

CITY OF DETROIT
OFFICE OF INSPECTOR GENERAL



REQUEST TO CLOSE INVESTIGATION MEMORANDUM

DATE:

September 21, 2022

TO: Ellen Ha
Inspector General

Approved  _____

FROM: Kelechi Akinbosede
File Manager

Jennifer Bentley
Attorney for OIG

RE: OIG FILE #: 20-0001-INV
Pension Scam

COMPLAINANT INFORMATION: Anonymous

I. Summary

The Office of Inspector General (OIG) received a complaint which alleged Janice Knobelsdorf fraudulently collected pension benefits from the City of Detroit Police and Fire Retirement System (PFRS). The complainant alleged that Ms. Knobelsdorf remarried in the state of Tennessee but did not change her last name because she wanted to continue collecting her former husband's pension benefits.

Based on our investigation, the OIG found that Ms. Knobelsdorf began receiving monthly pension benefits following her late husband's death in 1982. She intentionally concealed the change in her marital status in 1999 in an attempt to continue receiving pension benefits, in violation of PFRS pension rules. At the time the OIG discovered this information, the failure to disclose this information constitutes fraud resulting in a financial loss to PFRS in the amount of \$167,510.33. Based on our review of this matter, while Ms. Knobelsdorf may appear to be a sympathetic witness, she nevertheless committed fraud and took advantage of the system to enrich herself at the cost of other legitimate beneficiaries of PFRS. In light of the current financial crisis in the City and the State, the OIG believes it is more important than ever before that individuals who defraud the system for ill-gotten gains be held accountable.

Because the fraud committed by Ms. Knobelsdorf, in accordance with Section 7.5-308 of the 2012 Charter of the City of Detroit, the OIG referred the case to the Wayne County Prosecutor's Office (WCPO) for further review. The case was accepted by the WCPO and Ms. Knobelsdorf was charged with a two-count Felony for False Pretenses \$100,000 or More and Stolen Property-Receiving and Concealing \$20,000 or More.¹ The OIG worked with the Wayne County Prosecutor's Office throughout their investigation. On June 21, 2022, Ms. Knobelsdorf pled guilty to a reduced charge of Obtaining Money by False Pretenses². On September 21, 2022, she was sentenced to probation for three years, ordered to pay \$50,000 in restitution, 100 hours of community service, and relinquish any rights to further pension benefits from the City of Detroit.³

II. Background

In accordance with the complaint, the OIG initiated an investigation to determine whether Ms. Knobelsdorf committed fraud by failing to report her change in marital status to continue collecting pension benefits. Evidenced collected by the OIG showed that Richard Knobelsdorf began his employment as a City of Detroit firefighter in 1970.⁴ On December 15, 1982, Mr. Knobelsdorf died in a car accident while off-duty.⁵ He had 12 years of service with the fire department. Mr. Knobelsdorf was survived by his wife, Janice, and children, Timothy, Tracy, Michael, and Christopher. Upon Mr. Knobelsdorf's death, Ms. Knobelsdorf began collecting monthly pension benefits from the City of Detroit Police and Fire Retirement System (PFRS).⁶

A. PFRS Pension Rules

Prior to 2001, PFRS followed Part D, Section F-16 of Article F of the pension rules, which stated that, if a member dies on duty, the surviving spouse shall receive a monthly pension equal to five-elevenths of the maximum pay for the rank of firefighter for the Spouse's lifetime. However, for non-duty related deaths, if the member had less than 25 years of service prior to July 1, 2001, payments to the spouse terminate if the spouse remarries.⁷

We note that in 2011, the remarriage penalty was removed, retroactive to July 1, 2001, at which time the City of Detroit PFRS adopted new pension provisions under the Master Agreement between the City of Detroit and the Detroit Fire Fighters Association (DFFA).⁸ Under this new rule, the remarriage penalty on all pensions was removed, meaning a surviving spouse's marital status no longer affects whether he or she receives a pension. The agreement

¹ OIG Correspondence with Detective Anthony Domek dated October 27, 2021.

² Email from Assistant Wayne County Prosecutor Louisa Papalas to OIG Investigator Kelechi Akinbosede, Inspector General Ellen Ha, and Deputy Inspector General Kamau Marable regarding Janice Knobelsdorf, 22-000664-01—FH, dated June 21, 2022.

³ Email from Assistant Wayne County Prosecutor Louisa Papalas to Inspector General Ellen Ha, and Attorney Jennifer Bentley, dated September 21, 2022.

⁴ Richard Knobelsdorf's Employee History File.

⁵ OIG Correspondence with Reginald Jenkins dated January 16, 2020.

⁶ Janice Knobelsdorf's Affidavit of Eligibility.

⁷ PFRS Old Rules.

⁸ Master Agreement between City of Detroit and Detroit Fire Fighter's Association.

was signed by DFFA and City officials in November 2011 and approved by Detroit City Council in December 2011.⁹

It is important to note the new PFRS rule under the Master Agreement's remarriage policy did not take effect until well-after Ms. Knobelsdorf was remarried in 1999. However, the new PFRS rule pertaining to eligibility of benefits based on marital status was not made retroactive. Therefore, it is our understanding that an individual who remarried and was cut off from receiving pension benefits under the old rule could not reapply for pension benefits after the new rule took effect.¹⁰ In this instance, had Ms. Knobelsdorf reported her remarriage in 1999, she would have been immediately disqualified from receiving any pension benefits. Further, she would not have been eligible to reapply for the surviving spouse benefits after 2001.

B. Affidavit of Eligibility Requirement

Under the PFRS pension provisions in effect when Ms. Knobelsdorf began receiving benefits, Ms. Knobelsdorf was required to submit an annual Affidavit of Eligibility certifying her marital status as a single person. The Affidavit of Eligibility states, in part, that

a surviving spouse must notify PFRS should his or her single marital status change. Remarriage cuts off eligibility to receive payments from the date of marriage. Any checks sent to the surviving spouse after such date must be returned to PFRS uncashed. Failing to notify PFRS on any change in marital status and concealing such information may constitute a fraud.¹¹

Therefore, under the old rule, Ms. Knobelsdorf was required to notify PFRS when she remarried and PFRS would have terminated her status as a recipient of the benefits. Sometime after the adoption of the new rule, PFRS sent letters to individuals who were on the pension payroll at the time of the rule change, informing them of the change to the remarriage policy, where it is no longer necessary to submit an annual Affidavit of Eligibility to certify marital status. On April 17, 2007, PFRS sent such letter to Ms. Knobelsdorf informing her of the new policy.¹² However, the change in the PFRS's policy pertaining to remarriage does not apply to Ms. Knobelsdorf, as she was no longer eligible to receive any benefits when she remarried in 1999. More importantly, Ms. Knobelsdorf was prohibited from reapplying for the benefits under the new rule.

III. Analysis and Findings

On July 6, 1999, Ms. Knobelsdorf married Edward Lokosis in Sevierville, Tennessee.¹³ They both currently reside together in St. Clair Shores, Michigan. At the time of her marriage,

⁹ *Id.*

¹⁰ OIG Correspondence with PFRS Staff dated April 7, 2020 and April 9, 2020.

¹¹ Janice Knobelsdorf's Affidavit of Eligibility.

¹² Letter from PFRS to Janice Knobelsdorf, dated April 17, 2007.

¹³ Marriage Confirmation showing Janice Knobelsdorf and Edward Lokosis were married on July 6, 1999 in Sevier County, Tennessee from the County Clerk's website.

Ms. Knobelsdorf was bound by the old PFRS rules, where she was required to report the change in her marital status and stop receiving pension benefits, after her remarriage in 1999. However, she did not report the change in her marital status to PFRS, as she was required to do so. As to PFRS, because they were not aware of Ms. Knobelsdorf's change in marital status, PFRS continued to send monthly payments to Ms. Knobelsdorf for almost 21 years.

From 1999 to 2006, Ms. Knobelsdorf fraudulently submitted timely notarized Affidavits of Eligibility attesting that that she was still single. She only stopped sending the forms upon receiving notice from PFRS in 2007 about the rule change that no longer required her to submit an Affidavit each year. There is no evidence showing that Ms. Knobelsdorf disclosed the change in her marital status or returned any checks to PFRS as required under the rules.

IV. Conclusion

As evident in the plea agreement, the OIG finds that there is sufficient evidence to conclude that Ms. Knobelsdorf intentionally concealed her marital status and submitted fraudulent documentation in an attempt to defraud the City of Detroit. We note on May 13, 2020, Ms. Knobelsdorf was charged with a two-count Felony for False Pretenses \$100,000 or More and Stolen Property-Receiving and Concealing \$20,000 or More by WCPO.¹⁴ On November 2, 2021, Ms. Knobelsdorf turned herself in on the Felony warrant and was arraigned.¹⁵

The OIG worked with the WCPO¹⁶ throughout the investigation and the plea bargaining process. It should be noted that during a meeting with Mr. Cetlinski and Mr. King, the OIG learned that PFRS was still paying Ms. Knobelsdorf pension payments even after she was charged¹⁷, bringing the new total pension payments to \$184,238.87.¹⁸ Mr. Cetlinski confirmed that PFRS cannot just stop paying people's pension because it is something that they earned. However, if PFRS received a court order telling them to stop payments or to put the funds in an escrow account, they would comply. However, PFRS has no policy to stop payments even for allegations of fraud. Louisa Papalas, Assistant Wayne County prosecutor, confirmed that she cannot control the process by filing a motion to put the payments in escrow because Ms. Knobelsdorf has not been convicted of any crime. However, it is the typical practice in Wayne County to place funds in escrow while a case is pending.¹⁹

On June 21, 2022, Ms. Knobelsdorf pled guilty to a reduced charge of Obtaining Money by False Pretenses. On September 21, 2022, she was sentenced to probation for three years, 200 hours of community service, and ordered to pay \$50,000 in restitution.²⁰ At sentencing, Ms. Knobelsdorf paid \$6,000 in partial restitution and agreed to pay the remaining balance over the

¹⁴ OIG Correspondence with Detective Anthony Domek dated October 27, 2021.

¹⁵ *Id.*

¹⁶ Assistant prosecuting Attorney Louisa Papalas and Detective Anthony Domek.

¹⁷ OIG Meeting with Dave Cetlinski and Ron King on March 15, 2022.

¹⁸ Calculated from the total pension benefit payments from April 2020 to March 2022.

¹⁹ OIG Correspondence with Louisa Papalas.

²⁰ Email from Assistant Wayne County Prosecutor Louisa Papalas to OIG Investigator Kelechi Akinbosedo, Inspector General Ellen Ha, and Deputy Inspector General Kamau Marable regarding Janice Knobelsdorf, 22-000664-01—FH, dated June 21, 2022.

duration of her probation. She also submitted a letter of apology to the PFRS acknowledging her actions and agreed to relinquish any rights to further pension benefits from the City of Detroit.”²¹

V. Recommendation

Therefore, the OIG recommends that PFRS develop policies to ensure pensioners are accurately reporting truthful information. PFRS should also develop policies that state that if a pensioner is charged with fraudulently receiving benefits, such benefits will be put in escrow pending the outcome of the criminal matter. If convicted, the pensioner would then forfeit all benefits in escrow, pay restitution on all ill-gotten proceeds, as well as forfeit any future pension benefits. The OIG further recommends that PFRS work with their attorneys in drafting this language to ensure this complies with all applicable laws.

VI. Evidence Reviewed

a. Interviews

1. Complainant
2. Reginald Jenkins, 2nd Deputy Fire Commissioner
3. David Cetlinski, PFRS Executive Director
4. Kelly Tapper, PFRS Assistant Executive Director
5. Ron King, PFRS Counsel
6. Anthony Domek, Wayne County Detective
7. Louisa Papalas, Assistant Wayne County Prosecutor

b. Documents

1. Westlaw reports on Janice Knobelsdorf, Richard Knobelsdorf, and Edward Lokosis.
2. Richard Knobelsdorf’s Employee History File
3. Richard Knobelsdorf’s Obituary.
4. Affidavit of Eligibility Forms.
5. Marriage Confirmation.
6. Pension Payments made to Ms. Knobelsdorf from 1999 to 2022.
7. Memorandum of Understanding (MOU) between the City of Detroit and the Detroit Fire Fighters Association (DFFA).
8. Master Agreement between the City of Detroit and DFFA.
9. Old PFRS Rules on Pension Benefits.
10. Ms. Knobelsdorf’s signed Affidavit of Eligibility forms from 1999 to 2006.
11. 2007 Letter from PFRS to Ms. Knobelsdorf.

²¹ Email from Assistant Wayne County Prosecutor Louisa Papalas to Inspector General Ellen Ha and Attorney Jennifer Bentley, dated September 21, 2022.