5-311(2) of the Charter requires "after the hearing, if the Inspector General believes it necessary to make a formal report, a copy of any statement made by an agency or person affected shall accompany the report."

2017 3rd QUARTER OIG STATISTICS

(July 1, 2017 – September 31, 2017)

Sources of Complaints Received by the OIG in the 3rd Quarter of 2017*

Complaint Source	Number Received
Internet (Website)	N/A
Telephone Hotline	N/A
OIG Telephone	N/A
Mail	N/A
Personal Visit	N/A
Email	N/A
Total	N/A

Categories of Complaints Received by the OIG in the 3rd Quarter of 2017*

Categories of Complaints	Number Received
Waste	N/A
Abuse	N/A
Fraud	N/A
Corruption	N/A
Other	N/A

Number of Complaints Resolved by the OIG in the 3rd Quarter of 2017*

Open investigative files	N/A
Decline investigation or Referral	N/A

* “N/A” stands for “Not Available” for the reasons stated below.

On October 11, 2017 the OIG launched its new case management system. The legacy system was shuttered as of that time because our contract had ended with that vendor.

Data from the previous case management system was not able to be ported to the new case management and tracking system. This left us unable to provide statistical data for the cases previously managed in the old system and we are unable to generate an accurate report that reflects our work for the 3rd quarter of Calendar Year 2017. However, we have been able to retain documents related to most of our investigations

Categories of OIG Investigations Initiated in the 3rd Quarter of 2017*

Categories of Investigations	Number Received
Waste	N/A
Abuse	N/A
Fraud	N/A
Corruption	N/A

Status of OIG Investigations in the 3rd Quarter of 2017

Open*	Closed
N/A	9

* "N/A" stands for "Not Available" for the reasons stated below.

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Short Summary of Investigations Closed in the 3rd Quarter of 2017

The following reflects nine (9) investigations the OIG closed in the 3rd Quarter of 2017 with an accompanying synopsis for each investigation.

2012-003

The complainant alleged that the Department of Human Services (DHS) awarded a contract without soliciting other bids, and that DHS made purchases under the contract that were improper. The department had identified multiple deficiencies in the contract which led to the termination of then DHS director, and a procurement provision that requires that City Council is notified of other bids received prior to awarding the contract. The OIG subpoenaed documents to further investigate the DHS bid process. However, the new director was unable to locate the documents. Without the documents, the OIG was unable to complete its investigation, but found that changes made in the procurement process were sufficient to prevent a similar situation in the future.

2012-0014

The complainant requested the OIG to review advance check process for outstanding emergency or vacation advances. A prior investigation by the Human Resources Department (HRD) revealed employees were abusing the advance check process. A former employee in Payroll Audit was terminated for initiating advances outside of the normal process, and allowing the advances to be paid back in installments instead of one payment as required. The OIG reviewed the reports of the employees who received advanced checks and created a random sample to audit for additional fraud. All of the employees on the sample had repaid their advance.

Because HRD had eliminated emergency and vacation advances and the changes implemented by the department were sufficient to address the problem, the OIG had no further recommendations.

2013-NA-0043

The complainant alleged the former Deputy Director of the Buildings, Safety Engineering, and Environmental Department (BSEED) had a conflict of interest when he hired a relative as an administrative assistant. The complainant further alleged the selected candidate did not meet the requirements of the position. The OIG spoke with the former Deputy Director, who stated that the two were not related and that he was not directly involved in the hiring process. The OIG also reviewed the applications and interview scores of all of the applicants for the position and found no evidence of fraud, abuse, waste or corruption.

2014-NA-0276

The complainant alleged that the City of Detroit Police and Fire Retirement System (PFRS) was using race as a determining factor when awarding duty-related disability retirement benefits to firefighters. The complainant alleged that although their injuries were similar, black fire fighters were denied duty disability benefits while white fire fighters were approved for the benefits. The complainant provided the names of six (6) fire fighters for review. The OIG reviewed the claims and found they were not similar. The three (3) white fire fighters identified by the complainants were not eligible for duty-disability claims, but were eligible for duty death benefits, which has different criteria for approval for benefits. The OIG also reviewed the Medical Director's reasons for denial of duty disability benefits for the black fire fighters and found there was no direct correlation between their heart conditions and their work. As such, the OIG found the

PFRS Medical Director did not abuse his authority in making such determinations and closed the investigation.

2015-CF-0055

The complainant alleged that the Detroit Department of Transportation (DDOT) altered the invoices his company submitted for payment and pocketed the difference in payments. The complainant also alleged that changes implemented by DDOT to the service area and mileage verification methods violated the terms of his contract. Because the OIG does not have jurisdiction to interpret contracts, we did not opine whether the changes were appropriate. However, the OIG did review the invoices submitted by the complainant, as well as the alleged changes to the invoices made by DDOT. Based on our investigation, the OIG learned that DDOT is paid by the Federal Transit Administration (FTA) on a reimbursement basis. Therefore, DDOT only received payment after submitting proper documentation to the FTA and proof of payment to its vendors. The FTA confirmed DDOT was submitting adjusted invoices and explained the reason for the changes in the invoices. The OIG found no evidence to support the allegation that DDOT was requesting payment for the full invoice amount and then only paying the vendor the reduced invoice amount.

2016-DA-0085

The complainant alleged that the City of Detroit Clerk's Office committed fraud in their handling of the election ballots for the November 8, 2016 presidential election. The OIG determined that elections are under the jurisdiction of the State of Michigan's Bureau of Elections (BOE). In an effort to ensure that the complainant's concerns were addressed, the OIG reviewed the BOE's audit reports of the City of Detroit's Administration of the November 2016 elections and concluded that their findings and recommendations provided adequate guidance to address complainant's concerns. The OIG closed the case with no action.

2017-CF-0039

The OIG received a complaint from the Detroit Land Bank Authority (DLBA) alleging that ABC Demolition submitted altered photographs purportedly showing two undamaged sidewalks. A Michigan State Housing Development Authority (MSHDA) representative noticed that the photos appeared doctored and contacted the DLBA. A DLBA employee went to the location and observed that the sidewalk at one of the addresses had been replaced but the sidewalk at the other address remained damaged. However, both photos submitted to the DLBA did not reflect a true representative of the sidewalks bordering the properties in question.

The Vice President of ABC Demolition admitted to altering the photographs during the OIG interview. He stated he was frustrated with recent DLBA policy changes but acknowledged that his actions were unacceptable. The OIG recommended that ABC Demolition be sanctioned in accordance with DLBA policy. Consistent with our recommendation, the DLBA issued a suspension to ABC Demolition which precluded them from bidding on future demolition contracts.

17-0054-INV

The complainant received a letter from a debt collection agency that claimed to be contracted by the City of Detroit, stating that he owed \$1,457 in delinquent city income taxes. However, according to the complainant, he never lived in Michigan. After the contractor requested a copy of the complainant's driver's license, he thought it best to contact the OIG for assistance. The OIG determined that the Office of the Treasury was the proper entity to resolve the complainant's allegations, and closed the case after notifying the complainant.

2017-DF-0057

The OIG received a complaint that made multiple allegations of abuse against the Detroit Police Department (DPD), Detroit Fire Department (DFD), and BSEED. The complainant alleged that while he was in the hospital suffering from a gunshot wound someone set his home on fire which rendered it uninhabitable.

The complainant stated that there was no fire investigation and the police investigation into the shooting is inactive. In the interim, BSEED placed his home on the dangerous buildings list, soon after the fire. The complainant alleged he intended to use his \$12,000 insurance payment to demolish the home, which he believed would have cost him between \$6,000 and \$8,000 based on estimates he received from various demolition companies. However, the City of Detroit spent \$12,400 to demolish his home.

He further alleged he received no notification that his property was being placed on the dangerous buildings list. The OIG informed the complainant that we were unable to conduct an investigation into a criminal investigation being conducted by DPD. However, we were able to investigate whether there was any abuse regarding the demolition of the complainant's property.

The OIG investigation found that BSEED followed its *Demolition Procedures 1.1.17* by sending a certified letter to the complainant as well as posting a Dangerous and Unsafe Notice to his property. The certified letter was returned to BSEED marked as "attempted - unable to forward." It was the complainant's responsibility to monitor his property and have his mail forwarded. The OIG found that BSEED took all the required and appropriate steps to notify the owner of the demolition.

The Detroit Building Authority issued a bid for an emergency demolition of the complainant's home. Three bids were received and it was awarded to the lowest bidder at \$12,400. This price was inclusive of not just the demolition, but of the backfill, seeding, and grading costs. Again, the OIG found that city policy was followed by engaging in a competitive bid process. The OIG found no abuse in this process.

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