

ANNUAL
REPORT

2012

CHICAGO BOARD OF EDUCATION
OFFICE OF THE INSPECTOR GENERAL

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INTRODUCTION FROM THE INSPECTOR GENERAL

This Annual Report is being provided to the Chicago Board of Education and the Illinois General Assembly pursuant to the School Code of Illinois, 105 ILCS 5/34-13.1(e). This report summarizes investigations conducted by the OIG in Fiscal Year 2012, the period between July 1, 2011 and June 30, 2012.

The Annual Report also serves as a forum for communication with the General Assembly, the Board, and all CPS stakeholders concerning other relevant issues confronting the OIG.

BUDGET/STAFFING

As reported every year, the OIG's budget allocation fails to allow the OIG to perform its mandated function, as the OIG is significantly under-staffed and under-funded. As highlighted in the FY 11 Annual Report, the OIG is the smallest local oversight office relative to the size of the agency it oversees. The OIG receives the smallest percentage of its agency's budget and has the highest ratio of agency staff to OIG staff of any local oversight office. In addition, the OIG has seen a 70% caseload increase since FY 07, when OIG staffing was reduced to its current level. Along with the caseload increase, the OIG now spends an increasing amount of time on post-investigation activity including document reproduction, preparations for and testimony at administrative hearings, labor arbitrations and criminal trials as well as other necessary tasks. As a result, in FY 12, only 27.5% of complaints received resulted in an OIG investigation, which creates a substantial risk that waste, fraud, financial mismanagement and employee misconduct go undetected.

The OIG has been making recommendations for enhancements to CPS oversight offices — Ethics, Internal Audit and OIG — for years. CPS contracts are lucrative — as seen below with the OIG's FY 12 investigations of two of the largest CPS vendors. Hundreds of employees at central office and in schools have contract management authority and the ability to request and approve payments to vendors. The OIG continually reports on misconduct, incompetence and corruption related to these issues. However, without an increase in budget and staffing levels, the risk of issues going undetected increases every year.

SIGNIFICANT CASES FY 12

1. *Ethical Misconduct*

Despite budget and staffing shortfalls, the OIG conducted numerous significant investigations of flagrant misconduct and unscrupulous management practices in FY 12. As summarized beginning on page 8 of this report, the OIG investigated serious ethical misconduct by large CPS vendors and high-level management employees. These significant ethical lapses — wining and dining employees and providing other inducements in exchange for preferential treatment — highlight the need for enhanced internal controls to prevent and/or detect this malfeasance. The OIG continues to recommend that CPS

enhance its Ethics Office to help stem the tide of ethical misconduct. That recommendation has fallen on deaf ears.

The serious unethical conduct noted in this Annual Report unfortunately involves CPS vendors that may be too big to debar — meaning that removing the vendors from the marketplace would critically affect the ability of CPS to provide necessary services at market prices. In light of that, the OIG recommended other sanctions, specifically a vendor funded monitor who would report to CPS concerning its review of vendor interaction with CPS staff and vendor expenditures related to CPS engagements. That recommendation was not followed in one matter and is under consideration in another.

2. Tone-at-the-Top

Following up on an issue that came to light in FY 11, the OIG this year recommended (Page 29) that the Board rescind two residency waivers, one an actual waiver granted by the Board and the other a constructive waiver based on a failure to enforce the Residency Policy to avoid negative publicity. The waivers, especially the Board-granted waiver to a high-ranking administrator, sent a message throughout CPS that the Board was willing to treat certain employees preferentially, making it extremely difficult to enforce its long-standing Residency Policy. To date, unfortunately, the residency waivers are still in effect.

3. Fraudulent Free and Reduced-Price Meals Applications

Once again, the OIG reports on a cohort of employees who falsified lunch forms for their children who attend CPS. (Pages 19-26) This year, the OIG proactively reviewed free lunch eligibility of children of principals and assistant principals and found numerous falsified lunch forms. Since data from lunch forms is utilized in formulas to determine National School Lunch Program funding, Federal Title 1 allocations, Supplemental General State Aid and federally funded E-Rate reimbursements, the OIG continues to review these issues in hopes that CPS will one day provide accurate poverty information to its critical funding sources. Including this latest group of employees, the OIG in the last four years, has reported on approximately fifty-one cases of meal application fraud involving fifty-five CPS employees. The cases reported this year are especially important because the results show that fraud is being committed by high-level and highly-paid CPS administrators and that the lucrative federal and state benefits tied to the forms drives the fraud. In addition, some of those investigated told the OIG that they were coached or encouraged by their supervisors to falsify lunch forms. Cumulatively, the issues the OIG has reported on suggest widespread, systemic fraud.

The possibility of system-wide fraud is crystallized by the fact that reliable census data suggests that CPS student eligibility for free or reduced-price meals should be around 67% — approximately 20% lower than reported by CPS. In addition, prior to the 2012-13 school year, CPS opted out of the Community Eligibility Option (CEO) program offered by the U.S. Department of Agriculture which would have based free or reduced-price meal

eligibility on the percentage of community students who qualified for the Supplemental Nutrition Assistance Program (SNAP) or the Temporary Assistance for Needy Families (TANF) program rather than self-reported information. Presumably, the CEO would have critically diminished CPS federal and state funding. In short, a comprehensive solution, involving federal and state authorities is necessary.

COOPERATION

As always, the OIG continues to work alongside federal and state law enforcement and prosecutorial authorities, when appropriate, to ensure that serious breaches of the law are properly investigated and prosecuted. The OIG also cooperates with other local oversight offices on cross-agency issues.

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MISSION

The mission of the Office of the Inspector General is to ensure integrity in the operations of Chicago Public Schools by conducting meaningful, accurate and thorough investigations into allegations of waste, fraud, financial mismanagement and employee misconduct. The OIG also reviews CPS systems, practices and procedures to determine their efficacy in preventing waste, fraud and financial mismanagement.

BUDGET

During Fiscal Year 2012, the OIG continued to perform its statutorily-mandated function, despite continued budget and staffing constraints that severely limit the OIG's ability to effectively serve the taxpayers. In FY 12, the OIG was allocated \$1.88 million and was staffed with 17 full-time employees. Compared to other oversight offices with similar responsibilities, the OIG is extremely under-funded and under-staffed. Despite these shortcomings, the OIG continues to conduct accurate, thorough and meaningful investigations resulting in increased integrity in CPS operations.

TRAINING

Many employees of the OIG are members of the Association of Inspectors General, a national organization of state, local and federal inspectors general and their staffs. The AIG offers training seminars and certification institutes for members as well as networking opportunities. Currently, seven OIG employees have earned the designation of Certified Inspector General or Certified Inspector General Investigator after undergoing training by the AIG. Participation in the AIG also allows the OIG to be trained in best practices in the performance of the Inspector General function. Locally, the OIG collaborates with IG offices from other state and local agencies to train all staff in a variety of areas related to investigations and audits.

INVESTIGATION STANDARDS

The OIG conducts its investigations in accordance with the AIG's *Principles and Standards For Offices Of Inspector General*, generally accepted principles, quality standards and best practices applicable to federal, state and local offices of inspectors general. In addition, the OIG, at all times, exercises due professional care in conducting its investigations and issuing its reports and recommendations.

FISCAL YEAR 2012 COMPLAINTS RECEIVED

In FY 12, the OIG received 1,651 complaints alleging misconduct, waste, fraud and financial mismanagement within the Chicago Public School system, including allegations of misconduct by CPS employees or vendors and allegations of students residing outside the City of Chicago and attending CPS.

FY 12's 1,651 complaints represent a 15% increase from FY11. Since FY 07, when OIG staffing was reduced to its current level of 17 employees, complaints have increased 70%.

In FY 12, the OIG received 603 anonymous complaints, 36.5% of the total complaints received during the reporting year. Although the OIG responds to anonymous complaints, it is far more challenging to begin an investigation without the ability to question the complainant and evaluate the credibility of the information received.

The table below reflects the types of complaints received by the OIG in FY 12.

Type of Complaint Received FY 12		
Residency	276	16.72%
Mismanagement	94	5.69%
Inattention to Duty	195	11.81%
Misappropriation of Funds	69	4.18%
Criminal Background	15	0.91%
Conduct Unbecoming	28	1.70%
Falsification of Attendance Records	71	4.30%
Falsification of Employment Records	1	0.06%
Falsification of School Records	92	5.57%
Test Cheating	31	1.88%
Tuition Fraud	82	4.97%
Grade Changing	9	0.55%
Violation of Acceptable Use Policy (computer/email)	11	0.67%
Violation of Magnet and Selective Enrollment Policy	7	0.42%
Contractor Violations	61	3.69%
Ethics	41	2.48%
Discourteous Treatment	55	3.33%
Losing one's professional license	7	0.42%
Preferential Treatment	20	1.21%
Fraudulent Leave of Absence	10	0.61%
Retaliation	11	0.67%
Unauthorized Use of Board Property	18	1.09%
Off Duty Criminal Conduct	64	3.88%
On Duty Criminal Conduct	134	8.12%
Miscellaneous	249	15.08%
	1651	100.00%

Since the OIG is critically under-staffed given its mission and the size of CPS, the OIG was able to initiate 455 investigations, meaning 27.5% of the complaints received by the OIG resulted in investigative action.

UPDATES FROM PREVIOUSLY REPORTED INVESTIGATIONS

DEBARMENTS

- In FY 10, the OIG reported extensively on investigations into Board Office expenditures. During the course of that investigation, the OIG sought records from two vendors that received Board funds and sought to interview two individuals affiliated with the entities. Neither vendor cooperated with the OIG investigation, and the OIG recommended that each entity and its principals be debarred. In FY 12, the Board permanently debarred the entities and principals from doing business with CPS. (8399)
- In FY 11, the OIG reported on two vendors who were actually husband and wife, who engaged in a multi-year scheme in which they knowingly submitted fraudulent invoices for technology work that made it appear that the wife performed \$44,000 worth of consulting work at the school, when in fact all of the work was done by the husband. The husband and wife submitted the invoices in a fraudulent attempt to circumvent thresholds that limit consulting contracts to \$25,000 per year by making it appear that two separate vendors — each of which on paper performed less than \$25,000 a year worth of consulting work — were doing the technology consulting work at the high school. The investigation further revealed that the wife was not a legitimate technology consultant and she performed no technology consulting work at the school. In FY 12, the husband and wife were permanently debarred from doing work with CPS. (11-00120)

CRIMINAL CONVICTION

In FY 11, the OIG reported on a high school clerk who embezzled \$1,807 of CPS funds by fraudulently diverting money from the high school's student work program into her personal bank account. The OIG found that in order to accomplish her scheme, the clerk falsified student work records and caused eight CPS checks totaling \$1,807 to be written to six students. When the fraudulently-issued checks arrived at the school, the clerk took possession of them and forged the respective student's signature on each of the checks. The clerk then subsequently countersigned each of the eight checks and deposited them into her personal bank account. The clerk was charged in the Circuit Court of Cook County with the felony offense of theft. In FY 12, the clerk pled guilty to the charges and was sentenced to a term of 18 months of conditional discharge and ordered to pay restitution. (11-00195)

CRIMINAL CHARGES

In FY 11, the OIG reported on a central office manager who engaged in a scheme through which he stole money from CPS by purchasing items for programs run by his department from a "big-box" retailer and subsequently converting much of the money used for the purchases to personal use. In the scheme, the manager either returned items that he purchased in exchange for cash or exchanged the items for personal items, including champagne, condoms, flowers, chocolate, a king size mattress, linens, expensive watches, a

\$300 coffee maker and clothing. In one part of the scheme, the manager stole at least \$8,729 in cash and merchandise. Following the investigation, the OIG referred the matter to the Cook County State's Attorney's Office. In FY 12, the central office manager was charged with theft and the matter is pending in the Circuit Court of Cook County. (10-10287)

CIVIL RECOVERY – LAWSUITS FILED AGAINST FORMER CPS EMPLOYEES

Following OIG investigations which revealed that four CPS employees fraudulently received excessive amounts of pay, in FY 12, the CPS Law Department filed four civil court actions in the Circuit Court of Cook County seeking damages totaling \$276,264 from the now-former employees.

Specifically,

- In FY 10, the OIG reported that a school clerk misappropriated school funds in that she received as much as \$31,015 in overtime pay, including pay for hours in excess of regularly scheduled hours during summer school periods, which she was not authorized to receive. The OIG investigation also revealed that the school clerk falsified her attendance records in that she routinely edited her own swipe-in time, her own swipe-out time, or both and on various occasions edited her own time to add unsupported additional hours, sometimes months after the fact, demonstrating that she did not in fact work the hours that she represented that she worked. In FY 12, CPS filed a lawsuit to collect \$93,045 in damages from the former clerk. The matter is pending in court. (7870)
- In FY 09, the OIG conducted an investigation of a high school teacher which revealed that the teacher engaged in secondary employment with another school district while on sick time with CPS. The teacher utilized CPS sick time when she was working at the other school district. In FY 12, CPS filed a lawsuit to collect \$45,342 in damages from the former teacher. The matter is pending in court. (7205)
- In FY 09, an OIG investigation revealed that a high school military instructor falsified employment records by representing that he had earned a master's degree from two universities when in fact those entities were not legitimate educational institutions but "diploma mills." Based on his fraudulent advanced degrees, the instructor was paid more than \$13,000 in additional salary. In FY 12, CPS filed a lawsuit to collect \$41,877 in damages from the former instructor. The matter is pending in court. (7118)
- In FY 09, an OIG investigation revealed that a senior analyst assigned to a central office department improperly received more than \$32,000 in salary after she had been laid off from her position with CPS. In FY 12, CPS filed a lawsuit to collect \$96,000 in damages from the former employee. The matter is pending in court. (7214)

RETIRED TEACHERS IMPROPERLY PAID \$1.3 MILLION IN BENEFIT TIME

In FY 11, OIG research revealed that retired teachers, a classification of employees called back to work as teachers following their retirement, were improperly paid benefit time — sick, holiday and vacation pay — instead of a contracted per diem rate of approximately \$233 per day. The OIG investigation revealed that between March 18, 2007 and January 27, 2011, 185 retired teachers classified under Job Code 15 were paid a total of \$1,134,069.68 in benefit time, including \$909,278.05 in holiday time; \$146,327.36 in vacation time; \$69,519.05 in sick time; and \$8,945.22 in personal benefit time. Further, the CPS payroll system did not prevent retired teachers from receiving these prohibited benefits.

Following the investigation, the OIG recommended that:

- CPS implement controls in the payroll system to ensure that retired teachers cannot accrue or be paid for prohibited benefits.
- CPS should regularly audit all job classifications, including retired teacher Job Code 15, to ensure that employees are not improperly receiving benefits.
- CPS should make it clear to newly hired retired teachers that the only compensation they will receive for their positions is the flat per diem rate specified in the collective bargaining agreement and that they will receive no additional benefits.
- CPS should explore whether it is legally possible to recover any of the money that was improperly paid to retired teachers. If it is legally possible (and the costs of such a recovery attempt would be low), CPS should attempt to recover as much of the money that was improperly paid as possible.
- CPS should conduct a system-wide audit of retired teachers to determine how many retired teachers are violating Illinois law by working for CPS as teachers on a permanent or annual basis while collecting a Chicago Teacher's pension. Once the results of the audit are available, they should be shared with the Pension Fund, and CPS should take appropriate corrective actions in individual cases.

Following the investigation, CPS "retired" Job Code 15 and the new job code is programmed to prevent retired employees from receiving benefits. Audits also ensure benefit payments are not issued. In addition, retired teachers that return to work now have compensation requirements that are defined in legislation enacted in August 2012 dictating that they cannot receive more than \$30,000 per calendar year, or work more than 100 days, unless they are an administrator. CPS also notified those retired employees who received benefits that they were paid benefit time in error, and that they were not entitled to the pay. CPS requested that the employees repay the amount they were improperly paid. Finally, a monthly audit of the retired teacher base is performed to ensure that the above items are

fully executed and data is shared with the Chicago Teachers Pension Fund (CTPF) to ensure employees are not taking advantage of benefits from CPS and CTPF. (00090)

FAILURE TO PAY RENT

In FY 09, the OIG reported that a local elected public official occupied CPS-owned property for seven years after the termination of a lease of the property without paying rent or leasehold taxes and owed CPS \$74,914.80. The OIG investigation further revealed that as a leaseholder of publicly owned property, the official has been responsible for the payment of leasehold taxes to Cook County for at least the last twenty years. At the time of the OIG report, in FY 09, these leasehold taxes totaled \$157,526.76, with penalties for non-payment totaling \$286,912.02. As such, leasehold taxes and penalties owed to Cook County by the official totaled \$444,638.78. Based on its investigation, the OIG recommended that CPS take immediate action to evict the official from CPS property, collect all rent owed to CPS by the official since the expiration of the lease, and seek all legal remedies to force the official to pay leasehold taxes owed to Cook County.

In FY 10, CPS filed a Forcible Entry and Detainer Action in the Circuit Court of Cook County. A judge in the Circuit Court of Cook County dismissed the action and directed that the cause of action be filed in the Illinois Court of Claims. CPS then filed a Forcible Entry and Detainer Action in the Illinois Court of Claims against the elected official and the State of Illinois. The matter is still pending in the Court of Claims.

In FY 12, the Cook County Collector filed a complaint against the elected official alleging that the official is personally responsible for leasehold real estate taxes totaling more than \$467,000. There had previously been a judgment and order of sale entered by the Circuit Court of Cook County.

In all of the pending litigation, the official is represented by the Illinois Attorney General's office. The elected official continues to occupy CPS property rent free. (7504)

FRAUDULENT FREE AND REDUCED-PRICE MEALS APPLICATIONS

In FY 11, the OIG reported on numerous investigations conducted at one high school. Among the numerous cases were investigations of 11 high school employees who falsified Free and Reduced-Price Meals Applications for their children who attended the school, 2 CPS employees who did not work at the school who falsified lunch forms for their children who attended the school, and an investigation of a staff member who helped others falsify lunch forms. In FY 12, discipline was enacted against all the employees. Specifically, six employees were terminated and designated ineligible to be rehired, one employee resigned in lieu of disciplinary action and was designated ineligible to be rehired, six employees received suspensions and one employee was laid off and subsequently designated ineligible to be rehired. (9243, 9713-9715, 9718-9721, 10-10025, 11-00029, 11-00032, 11-00033)

REACTION TO FREE AND REDUCED-PRICE MEALS APPLICATION FRAUD CASES

A. SENATOR DURBIN LETTER TO USDA SECRETARY

Following the release of the OIG's FY 11 Annual Report, media attention prompted United States Senator Richard Durbin to write Department of Agriculture Secretary Tom Vilsack and ask what steps USDA was taking to improve eligibility verification for free and reduced school meals. In his letter, Durbin noted that unfortunately, some adults abuse the National School Lunch Program by intentionally submitting false information in order to enroll their children into the program. Durbin asked Vilsack, "How is the USDA working with states and school districts, particularly Chicago Public Schools, to develop improved measures for fraud detection and enforcement?" Finally, Durbin noted that CPS opted out of a participating in the USDA's Community Eligibility Option (CEO) program which bases federal meal reimbursements on community participation in the Supplemental Nutrition Assistance Program (SNAP) and Temporary Assistance for Needy Families (TANF) rather than self-reported information. Durbin noted that participating in the CEO "could compromise other sources of funding and programs that rely on individual-level socioeconomic data acquired through school lunch applications."

B. VERIFICATION FOR CAUSE

Contemporaneous with the OIG's investigation of wide-spread lunch form falsification at one high school, CPS sought assistance from USDA in allowing school districts to more diligently verify data on lunch forms. Previously, USDA allowed only a small sample of forms to be reviewed and verified. USDA also allowed a for-cause review to be conducted by the school district. CPS sought the ability to use salary information of its employees as a tool to implement verification for cause and help ensure the integrity of free and reduced-price certifications. In response, the USDA issued a guidance, Memo Code SP 13-2012, which stated that school districts can use verification "for cause to review approved applications for free or reduced price meals when known or available information indicates school district employees may have misrepresented their incomes on their applications to receive free or reduced price meals for their children." In essence, the USDA gave CPS permission to check employee salary information against approved applications for free or reduced-price meals to help ensure that children of CPS employees who attended CPS were not approved for free or reduced-price meals based on fraudulently reported information.

Consistent with the above guidance from the USDA, CPS will be implementing a data matching program to verify that salaries of CPS employees reflected on lunch forms that qualify employees' children to receive free or reduced-price meals are accurate.

FISCAL YEAR 2012 OIG INVESTIGATIONS

In FY 2012, the OIG issued 101 reports documenting investigations of alleged waste, fraud, financial mismanagement and employee misconduct. The OIG conducted numerous other investigations of allegations that did not reveal evidence of wrongdoing. Pursuant to the School Code of Illinois, 105 ILCS 5/34-13.1(e), the following are summaries of the OIG investigations for which reports were submitted in FY 12.

IMPROPER EMPLOYEE VENDOR RELATIONSHIPS

A. HIGH RANKING EDUCATIONAL EMPLOYEE

1. *Egregious Ethical Misconduct*

The OIG conducted an investigation that uncovered serious ethical problems related to a high-ranking CPS administrator's dealings with three CPS educational vendors. In short, the administrator improperly accepted over \$16,900 in compensation, scholarships, dining, travel and entertainment from the three vendors.

Specifically, concerning "Vendor A", the OIG found that:

- Vendor A improperly sought and entered into a quid-pro-quo business relationship with the administrator while seeking to make a district-wide sale to CPS through the inside help of the administrator.
- Although many executives and employees at Vendor A played a hand in developing and exploiting the improper business relationship between it and the administrator, a vice-president and a local sales representative were the most involved and most culpable.
- In order win favor with the administrator and secure her aid:
 - Vendor A abused a \$10,000 scholarship that it awarded to the administrator by tying the scholarship — and an accompanying \$1,240 celebratory dinner for the administrator and her staff — to a major sales push; and
 - lavished the administrator and her staff with hundreds of dollars in additional meals and drinks.
- In response, the administrator improperly shared CPS information with Vendor A and effectively became Vendor A's inside sales representative. Among other things, the administrator:
 - exclusively told Vendor A that federal stimulus dollars were being sent to CPS Areas and worked with Vendor A on a sales strategy for approaching Chief Area Officers;
 - aggressively advocated for Vendor A with a CPS department head without disclosing the nature of her relationship with Vendor A and then told Vendor A about the details of her conversations with the department head so that Vendor

- A could better position itself to address the department head's objections without revealing the administrator's inside hand; and
- based on the conversation with the department head, the administrator formulated a plan with Vendor A whereby the administrator would take Chief Area Officer's to dinner or cocktails — which would, if necessary, be secretly paid for by Vendor A — so that the administrator could push them to purchase Vendor A's products for their respective areas.
- In the months following her scholarship award, the administrator steered at least \$287,692 of business to Vendor A through sole-source deals.
 - Executives and employees of Vendor A were willing to disguise sales pushes as non-profit charity events in order to skirt CPS ethics rules. Specifically:
 - Vendor A's sales representative advised disguising Vendor A's sales efforts and associated expenditures on CPS employees as donations from Vendor A's non-profit arm; and
 - A vice-president for Vendor A similarly proposed funneling specific money from "various business units working in CPS" through Vendor A's non-profit foundation, and another vice-president explained to colleagues that the reason that the money needed to flow through the foundation was because of CPS guidelines governing the amount Vendor A can spend on CPS employees.

Concerning "Vendor B", the OIG found that:

- Vendor B paid the administrator \$1,500 for her participation on a one-day K-12 Advisory Board — the one and only day that the board ever met. The totality of the evidence led the OIG to conclude that the event was little more than a sales meeting with key administrators from across the country.
- On five occasions between 2008 and 2010, including the 2010 advisory board meeting, Vendor B flew the administrator to conferences and, once there, paid for her food and lodging. In all, Vendor B spent well over \$3,095 on travel, lodging, and meals for the administrator.
- Vendor B's actions at issue in this investigation were consistent with allegations currently subject to an out-of-state investigation into abuse of its non-profit foundation by sponsoring travel junkets for high-level education officials in order to win favor with those officials and win contracts from the school districts they represent.
- The administrator hid the \$1,500 payment from Vendor B for her work on the advisory board by depositing the money into a CPS internal account. (In a separate investigation which is mentioned below, the OIG discovered that the internal account was largely a

personal slush fund.) The administrator later withdrew the money to pay a veterinarian bill for her pet dog.

Concerning “Vendor C”, the OIG found that:

- Vendor C flew the administrator and a subordinate to its company headquarters in California for a company-wide sales meeting, where the administrator and the subordinate told them how they use and manage data. The cost of airfare and hotel was \$1,059 for the administrator and \$1,083 for the subordinate (\$2,142 combined).
- After the sales meeting, Vendor C took the administrator and the subordinate to a professional baseball game, where they were entertained in the company’s sky box.
- In the months after the sales meeting, the administrator and schools under her immediate control purchased at least \$183,945 worth of materials and professional development from Vendor C.
- Two other subordinates were also flown by Vendor C to California for an educational event. The cost of airfare and hotel for the subordinates totaled \$1,827.

Other findings:

- In addition to her involvement in the above findings, the administrator failed to report any of the compensation and frills she received on Statements of Business and Financial Interests that she filed. In addition, the administrator failed to report the paid work she did on Vendor B’s advisory board as secondary employment.
- In violation of the Board’s Code of Ethics, three of the administrator’s subordinates accepted meals or drinks from Vendor A that totaled more than \$100 in a calendar year.

Following the investigation, the OIG recommended the following concerning Vendor A:

- The OIG recommended sanctions against Vendor A. Given the egregious nature of the conduct at issue in this matter, the OIG recommended those sanctions should be significant — ranging from a large fine to some term of debarment. In almost any other case involving such blatant attempts to influence a CPS employee with valuable benefits and subvert CPS’s ethical guidelines, the OIG would recommend permanent debarment. The OIG, however, recognized that given its large role in providing educational materials, debarring Vendor A could potentially do more harm than good by limiting the scope of educational materials available to CPS classrooms and/or limiting competition, which in turn could drive up prices. Accordingly, it may be the case that CPS determines that something short of debarment is appropriate, though the OIG recommended that debarment be seriously considered.
- The OIG also recommended that if CPS decides that something less than debarment is warranted, as a condition for continuing business with CPS, an independent monitor be

appointed to oversee and report on all of Vendor A's expenditures that relate in any way to CPS employees (*e.g.*, meals, travel, scholarships, etc.). A particular focus of the independent monitor should be any funds, sponsorships, or donations received by CPS via Vendor A's non-profit division or affiliate. For each reporting period, the independent monitor should determine whether Vendor A used the non-profit arm to mask activities that were essentially for-profit. The independent monitor should report to CPS on no less than a quarterly basis. The independent monitor should be chosen by CPS and paid for by Vendor A.

- Further, if CPS decides that something less than debarment is warranted, the OIG recommended, as a condition for continuing business with CPS, that Vendor A (1) enhance its internal ethics policies and training, especially with regard to employees dealing with CPS, and certify that it has done so; and (2) certify on an annual basis that it has complied with CPS's ethics policies.
- Based upon the severity of their actions, the OIG recommended permanent debarment from any CPS business dealings for a vice-president and local sales representative for Vendor A.

Concerning Vendors B and C, the OIG recommended appropriate sanctions for each company.

The OIG also recommended appropriate discipline for other CPS staff involved in the ethical violations.

Finally, the OIG made the following recommendations for policy changes:

- Since the evidence discovered in the above investigation strongly suggests that vendors routinely use travel, meals, drinks, entertainment and other things of value to gain access to key CPS decision makers and influence their decisions, the OIG recommended a strict zero-gift and zero-entertainment policy. In short, the CPS Ethics Policy should be amended to make it clear that (1) no vendor or person or entity seeking to do business with the Board of Education (including any vendor and prospective vendor-affiliated non-profits) may offer anything at all, regardless of value, to any Board member, CPS officer or employee, or members of their immediate families or households; and (2) no member of the Board of Education, no CPS officers or employees, and no members of their immediate families and households may accept anything at all, regardless of value, from any vendor or person or entity seeking to do business with the Board or CPS.
- In support of the above recommendation, the OIG further recommended that all CPS vendors and vendor-affiliated non-profits be required to annually certify in writing that they have complied with the zero-gift policy.
- Allowing for the possibility that some vendor-sponsored travel may be appropriate under certain limited circumstances, the OIG recommended that the Board's Ethics

Policy be amended to require that all Board members and CPS officers and employees be required to obtain written approval from a central ethics officer or ethics office (designated for such purpose) before undertaking any travel or using any lodging paid for by a vendor or potential vendor, and that no vendor or potential vendor provide such travel until such written approval has been granted.

- The OIG recommended that CPS vendors disclose all affiliated non-profits and their mission statements to the Board annually. In addition, all non-profits affiliated with vendors should certify annually that they have complied with the Board's current ethics policy.
- The OIG's case also illustrated the dangers associated with the decentralized purchasing power of CPS administrators. As illustrated by the purchase from Vendor A in this investigation, such acquisitions could easily result in serious problems. As such, the OIG recommended that CPS review decentralized purchasing processes and, based on that review, revise or enact controls or restrictions on decentralized purchasing authority.
- The sales practices of vendors exposed in this investigation and the fact that purchases of educational materials are largely exempt from bidding requirements together create a very high risk that educational material purchases are routinely and improperly influenced by gifts, travel, meals and other perks. Accordingly, the OIG strongly recommended that CPS enact specific rules that subject purchases of educational materials to increased scrutiny. Specifically, prior to making a purchase, any administrator seeking to purchase educational materials must certify that they have not solicited or received anything of value (including but not limited to travel, scholarships, meals, gifts, etc.) from the vendor or any affiliated non-profits. Likewise, the vendor and affiliated non-profits must certify that they have not given anything of value to any CPS administrator or CPS staff members connected with the transaction. In addition, CPS administration should establish a procedure whereby purchases of new educational materials or assessment tools are reviewed to ensure that they do not conflict with (1) materials or tools currently being used by CPS; (2) CPS's technology infrastructure and related long-term objectives; and/or (3) district-wide educational goals.

Following the investigation noted below, and during the course of this investigation, the administrator resigned from CPS and was designated ineligible to be rehired. Two subordinate employees received cautionary notices. Disciplinary action against the vendor is pending. (9980)

2. Misappropriation of Funds

Prior to the above investigation, the OIG investigated the same CPS administrator for misappropriating internal account funds that, pursuant to CPS policy, were to be used to purchase only items or services that benefit educational programs and the student body. The investigation revealed the following:

- The internal account maintained by the administrator was funded with money that CPS vendors paid to her office for an annual “Educational Fair” orchestrated by the administrator and her staff.
- The administrator inappropriately spent the internal account funds on:
 - furniture and decorations for the office where the administrator worked, including a \$500 fireplace and mantel, a \$900 entertainment center, more than \$1,500 for four leather chairs, a \$200 leather ottoman, and \$580 worth of framed art,
 - food for her and her staff totaling more than \$17,000 over a three year period at restaurants, bakeries and take-out. The OIG learned that, at times, the administrator ordered extra food to take home for dinner.
 - supplies to make posters in an effort to find her lost dog, costing \$65.
 - a baby shower for her grandson on work time that cost over \$400 which paid for gifts, party favors, decorations and pizza for the party.
 - a wedding gift for the daughter of a staff member.
 - two televisions costing \$460. The OIG learned that after a period of time during which they were not used, the administrator eventually took the televisions home for her children to use and then reimbursed the internal account for the televisions, but only after being prodded to do so by an assistant.
- In addition to the inappropriate purchases, the administrator also falsified documents related to the expenditures. The administrator fraudulently misrepresented that the baby shower expenditure was related to principal retirements and a shower for a coach. In another instance, the administrator had a restaurant server write “sodas” on the restaurant bill to disguise the purchase of \$176 of alcoholic beverages with internal account funds. Again, after prodding by an assistant, the administrator reimbursed the internal account for the alcohol purchase.
- In addition, the administrator routinely abused her position by inappropriately ordering her staff and others to perform personal service tasks for her, including driving her to traffic court and to an animal hospital. Also, the husband of an office employee, who was himself also a CPS employee, went to the administrator’s home and walked her ten dogs on CPS time.
- Finally, the OIG investigation also revealed that an employee under the administrator’s supervision used at least three days of sick time to take a vacation to Puerto Rico with the administrator, and the employee’s husband, a CPS principal who also misused benefit time for the trip.

Following this investigation, the administrator resigned from CPS and was designated ineligible to be rehired. The employees who misused benefit time were issued minor discipline. (9980)

B. HIGH RANKING OPERATIONAL EMPLOYEE

The OIG conducted an investigation that uncovered serious ethical problems concerning the relationship between management in a CPS department and two of CPS' largest vendors. The OIG investigation revealed that a CPS officer was routinely wine and dined at high-end restaurants by executives from two companies creating — at the very least — less than arms-length relationships and the appearance of impropriety concerning the officer's relationship with vendors the officer managed and collectively received more than \$75 million per year from CPS.

Based on its investigation, the OIG issued the following findings:

- From 2008 through July 2011, Vendor 1 paid \$26,991.84 for dinners, lunches, celebrations, gifts, cocktails, snacks, flowers, holiday parties, and Green Bay Packer skybox seats for the CPS officer, staff members and family and friends. Included in that amount, Vendor 1 spent \$6,179.59 on dinners, lunches, cocktails and celebrations attended by the officer, either alone with Vendor 1's CPS manager, or with other attendees. Many of the dinners and lunches took place at high-end restaurants including Merlo on Maple, Carnivale, Zapatista and Nick's Fishmarket.
- In 2008 and 2009, Vendor 1 paid for the officer and at least seven family members and friends to attend Green Bay Packers football games. In 2009, Vendor 1 spent \$5,731.62 on the event which included purchases of \$50 Packer sweatshirts for the attendees. In 2008, the event cost Vendor 1 \$540.74 which included the purchase of Packers jerseys and shirts for the attendees. The costs incurred by Vendor 1 did not include the cost of the skybox, which ranged from \$10,500 to \$16,500 per game. The skybox was leased by Vendor 1's parent company.
- Vendor 1's manager purchased gifts for the CPS officer, including a \$250 gift card for a Macy's spa in 2009. Another employee of Vendor 1 also bought the CPS officer a \$140 gift.
- From 2008 through 2011, Vendor 2 paid \$6,654.22 for dinners attended by the CPS officer, many of which were at high-end restaurants including the Mid-American Metropolitan Club, Carmine's, Merlo on Maple and Tuscany on Taylor.
- In total, Vendor 2 spent \$59,392.89 during this time period on meals, luncheons, beverages, refreshments, pastries and gifts for the officer, staff, and other department personnel, including more than \$28,000 on appreciation luncheons and gift cards for school-based staff.

- On each of the CPS officer's Statements of Business and Financial Interests in the last three years, the officer failed to disclose the receipt of any single gift, or food, entertainment or anything exceeding a \$50 value, or that was cumulatively more than \$100 in any year from either Vendor 1 or Vendor 2. The officer's receipt of gifts, dinners, lunches and cocktails from the vendors clearly exceeded any ethical thresholds in each of the last few years.
- In 2008, the officer paid \$1,080 for a limousine bus to take Packers game attendees, including the officer and at least seven family members and friends and executives from Vendor 1 from Milwaukee to Green Bay. Since the majority of those on the limo bus were the officer's entourage, this cost failed to offset any of Vendor 1's expenditures for the event or the cost of the skybox.
- The officer provided the OIG with a list of 143 personal credit card charges since 2007, which the officer claimed reflect payments for dinners and lunches that the officer "may" have shared with others including Vendor 1 and Vendor 2 personnel and her staff. The officer's list totaled \$12,874.60 of credit card charges and the officer contended there have been other instances where the officer paid cash, or been part of group events where each attendee paid cash for their portion of the charge. If the list was provided to offset the thousands of dollars of gifts, lunches, dinners and sporting events the officer was treated to by the vendors, the list failed to do so for the following reasons:
 - The list was created after the officer was aware of and interviewed about the receipt of thousands of dollars of gifts and dinners from Vendor 1 and was obviously self-serving;
 - The list of attendees was created from the officer's memory and many of the charges occurred three to five years ago;
 - 11 of the charges on the officer's list occurred on a weekend;
 - The officer was not definitive in representing that the meals were CPS-related and stated only that the officer "may" have shared these meals with others related to CPS and these others may have been staff and not vendors;
 - The above total includes the limo bus charge to the Green Bay Packers game which was discredited above;
 - Two charges are listed twice;
 - Of the 143 listed charges, the officer indicates that only 39 "may" have been shared with the vendors' executives representing \$5,511.10 in charges for the officer. Vendor 1 was listed as maybe being at 27 of the meals the officer purportedly paid for. This contradicts an executive from Vendor 1's statement to

the OIG that most times when he and the officer were out socially, the bill sat on the table until he finally picked it up;

- To believe the officer, the officer and the executive from Vendor 1 dined 27 times when the officer paid. Coupled with Vendor 1's records which reflect that its executive treated the CPS officer at least 41 times for lunches, dinners and cocktails and the executive's statement that there were other times they were out socially when he paid with his personal credit card, the CPS officer – Vendor 1 executive relationship was clearly closer than the necessary arms-length relationship a vendor and its public sector manager should maintain;
 - The CPS Code of Ethics makes no mention of mitigating gifts, meals and entertainment received from vendors by subsequently returning the favor.
- Since July 2008, Vendor 2 held three appreciation luncheons for CPS school-based staff that cost a total of \$14,363.98 and distributed more than \$14,000 in gift cards to school-based personnel.
 - Two CPS managers in the central office department who directly managed the vendors, attended lunches and dinners paid for by each company and each failed to report any gifts, dinners and lunches on their Statements of Business and Financial Interests. Both CPS managers have each been the beneficiary of Vendor 1's and Vendor 2's expenditures in excess of the reporting thresholds in the last few years. The CPS managers also attended a conference in Nashville and were wined or dined numerous times by Vendor 2.
 - The obvious less than arms-length relationships between central office management, including the CPS officer and two managers, and two of the largest CPS vendors that combined receive more than \$77 million per year, created a substantial risk that the management was not exercising proper oversight and controls. In addition, the unethical tone-at-the-top set by the CPS officer and the management team created the appearance of impropriety and weakened necessary controls of the vendors centrally and throughout CPS schools.
 - Both Vendor 1 and Vendor 2 violated the CPS Code of Ethics by wining and dining the CPS officer and managers who monitor their contract performance and approve their multi-million dollar invoices.
 - As the OIG investigation detailed, the OIG cannot discount the likely possibility that both vendors factor their extravagant hosting, entertainment, appreciation and incentive expenses into their RFP or bid responses and that this cost of doing business is passed on to CPS.

Following the investigation, the OIG recommended appropriate discipline for the CPS officer and the two managers as well as sanctions against the vendors given the nature of

the unethical conduct engaged in by their personnel. The OIG also issued the following additional recommendations:

- That an independent monitor be appointed to oversee and report on all of the vendors' expenditures that relate in any way to CPS employees (*e.g.*, meals, gifts, incentives, appreciation luncheons, etc.). The independent monitor should report to the CPS Ethics Office on no less than a quarterly basis. The independent monitor should be chosen by CPS and paid for by the vendors.
- The OIG recommended that the vendors (1) enhance internal ethics policies and training, especially with regard to employees dealing with CPS, and certify that each has done so; and (2) certify on an annual basis that each has complied with CPS Ethics policies.
- Based on the findings of this investigation and another OIG investigation conducted earlier in FY 12, the OIG strongly recommended that CPS enhance its Ethics Office and the functions and responsibilities assigned to the CPS Ethics Officer. An enhanced Ethics Office is necessary to provide more training and monitoring of CPS executives, managers and frontline personnel. Numerous CPS employees in each unit, department and especially schools have contract management authority over a myriad of CPS vendors, some of which are paid millions of dollars every year. It is essential that CPS monitor these relationships more closely to prevent the type of ethical misconduct that the OIG continues to uncover, to set the tone-at-the-top that integrity and ethical conduct are expected and to re-establish public confidence in the system.

Enhancing the CPS Ethics Office, funding more robust and continued training, and enhancing CPS monitoring tools, the OIG argued, can only serve to offset the mindset expressed by the CPS executives investigated in this matter. Specifically, the CPS officer stated that dinners paid for by a Vendor 1 executive were not reported on Statements of Business and Financial Interests because the executive never told the officer if he was putting the charge on his business credit card or his personal card. A manager, when asked to explain why she did not disclose meals paid for by vendors on her Ethics Statement, stated that if she was with her boss there should not be a problem. The other manager stated that when you are in a senior management position, going to dinners with vendors is what you do.

- Based on the evidence uncovered in this investigation, and the investigation the OIG previously reported in FY 12, it is evident that vendors routinely use meals, drinks, entertainment and other things of value to gain access to and the favor of key CPS decision makers and influence their decisions. To stop this practice, the OIG again recommends a strict zero-gift and zero-entertainment policy. In short, the Ethics policy should be amended to make it clear that (1) no vendor or person or entity seeking to do business with the Board of Education may offer anything at all, regardless of value, to

any Board member, CPS officer or employee, or members of their immediate families or households; and (2) no member of the Board of Education, no CPS officers or employees, and no members of their immediate families and households may accept anything at all, regardless of value, from any vendor or person or entity seeking to do business with the Board or CPS.

- In support of the above recommendation, the OIG further recommended that all CPS vendors be required to annually certify in writing that they have complied with the zero-gift policy.

As a result of the OIG investigation, the CPS officer resigned and was designated ineligible to be rehired. One CPS manager retired and was also designated ineligible to be rehired. The other manager received a 10-day suspension and was placed on six-months of probation, meaning any future ethical violation will result in the manager's termination.

CPS also received numerous concessions from the vendors. Vendor 1, in addition to the reported price concessions, removed its most culpable executive from the CPS engagement and ethics training was provided by the CPS Ethics Officer. In addition, Vendor 1 agreed to provide additional externship opportunities for CPS students and increase scholarship funding for CPS students. Vendor 1 also agreed to perform \$100,000 of repairs to CPS school-based equipment.

Vendor 2 reduced its charges to CPS for the 2012-13 school-year by about \$100,000 and sponsored a CPS program valued at \$20,000. Vendor 2 also provided CPS with commodities valued at more than \$14,000.

It should be noted that shortly after the above OIG investigation, then-CEO Jean Claude Brizard sent an email to CPS employees stressing the need that all CPS employees understand and comply with the Code of Ethics. In a subsequent email, Brizard required that all CPS leaders affirm the Code of Ethics by accessing an online questionnaire.

Also, following the release of the OIG's investigation, Mayor Rahm Emanuel urged the city's sister agencies to adopt a zero-tolerance gift policy for procurement officials. Contemporaneous with the OIG's investigation and the Mayor's recommendation, the CPS Procurement Department enacted a gift ban for its employees.

Despite concessions from the vendors involved in the egregious misconduct summarized above, and warnings to CPS employees concerning a zero-tolerance for ethical misconduct, CPS did not follow the OIG's recommendation that the vendors be required to hire an independent monitor to report any vendor expenditures in any way related to CPS employees.

FALSIFICATION OF FREE AND REDUCED-PRICE MEALS APPLICATIONS – PRINCIPALS AND ASSISTANT PRINCIPALS

1. The Investigations

In FY 12 — for the second-straight year — the OIG again uncovered widespread fraud involving Free and Reduced-Price Meals Applications. The OIG proactively reviewed meal benefits received by the children of principals and assistant principals attending CPS. This review resulted in 26 investigations involving the fraudulent or otherwise improper receipt of Free or Reduced-Price meal benefits. During the course of those investigations, the OIG conducted three additional investigations of residency and tuition fraud violations involving some of those principals and assistant principals. These twenty-nine investigations concerned the actions of nine principals (two of whom have since been promoted), two resident principals, fourteen assistant principals (one of whom has since retired), and three CPS employees who have since been promoted to assistant principals.

In twenty-one cases, the investigations showed that a principal, assistant principal or recently-promoted assistant principal was either partially or wholly culpable for falsifications made to their children's meal applications. In four cases, no CPS employee was found culpable, either because a non-employee spouse (or ex-spouse) of a principal or an assistant principal falsified the form or because of an honest mistake by someone completing or processing the form.

In addition to the principals and assistant principals, the OIG also found that three CPS employees who are either the wives or ex-wives of principals and assistant principals were culpable to one degree or another for their respective parts in the meal benefits fraud. The OIG also found that one school clerk made, at a minimum, a reckless error while processing a form.

2. Significance of Lunch Form Fraud

The significance of fraudulent data on free and reduced-price lunch forms stretches beyond the eligibility of a student to simply receive a free or reduced-price lunch and reaches into critical CPS funding streams. Free and reduced-price meal eligibility data are used to establish poverty rates which influence funding from the National School Lunch Program, Title 1 (Elementary and Secondary Education Act), Supplemental General State Aid and E-Rate. In essence, an individual student who fraudulently qualifies for a free lunch increases the funding CPS receives from those sources and others, however incremental. Of course, in the aggregate, the dollar amounts are significant.

Through the National School Lunch Program, CPS receives additional reimbursements (on top of those it otherwise receives for full-priced meals) for serving a meal to a student who qualifies to receive a free or reduced-price lunch. In Fiscal Year 2011, CPS received \$175 million through the National School Lunch Program.

CPS receives Title 1 funds based on the percentage of student enrollment that qualifies as being low-income. Low-income students are those that qualify for free or reduced-price lunch. Title 1 funds are allocated based on a formula which utilizes the number of students eligible for free or reduced-price lunch as a main component. In FY 11, CPS received more than \$270 million in Title 1 low-income funds.

The amount of Supplemental General State Aid received by CPS also depends on how many of its students are eligible to receive free or reduced-price lunch. CPS uses poverty data generated yearly by the number of students who are eligible to receive free or reduced-price lunch to establish a flat-rate per pupil amount and calculates a Supplemental General State Aid allocation based on the number of eligible students for each qualifying school. In Fiscal Year 2010, the per pupil allocation was \$770.

In addition, free and reduced-price lunch data are used to calculate discounts for telecommunications, internet access and network equipment for schools provided through the federal government's E-Rate program. Discounts are calculated based on the number of students eligible for free and reduced-price lunches. Simply put, the more students who qualify for free or reduced-price lunch, the greater the E-rate discount. In FY 11, CPS benefitted from more than \$25 million in E-rate discounts.

Including the twenty-six cases at issue here, in the past four years, the OIG has reported on approximately fifty-one cases of meal application fraud involving fifty-five CPS employees. During that time, the OIG has also reported on two other cases in which three other public employees have falsified meal applications. Together, all of these cases show that meal application falsification is a critical and systemic problem for CPS.

What is especially important about the cases reported in FY 12 is that together they show that fraud is being committed by high-level and highly-paid CPS administrators and that the lucrative federal and state benefits tied to the forms drive the fraud.

Disciplinary action against the principal's and assistant principals is pending, unless noted in the summary of the investigation.

3. Specific Findings

- An elementary school assistant principal falsified Free and Reduced-Price Meal Applications for two consecutive years by omitting or under-reporting her income. (11-01127)
- A principal, who has since been promoted, and his wife, an elementary school counselor, together paid more than \$203,000 a year, improperly received free meal benefits after a school employee made a clerical error on their Free and Reduced-Price Meals Application. Although the principal and counselor were not responsible for the initial error made by the school employee, they were found culpable in this matter because

they subsequently learned that their child was improperly receiving free meals and took no efforts to correct the error until after they were interviewed by the OIG. (11-01128)

- An OIG investigation determined that an elementary school principal participated in a scheme with her husband whereby they deliberately excluded the principal's large salary from Free and Reduced-Price Meal Applications that were submitted to two schools so their daughter child could qualify for free or reduced-price meals. (11-01129)
- A high school assistant principal falsified five Free and Reduced-Price Meal Applications for her children by (1) completing the bulk of forms and fraudulently excluding her name and income from those forms; (2) listing extended family members who did not live with her on the forms; and (3) having her husband sign the forms so that she was not connected by name with the forms. In addition, the assistant principal lied to the OIG during an interview when she stated that her husband completed the forms and when subsequently presented with evidence showing that she had lied, she admitted her lie to the OIG. Significantly, the assistant principal stated that she falsified the forms so that her children's school would receive state and federal benefits that are tied to the forms. In addition, the assistant principal stated that CPS (schools and central office) as a whole wants the funding based on these meal applications and there are a lot of pressures from principals, assistant principals, and administrators for children to turn in the meal applications. A "denied" lunch application, the assistant principal stated, means nothing for CPS. The assistant principal stated that she believes that these pressures start from CPS central office. (11-01130)
- A high school principal falsified Free and Reduced-Price Meal Applications for her children and admitted to the OIG that over a period of four years, she falsified five applications by omitting her name and income from the forms. The principal further admitted that she forged her ex-husband's signature on four of the five applications. (11-01134)
- The OIG conducted an investigation of a high school principal and high school assistant principal, a husband and wife who combined were paid more than \$200,000 in CPS salaries, which revealed that the principal falsified at least two Free and Reduced-Price Meal Applications for her child by excluding herself as a household member, excluding her significant salary, significantly under-reporting her husband's income, and inflating the size of her household. The investigation also revealed that the husband signed at least one falsified lunch form knowing the information contained on the form was inaccurate. (11-01135)
- An elementary school principal admitted to the OIG that she falsified four meal applications so that her children would qualify for free meals. The assistant principal

also resided in the suburbs with her children who attended CPS. That investigation is reported in the Residency/Tuition Fraud section of this report. (11-01181)

- An investigation of an elementary school assistant principal determined that the assistant principal's ex-wife, a non-CPS employee, falsified three separate Free and Reduced-Price Meal Applications for the 2011-12 school year at three separate schools by fraudulently under-reporting her household income. As a result, the children of the assistant principal improperly received free lunch benefits. The OIG did not recommend that the assistant principal be disciplined. (11-01183)
- The OIG found that an elementary school assistant principal participated in a scheme with her husband in which they deliberately excluded her six-figure income on Free and Reduced Price Meal Applications that they submitted to two different schools so that their children could qualify for free or reduced price meals. (11-01184)
- An OIG investigation revealed that an elementary school principal falsified four Free and Reduced-Price Meal Applications for his child by (1) signing his domestic partner's name to the forms to make it appear as if his partner had completed the forms; (2) fraudulently excluding himself and his income from those forms; and (3) fraudulently inflating the size of the household by including family members who did not live with him. The falsifications occurred when the principal was an assistant principal or a teacher. In addition, the OIG further determined that the principal lied to the OIG during an interview when (1) he stated that his partner completed and signed all the Free and Reduced Price Meal Applications; and (2) stated that both his parents and his partner's parents were at times household members. During a follow-up interview, the principal subsequently admitted that he signed his partner's name on the applications in order to falsify the applications so his son could fraudulently qualify for the federally-funded lunch program. The principal also subsequently admitted that neither his nor his partner's parents were ever part of his household. Finally, the principal told the OIG that, when he was a teacher, his principal coached and instructed him to falsify Free and Reduced-Price Meal Applications in order to qualify for meal benefits. The principal resigned from CPS. (11-01185)
- An elementary school assistant principal completed two separate 2010-11 meal applications and improperly omitted her name and income information from each of those forms and then had her ex-husband sign one of the forms and had her mother sign the other. (11-01186)
- Another elementary school assistant principal falsified a Free or Reduced-Price Meal Application for her children by (1) having her husband sign his name on the form to make it appear as if she did not live in the household; and (2) fraudulently excluding her income from the form. (11-01188)

- An OIG investigation of an elementary school assistant principal determined that the assistant principal's ex-wife, a former CPS employee, falsified Free and Reduced-Price Meal Applications for four consecutive years by fraudulently under-reporting her household income and excluding the child support she was receiving from the assistant principal. (11-01189)
- A high school assistant principal falsified Free and Reduced-Price Meal Applications for three consecutive years by fraudulently under-reporting her income. (11-01190)
- An elementary school assistant principal falsified Free and Reduced-Price Meal Applications for three consecutive years by excluding her name and income from those forms. (11-01191)
- An OIG investigation determined that a substitute teacher falsified two meal applications by omitting her husband's name and income from those forms. Her husband is a CPS high school assistant principal. The substitute teacher was terminated from CPS employment. (11-01192)
- An investigation of an elementary school assistant principal determined that the assistant principal's wife submitted an inaccurate Free and Reduced-Price Meal Application that excluded the assistant principal's significant CPS salary. (11-01193)
- An elementary school assistant principal falsified lunch forms for her daughter. Significantly, the assistant principal told the OIG that she falsified an application so that the school would qualify for the federal benefits that are tied to the forms. (11-01194)
- The OIG conducted an investigation that determined that an elementary school assistant principal deliberately underreported his income and the income of his wife, a CPS teacher, on a meal application that he submitted to the school where he worked, and where, at the time, two of his children attended. He also fraudulently excluded his wife's CPS income from the 2011-12 meal application that he submitted to the school where he works and three of his children attend. In addition, the assistant principal signed his wife's name to the 2011-12 meal application in order to make it appear as if his wife had completed the application. Following the OIG investigation, the assistant principal resigned from CPS employment. (11-01195)
- An OIG investigation determined that an elementary school assistant principal falsified Free and Reduced-Price Meal Applications for her children by excluding herself as a household member on forms, excluding her significant CPS salary, inflating the household size on forms, and grossly under-reporting her actual salary on the one form on which she reported her income. In addition, the lunch forms submitted for the same years, whether filled out by the assistant principal or her husband, contained numerous inconsistencies that caused different determinations of eligibility for their children for the same year. (11-01196)

- A high school assistant principal falsified a Free and Reduced-Price Meal Application for her child by under-reporting her income and fabricating the size of the family household. The OIG also found that the assistant principal resided in the suburbs and that matter is reported in the Residency section of this report. Following the OIG investigation, the assistant principal resigned from CPS employment. (11-01197)
- An OIG investigation determined that an elementary school clerk mistakenly recorded the annual income that a teacher reported on a lunch application for her child. The teacher is divorced from an elementary school principal. Although the clerk's mistake caused the child to improperly receive free lunch benefits, the OIG did not recommend discipline because the mistake appeared excusable. (11-01199)
- The OIG conducted an investigation that determined that a high school principal, who has since been promoted to an administrative position, improperly completed Free and Reduced-Price Meal Applications for four consecutive years for her two sons by excluding herself as a household member and by excluding her significant salary. The administrator has since resigned from CPS. (11-01200)
- An OIG investigation revealed that a resident high school principal had guardianship of a high school student who fraudulently received free lunch benefits because a Free and Reduced-Price Meal Application submitted on his behalf excluded the income of the resident principal. (11-01253)
- The OIG conducted an investigation that determined that the ex-wife of an elementary school resident principal submitted a meal application that improperly reflected her child's address and made no mention of the fact that the student's custodial parent, the resident principal, earned in excess of \$63,000 at the time. (12-00066)
- An OIG investigation determined that an elementary school principal and a high school assistant principal, a husband and wife whose combined salaries exceeded \$230,000, participated in a scheme whereby the principal's mother fraudulently completed a lunch form application for the children of the assistant principal so that the couple's considerable income would not be linked to the forms. A separate OIG investigation revealed that the couple also resided in the suburbs in violation of the CPS Residency Policy and two of their children attended CPS while also residing in the suburbs. Those cases are reported in the Residency/Tuition Fraud Section of this report. Following the OIG investigations, both the principal and assistant principal resigned from CPS employment. (12-00637)

4. Problem is Certainly Not Limited to CPS Employees

The problem of falsified Free and Reduced-Price Meals Applications that the OIG continually points out is not limited to CPS employees. In fact, lunch form fraud occurs system-wide. A recent mandatory verification process engaged in by CPS resulted in

findings that are consistent with the continued findings of system-wide fraud. Specifically, that mandatory verification, in which people who completed the forms were questioned about the data on the applications and were asked for supporting documentation, determined that income and household data for 582 of 1,000 forms randomly selected for review was inaccurate and did not support meal benefits. As a result, the meal benefits that were initially granted — based on the probably fraudulent data — were reduced or rescinded altogether. Additionally, during that mandatory verification, another 125 meal benefit recipients failed to respond to inquiries, which caused the benefits previously granted to them to also be decreased. In sum, of the 1,000 forms randomly selected for verification, an astonishing 707 free or reduced-price meal recipients — nearly 71% — had their benefits decreased. This overwhelmingly suggests that the fraud problem pervades the entire application process.

5. *Census Data*

In September 2012, the National Research Council of the National Academies issued a report commissioned by the Food Nutrition Service of the USDA. In short, this report provided census data that can be used to determine the percent of a student population that qualifies for free or reduced-price meals based on statistics and not self-reported, self-serving data currently provided on CPS Free and Reduced-Price Meals Applications. Using the census model and analytics provided in the report, the OIG calculated the actual percentage of the CPS student population that should qualify for free or reduced-price meals to be approximately 67 percent – 20 percent less than the number of CPS students who currently qualify using the obviously highly-flawed self-reported data.

6. *CPS Response*

Based on OIG investigations into CPS employees falsifying meal applications for their children, CPS has told the OIG that it will be implementing a data matching process that will compare employee salary data against student records information in order to ensure that those employees with children attending CPS are submitting accurate meal applications.

For the 2012-2013 school year, CPS has allowed schools to participate in the Community Eligibility Option as a pilot program. Currently, 252 schools participate in the CEO program.

FALSIFICATION OF FREE AND REDUCED-PRICE MEALS APPLICATIONS – MISCELLANEOUS

In addition to the above-mentioned investigations of principals and assistant principals falsifying Free and Reduced-Price Meals Applications, the OIG also investigated other employees in FY 12 for lunch form fraud.

- An OIG investigation revealed that a former elementary school teacher falsified Free and Reduced-Price Meal Applications for four consecutive years by fraudulently under-reporting her household income. As a result, her children improperly received meal benefits. A separate investigation revealed the teacher also enrolled her two children in

CPS despite residing in the suburbs. The results of that investigation are reported in the Tuition Fraud section of this report. Since she was no longer employed by CPS when the investigation was completed, the teacher has been designated ineligible to be rehired. (11-00502)

- The OIG conducted an investigation of an elementary school teacher which determined that the teacher falsified Free and Reduced-Price Meal Applications for four consecutive years by (1) fraudulently under-reporting her household income by between at least 70 and 86% and (2) fraudulently over-reporting the number of members in her household. The teacher's husband is a municipal employee and also works for CPS part-time. Documents filed by the couple in Bankruptcy Court reflect that they earned as much as \$216,004 a year. (11-00503)
- An OIG investigation revealed that domestic partners, an elementary school teacher and an LSC member, falsified Free and Reduced-Price Meal Applications for their three children for four consecutive years. (11-00708)
- The OIG conducted an investigation of an elementary school teacher which revealed that the teacher falsified Free and Reduced-Price Meal Applications for four consecutive years by fraudulently under-reporting her income and excluding her husband's income. Her husband was also a CPS teacher. In addition, the investigation revealed that a teacher's assistant routinely filled out meal applications forms for students and encouraged the teacher to falsify applications. (12-00059)
- An elementary school teacher falsified Free and Reduced-Price Meal Applications for two consecutive years by fraudulently under-reporting her household income. (12-00175)
- Another elementary school teacher falsified Free and Reduced-Price Meal Applications for four consecutive years by fraudulently excluding her own income from the forms. The OIG has also determined that the teacher improperly signed her ex-husband's signature on at least one of the lunch forms. (12-00348)

SELECTIVE ENROLLMENT – PROHIBITED CONTACT

The OIG conducted an investigation of a selective enrollment high school principal after receiving information that shortly before the start of the 2010-11 school-year, the principal attempted to enroll a student who had not taken part in the selective enrollment application and testing process. The OIG learned that the principal asked a CPS administrator to make an exception for the student and continued to press the issue despite being told that an exception could not be made. Shortly after the principal's request for an exception was denied, a member of the state legislature asked the CPS administrator to give the student a seat in the high school's freshman class. After being told that making an exception for the student would be a violation of the selective enrollment policy, the legislator said that the administrator could violate the policy as long as she did not break

the law. Based on this information, the OIG initiated an investigation to determine if the principal engaged in a prohibited contact concerning the enrollment of a selective enrollment student.

The OIG investigation revealed that on a Monday evening before the start of the school-year, the principal called a CPS administrator to ask for an exception to the established CPS policy so that the student could be enrolled despite not having taken part in the selective enrollment and testing process. The next morning, after being told an exception could not be made, the principal received two short phone calls in quick succession from the student's mother. Less than four minutes later, the principal telephoned the state legislator and engaged in a 12-minute conversation. Later that morning, the OIG learned, the state legislator phoned the CPS administrator and advised the administrator that an exception could be made for the student. The OIG also learned during the course of the investigation that the student's mother and the principal had been strategizing throughout August 2010 about ways to have the student admitted to the selective enrollment high school despite the fact that the student neither applied nor tested for a seat. Despite the attempts by the principal and state legislator to persuade the CPS administrator to make an exception, the student was not enrolled in the selective enrollment high school for the 2010-11 school-year.

The investigation further revealed that the principal was attempting to enroll the student into the selective enrollment high school because the student's father had just been selected by the principal to be a sports coach at the school. After being rejected in her attempts to circumvent CPS policy in the 2010-11 school-year, the principal enrolled the student for the 2011-12 school-year as a transfer student. As required by CPS policy, a selective enrollment high school principal must disclose any prohibited contacts involving student enrollments on a Principal's Statement of Impartiality for Transfer Applications. Pursuant to policy, a prohibited contact includes elected officials. The OIG investigation revealed that the principal failed to disclose communications with the state legislator in August 2010 that — based on the timing of and circumstances surrounding the conversation — obviously concerned the student's enrollment into the selective enrollment high school.

In addition, the OIG determined that the student's father, as a CPS employee, failed to complete a Statement of Non-Interference, also required by policy, which would have certified that he did not use his official CPS title or position to improperly influence or intervene in the selection of his son for enrollment into the school.

Following the investigation, the OIG recommended appropriate discipline for the principal and the coach.

During the course of another investigation at the selective enrollment high school, the OIG uncovered additional evidence on the above matter that bolstered the OIG's finding that

that the principal had prohibited contact with a state legislator and further called into question the statements that both the principal and legislator had previously given to the OIG about the matter.

Specifically, the OIG discovered several phone message books in the administrative offices of the high school. Among the messages in those books was one that shows the legislator phoned the principal on the morning the principal later called the CPS administrator asking for an exception to CPS policy to enroll the student. The message was marked "urgent". This communication further supports the OIG's conclusion that the principal and legislator engaged in a prohibited contact concerning the enrollment of the student into the selective enrollment high school.

In another message book, the OIG found two back-to-back phone messages from the legislator to the principal which were received the day before the student's father, the coach, was interviewed by the OIG in this matter and one week before the student's mother appeared for her pre-scheduled interview with the OIG.

It should be noted that, in a separate investigation, the OIG found that the student and his parents fraudulently used a city address to enroll the student in the selective enrollment high school while actually residing in the suburbs. That investigation is reported in the Tuition Fraud section of this report.

Disciplinary action against the principal is pending and the coach was terminated from CPS employment. (10015)

SELECTIVE ENROLLMENT – IMPROPER TRANSFERS

Contemporaneous with the above investigation, the OIG proactively reviewed the enrollment of 23 transfer students into the selective enrollment high school for the 2011-12 school-year. The investigation found that the principal (1) accepted and/or enrolled at least 17 transfer students without first receiving requisite approval from the CPS Office of Academic Enhancement; (2) misreported grades, GPAs and/or course names on 18 of the transfer applications submitted to OAE; (3) misreported standardized test scores and other test information, including standardized test names and testing years in the cases of 9 students; and (4) maintained incomplete student files for all 23 transfer students. Particularly troublesome was the discovery that in 5 instances, the principal reported to OAE that a student had earned an A or a B in a specific class at the school the student previously attended when that student had actually received an F or a D.

Following the investigation, the OIG recommended that the principal be appropriately disciplined. The OIG further recommended that CPS require principals of Selective Enrollment High Schools to submit copies of supporting documentation for grades and test scores to OAE as part of the transfer approval process. Without such supporting documentation, OAE is not able to verify the information that principals are submitting,

which only furthers the risk that the transfer process will be abused by using it to enroll otherwise unqualified students.

In addition, the OIG recommended that CPS consider a requirement that all transfer applicants to Selective Enrollment High Schools compete for open seats through a uniform application process that includes centralized testing and mirrors the 9th grade application process, which is the required manner of entry for the vast majority of Selective Enrollment High School students. Without such a strictly monitored testing and application process, the OIG reported, the transfer process is highly susceptible to abuse by using it as a means to admit unqualified students into Selective Enrollment High Schools. The OIG noted that, in contrast to the policy for transfer students at Selective Enrollment High Schools, CPS currently requires all students seeking transfers into Selective Enrollment Elementary Schools (Regional Gifted Centers and Classical Schools) to take the same standardized test.

Disciplinary action against the principal for this matter and the investigation reported above are pending. In addition, principals are now required to submit supporting documentation for grades and test scores represented on transfer documents when seeking transfer approval. CPS is also exploring additional controls on transfers. (11-01283)

IMPROPER RESIDENCY WAIVERS

In FY 12, the OIG completed an investigation into the waiver of the residency requirement that was granted to a high-ranking CPS official. The OIG proactively initiated this investigation after learning that the Chicago Board of Education was considering a residency waiver for the official and in a June 2011 memorandum to the Board and CPS administration, the OIG voiced its objections to the proposed waiver and strongly recommended that a residency waiver not be granted to the high-ranking official. Despite the OIG's objection, the Board considered and subsequently approved the waiver. Following the issuance of the waiver, the OIG continued to review the issue.

During the course of the investigation, the OIG received information that a school social worker had also been improperly granted a residency waiver in 2010. Following a review of these issues, the OIG reported the following findings and recommendations concerning the residency waiver granted to the high-ranking official.

- The Board of Education acted over the objections of the OIG and granted the high-ranking official a waiver to the residency requirement by classifying the position as a "special needs position".
- Pursuant to historical Board practice, special needs waivers have not been granted to administrative positions but instead have only been allowed for teaching and teaching support positions and only when CPS has had a demonstrated inability to hire an adequate number of employees for those positions from the ranks of City residents (or people willing to become City residents).

- The OIG determined that no real effort was made to locate a qualified candidate for the position who would comply with the residency requirement. In addition, there was no evidence that there would have been an inability to find a qualified candidate for the position who was willing to comply with the residency requirement.
- The residency waiver granted to the high-ranking official was improper. The evidence showed that the waiver was not a special needs waiver but instead was actually a personal waiver granted on the grounds of a claimed family hardship. As such, the waiver granted to the high-ranking official was more consistent with the “exemption” originally proposed in a draft Board Report before the OIG objected. Specifically, the evidence shows that the high-ranking official was granted a waiver after he refused to relocate an adopted child from a suburban school to a new school.
- The Board’s residency requirement, as set forth in Policy and Rule, makes no provision for personal hardship exceptions to the residency requirement. Moreover, a waiver granted to an individual based on personal circumstances is wholly inconsistent with the historical practice of granting waivers for positions (not individuals) that have been demonstrably hard to fill from the ranks of City residents.

The OIG issued the following findings and recommendations concerning the constructive waiver for the school social worker.

- The school social worker lived in Evanston, Illinois, with his family. The social worker’s position is not a special needs position.
- When the social worker’s residency became the subject of administrative action in 2010, the social worker refused to move to the City and appealed. The social worker told the OIG that he refused to move to the City because he had no intention of moving into the City and leaving his home in Evanston where his children attended school and where his church was located.
- A former CPS administrator decided not to take action to force the social worker to comply with the residency requirement or face termination. That decision was apparently based on the fact that the social worker had recently received significant publicity for a generous act of kindness unrelated to his CPS employment.
- The administrator’s failure to take action to make the social worker comply with the residency requirement allowed the social worker to continue living in Evanston in violation of the residency requirement and amounted to a constructive waiver of the Residency Policy on the basis of personal character and individual circumstances. The Board’s residency requirement, as set forth in Policy and Rule, makes no provision for such an exception to the residency requirement.

The OIG then reported on the effect and tone of the waivers on CPS.

- First and foremost, the residency waiver granted to the high-ranking official sets the wrong “tone-at-the-top” by signaling that preferential treatment for insiders is acceptable. The express purpose of the Residency Policy is to treat all employees equally. Granting a waiver to a high-paid official not only sends the wrong message to the Board’s 42,000 other employees who earn much less, but it is also inconsistent with the Board’s express rationales for the Residency Policy, which are to: (1) improve the quality and performance of officers and employees through a more comprehensive knowledge of the conditions in the school system; (2) increase the likelihood that officers and employees will be involved in school and community activities; and (3) garner the economic benefits that will accrue to the school system from the local expenditure of salaries.
- Additionally, a review of case law shows that the waivers to the high-ranking official and the school social worker pose a significant threat of opening the door to a flood of new residency waivers based on the grounds of personal character and/or personal circumstances. Case law clearly shows that evidence of previous residency waivers — and the grounds upon which they were granted — are factors that courts routinely consider when deciding if governmental entities consistently and equitably enforce their own residency rules. Accordingly, the fact that waivers have been granted to the high-ranking official and the social worker for personal reasons will make it very difficult (if not eventually impossible) for the Board to disallow future waivers based on personal character and/or personal circumstances.
- Unless the residency waivers to the high-ranking official and the social worker are rescinded, the OIG must evaluate whether it can justify investigating allegations of residency violations in the future. Not only do those waivers send the wrong message, but (as it stands now) they have also muddied the question of the legal enforceability of the residency requirement in at least some cases. The OIG, at the time it issued this report on improper residency waivers, had approximately 638 open residency cases and received 275 or more residency complaints each year. Residency investigations require time intensive surveillance, which stretch the thin resources of the OIG to their practical limit. If the waivers that have been given to the high-ranking official and the social worker prove to incur additional litigation costs and/or limit the Board’s ability to terminate residency violators, the OIG would seriously have to consider whether residency investigations continue to provide enough enforcement and deterrent effect to justify the significant investment of time and resources that they require.

Based on its analysis, the OIG then issued the following recommendations.

- The OIG recommended that the Board rescind the residency waiver granted to the high-ranking CPS official.

- The OIG recommended that CPS administration rescind the constructive residency waiver granted to the school social worker and any other employees who have been effectively granted constructive waivers based on CPS's failure to act to address their residency issues.

To date, the Board has not rescinded the residency waiver granted to the high-ranking CPS official and there has been no action to enforce the residency requirement upon the school social worker, in essence continuing his constructive waiver. (11-00785)

THEFT FROM CPS

- The OIG conducted an investigation which determined that between December 2010 and October 2011, a manager in a central office department stole \$107,410 worth of 7-Day CTA Passes intended for distribution to students in temporary living situations. The investigation revealed that the manager stole the fare cards by repeatedly misrepresenting to an immediate subordinate that the fare cards were being delivered to a woman who worked in the Chicago Department of Housing. In furtherance of the scheme, the manager forged at least 11 receipts that purported to show that the woman had received the fare cards. The manager admitted to the OIG that he forged the woman's signatures and never delivered the fare cards to her. In addition, the OIG also determined that the subordinate failed to log the serial numbers for over one-quarter of the fare cards (totaling \$27,000) that she gave to the manager making it more difficult to cancel the fare cards before use.

Prior to the initiation of this investigation, the manager was discharged from CPS and designated ineligible to be rehired following a residency and tuition fraud investigation which revealed that the manager resided in the suburbs and enrolled his son, who resided with him, in a CPS elementary school. The OIG has referred this matter to the Cook County State's Attorney for review and possible prosecution. (11-01449)

- An OIG investigation revealed that an elementary school guidance counselor assistant stole \$21,625 from the school's internal account by writing 14 separate checks to herself and depositing them into her personal bank account. In order to hide the fact that she was stealing from the internal account, the guidance counselor assistant created fraudulent invoices to make it appear as if the money she was diverting to her personal use was being spent on legitimate vendors. Although checks written from the school's internal account required two signatures, the guidance counselor assistant was able to write checks to herself because the other signatories on the account co-signed blank checks. In addition, the OIG investigation revealed that thousands of dollars in cash were received by the school but apparently never deposited in the bank. The guidance counselor assistant admitted to the OIG that she also stole an unknown amount of cash. The OIG referred its investigation to the Cook County State's Attorney's Office which subsequently indicted the guidance counselor assistant for the felony

offense of theft. That matter is currently pending in criminal court. CPS terminated the guidance counselor assistant and she has been designated ineligible to be rehired.

The investigation also revealed that the school's principal learned that the guidance counselor assistant had stolen some of the funds, did not discipline her and attempted to have the guidance counselor assistant pay back the money. The principal assumed the money had been paid back, but school records clearly indicated that was not the case. Because the principal failed to take adequate steps to investigate the matter or ensure that the money had been paid back, the OIG recommended that the former principal be designated ineligible to be rehired. CPS took that action following the OIG investigation. (10259)

- The OIG conducted a proactive investigation which revealed that a central office manager engaged in a conflict of interest, in that while serving as a program coordinator, the manager was the executive director of a not-for-profit company that, in part, ran programs in CPS schools that the manager was responsible for supervising. The OIG unearthed a longstanding scheme whereby the manager improperly and without authorization diverted over \$50,000 of CPS funds to pay for fees incurred at a sports facility by the not-for-profit entity that the manager ran with her husband, a former CPS employee. In order to advance the scheme, the manager not only created and submitted 12 fraudulent invoices but also deliberately kept her marriage to her current husband a secret in order to cloud the fact that the not-for-profit was basically nothing more than her own family's private enterprise.

The OIG also discovered that the manager's scheme was facilitated by her ex-husband, also a manager in the same department, who requested, approved and/or receipted each of the relevant purchase orders payable to the sports facility. Additionally, the OIG also discovered that the adult children of the manager and her ex-husband were improperly working as hourly employees of the department and were supervised by their parents.

It should be noted that the manager's ex-husband was criminally charged with his own scheme to defraud CPS. That matter was reported in the OIG's FY 2011 Annual Report and is mentioned above in the section updating FY 11 investigations.

Specifically, the OIG found the following:

- At the same time the manager was paid by CPS to run and manage a CPS program, she served as the executive director of a not-for-profit entity that provided sports instruction to children and teen agers.
- The founder and CEO of the not-for-profit was the manager's current husband, a retired CPS teacher, who, at the time of the investigation, worked from time to time as a CPS hourly employee.

- According to the manager's department head, CPS and the not-for-profit had a collaborative relationship that ended in 2003 or earlier.
- Despite his claims that the relationship between CPS and the not-for-profit ended in the past, the department head was quoted on the not-for-profit's website acknowledging the not-for-profit as a community partner.
- In 2003, pursuant to Board authority, a CPS high school entered into a partnership agreement with the not-for-profit under which the not-for-profit spent \$24,000 to enhance a sports-related facility at the high school in exchange for exclusive use of the facility during designated times. The OIG uncovered a draft agreement between the high school and the not-for-profit which failed to specify the term of the use agreement and the not-for-profit continued to use the facility.
- The manager's ex-husband was a business manager in the department where the manager worked until he resigned under investigation the day after he was interviewed by the OIG in an investigation into his own procurement fraud scheme and thefts of CPS funds. (This matter was reported in the OIG's FY 11 Annual Report)
- The manager and her ex-husband had two children together, a son and a daughter.
- The CEO of the not-for-profit had two children as well, also a son and daughter.
- Between 2006 and 2011, the manager engaged in a scheme whereby she diverted over \$50,000 of CPS funds to a sports facility in order to pay for the not-for-profit's membership fees and facility rental fees incurred by the not-for-profit.
- In order to divert CPS funds to pay for the not-for-profit's use of the sports facility, the manager fraudulently added CPS to the not-for-profit's longstanding account at the sports facility.
- In furtherance of her scheme, the manager submitted 12 fraudulent invoices from the sports facility reflecting that CPS owed the sports facility a combined total of over \$50,000. The invoices claimed facility rental for CPS elementary and high school programs that never happened at the sports facility.
- During an OIG interview, the manager told the OIG that she created the fraudulent invoices on her computer.
- The department head approved three purchase orders totaling \$13,300 in connection with three of the fraudulent invoices at issue here.
- The manager's ex-husband approved eight purchase orders totaling \$36,800 in connection with eight of the fraudulent invoices at issue here.
- The manager's fraudulent scheme was enabled by her ex-husband who requested, approved and/or receipted each of the fraudulent purchase orders at issue here. In

addition, the ex-husband arranged to have several of the checks that were issued to the sports facility held for pick up at accounts payable instead of being mailed to the facility. Those checks were then picked up by either the manager or her ex-husband before being hand delivered to the sports facility by the manager.

- The manager lied to the OIG during an interview when she said that she and the CEO of the not-for-profit (her current husband) worked at the not-for-profit as volunteers. Bank records show that since January 2009, the not-for-profit paid the CEO \$51,913 and the manager \$18,456, for a combined total of \$70,369.
- The manager's secret marriage to the CEO of the not-for-profit represented a severe conflict of interest by occluding the fact that the not-for-profit was largely nothing more than an enterprise of the manager and her family. In addition to the above-referenced payments from the not-for-profit to the manager and the CEO, bank records showed that since 2009, the not-for-profit paid the CEO's children a total of \$11,568 for coaching.
- On top of the payments directly from the not-for-profit, the manager was also directing not-for-profit funds to a consulting company that she owned. Bank records show that from January 29, 2008 to January 28, 2011, the not-for-profit paid \$7,711 to a consulting company where the manager was the sole member.
- In addition to the scheme noted above, the manager's ex-husband improperly supervised his own children and entered one of his children's time into the KRONOS system so that he could get paid. The manager also opened the bucket position for his daughter in the same department where he worked and managed.

This matter was also referred to the Cook County State's Attorney for potential prosecution. The manager resigned from CPS during the course of the investigation and she and her husband were designated ineligible to be rehired. In addition, the manager, her ex-husband and her current husband (the CEO of the not-for-profit) and the not-for-profit entity were permanently debarred from doing business with CPS. (10271-10287)

- An investigation of an elementary school principal revealed that the principal purchased a \$700 snow blower with school funds and then immediately delivered it to a residential property that he primarily rented for income but where he sometimes lived. The investigation revealed that the principal used the snow blower at the property for approximately three and a half years and even spent \$330 of CPS funds to repair the snow blower after it was heavily damaged while he was using it at his private property. The principal also enlisted the aid of a private custodian from his school to transport the snow blower between the school and his private property. The principal returned the snow blower to the school only after being summoned to the OIG for an interview. In addition, the principal purchased five large flat-screen TV's installed throughout the school that were never used because they could not be wired for use, an additional

waste of funds. As a result of the OIG investigation, the principal has been removed from the elementary school and disciplinary action is pending. (11-00307)

- The OIG conducted two investigations involving an elementary school clerk. The first investigation revealed that the clerk and a former CPS employee stole \$6,021 of school internal account funds by redeeming a certificate of deposit for cash and keeping the money. The OIG found that the scheme succeeded in large part because the former employee was still listed as a signatory on the account despite the fact that she had not been employed by CPS for years. Within days of being interviewed by the OIG, the clerk wrote a check to the school for the full amount of money that was stolen. The OIG referred this matter to the Cook County State's Attorney for further investigation. The second investigation of the clerk concerned his residency, and his wife's, and is reported in the Residency section of this report. Following the OIG investigations, the clerk resigned from CPS employment and was designated ineligible to be rehired. The former employee was also designated ineligible to be rehired. (11-00825)
- An OIG investigation at a high school determined that a teacher was reckless in handling cash from the school's bookstore. Specifically, the OIG found that the teacher regularly and inexplicably kept large amounts of cash overnight in the store — either in the register or hidden in a plastic tub — rather than depositing the cash with the school treasurer on a daily basis. This practice resulted in the theft of approximately \$5,000 that was hidden in the store. Specifically the OIG found that:
 - The teacher recklessly hid approximately \$5,000 in cash in the school store instead of depositing it. The teacher's actions directly resulted in the loss of that money.
 - On prior occasions, the teacher similarly hid large sums of cash in the school store overnight. On two separate occasions, he hid approximately \$10,000, and on one occasion he hid \$2,200.
 - The teacher's failure to exercise proper cash accounting and handling procedures in his role as store manager constituted violations of CPS policies.

The OIG recommended appropriate discipline for the teacher and an overall review of all cash handling and security procedures at the school. The OIG also recommended installation of a comprehensive video surveillance system at the school. Following the OIG investigation, the teacher was issued a warning resolution and a 15 day suspension. (11-01335)

- An OIG investigation at the same high school revealed that a privatized custodian stole t-shirts from an office in the school he was assigned to clean. The incident was captured on a covert surveillance camera. During his OIG interview, the custodian admitted to stealing the shirts and to spending large amounts of time loafing in the office, which was also captured by covert surveillance video. The OIG recommended that the custodian be

barred from doing any further work under his employer's contract with the Board. The custodian was subsequently removed from performing any work for CPS. (11-01575)

- A third investigation at the high school determined that on four occasions, a night watchman entered and searched through an office looking for money to steal. The watchman used a flashlight in order to avoid detection. In addition, on at least one occasion, the watchman used latex gloves to avoid leaving any fingerprints in the office. These events were captured by an infrared camera that was installed after an earlier theft was discovered from the office. In addition, during his OIG interview, the watchman admitted to the OIG that while he was on duty one night, he entered the office and stole \$150. Following the OIG investigation, the watchman resigned and was designated ineligible to be rehired. (12-00129)
- The OIG conducted an investigation at a high school which revealed that a clerk, security officer and lunchroom attendant stole at least three boxes of gift fruit from the main office of the school. The boxes were worth \$40 each and were purchased by a CPS consultant as gifts for teachers. Following the OIG investigation, the school clerk was terminated. (11-01568)
- An OIG investigation of a porter assigned to an elementary school revealed that the porter stole supplies, including toilet paper, from the school for his personal use. In an interview with the OIG, the porter also admitted to stealing milk and bread from the school lunchroom. The OIG investigation also determined that the porter resided in Calumet City, Illinois, in violation of the CPS residency policy. Based on his intentional misrepresentation of his residence, and his theft of school supplies, the OIG recommended that the porter be immediately discharged from CPS employment and permanently classified as a Do Not Hire (DNH). Disciplinary charges against the porter are pending. (12-00599)

ETHICS RECOMMENDATION

The OIG conducted an investigation into the principal discretion selection of the son of an LSC member into a selective enrollment high school. The OIG did not find any wrongdoing concerning the admission of the student since the student's selection fell within the technical requirements of the applicable policies. Because of the real danger, however, that LSC members might have an undue influence on the Principal Discretion selection process, the OIG recommended that Board policies be amended to make it clear that LSC members (like CPS employees, CPS officers, CPS Board members, and elected officials) are prohibited from influencing or attempting to influence Principal Discretion selections at Selective Enrollment Schools.

Following the investigation, the OIG recommended the following.

- The Board amend the definition of Prohibited Contacts to specifically include LSC members. Such a revision of the definition will make it clear that the rules and reporting

requirements governing communications with Prohibited Contacts also apply to LCS members.

- When a child of an LSC member applies for admission to any Selective Enrollment School, the parent or guardian of the child who is on an LSC be required to sign a Statement of Non-Interference, thereby certifying that she has not and will not use her LSC status or position to improperly influence or intervene in the Principal Discretion section process.

The CPS Office of Access and Enrollment amended the Principal Discretion Handbook for 2012-13 to require LSC members to fill-out a Statement of Non-Interference if a relative is attempting to enroll in the selective enrollment school at which they are a LSC member. The Handbook also now lists LSC Members as “prohibited contacts” for principals and delegated school staff regarding applicants to selective enrollment schools. (11-01102)

VENDOR MISCONDUCT

- The OIG conducted an investigation which revealed that a previously debarred vendor provided \$158,000 worth of consulting work at nine privately managed CPS schools. The OIG further determined that the vendor was fraudulently invoicing her consulting work through a consulting company purportedly owned and run by her husband. In addition, the OIG determined the debarred vendor’s scheme succeeded, in part, because the principals who hired the vendor were apparently not aware that she had been permanently debarred. The OIG recommended permanent debarment for the husband, as well as policy changes that would require the Board’s list of debarred vendors be checked to ensure that entities or persons on that list are not retained by CPS or CPS contractors. Following the OIG investigation, the previously debarred vendor’s husband and his company were permanently debarred from doing business with CPS. The CPS Procurement Department has also made a list of debarred vendors available on its website. (11-00827)
- The OIG initiated an investigation of a CPS service provider after receiving information from the Illinois Office of Executive Inspector General (OEIG) and the Office of the Inspector General for the Department of Children and Family Services (DCFS OIG) that an owner of multiple companies committed wide-scale fraud in connection with millions of dollars of grants that were awarded through numerous State of Illinois agencies (including DCFS) to the owner and his companies. Among other things, a joint report issued by the OEIG and the DCFS OIG concluded that the companies often provided one set of student services at CPS schools (and other schools) but were receiving double or triple payments for those services under grants from the Board of Education, DCFS, or the Illinois State Board of Education (ISBE). In one instance, the company claimed to have served the same set of students under three separate grants. The owner of the companies failed to cooperate in the OIG’s investigation and, as such, the OIG was not able to interview him or obtain documents from him. That refusal

meant that the OIG's investigation into this matter was forced to largely rely on the joint report issued by the OEIG and the DCFS OIG, and that the OIG's investigation was not able to develop a significant body of additional information beyond that already investigated and reported by the OEIG and the DCFS OIG. Specifically, the joint report concluded that:

- The company owner engaged in a practice of providing one set of grant-related student services at CPS schools (and other schools) but was receiving double or even triple payments for that single set of student services under grants from the Board of Education, DCFS, or the ISBE. In one instance, the companies claimed to have served the same set of students under three separate grants.
- The State of Illinois should take civil and criminal action against the company owner and bar him from receiving state grants or contracts.
- The State of Illinois should permanently bar the company owner and any business entity in which he has or acquires an ownership interest from ever being awarded a State grant or contract.

Based on the joint investigation conducted by the OEIG and the DCFS OIG, and his failure to cooperate with the CPS OIG investigation, the OIG recommended that CPS debar the company owner. CPS subsequently permanently debarred the company owner and five of his companies from doing work with CPS. (9521)

- After issuance of the OEIG and DCFS OIG joint report mentioned above, the CPS OIG became aware of a matter regarding an elementary school principal's financial relationship with the company owner. The OIG then investigated this relationship and determined that the principal worked as a paid consultant for two of the companies that were investigated. The OIG obtained records which showed that in 2007 and 2008 alone, the principal received \$57,500 from those two companies. The investigation further revealed that the principal worked for those companies not only while she was the principal of the elementary school but also while she was in her previous assignment as a coordinator in a central office department which had contract management authority for the student services grant work performed by the company owner and his companies. In addition to her work as a paid consultant for the company owner, the OIG also discovered that for years the principal had been regularly treated to expensive dinners and sporting events by the company owner. The OIG also confirmed that two of the companies were selected by the principal to perform outside grant work at her school.

The OIG's investigation further discovered that the principal failed to report (1) the dinners and sporting events that were paid for by the company owner on the annual Statements of Business and Financial Interests that she filed with the Board of

Education; and (2) her secondary employment with the companies (and other entities) to the Board as required.

As stated above, the company owner and his companies were permanently debarred by CPS. The principal retired from CPS and has been designated ineligible to be rehired. (11-00712)

CPS ACCEPTABLE USE POLICY

The *CPS Acceptable Use of the CPS Network and Computer Resources* policy demands that CPS employees must use the CPS network and computer resources in a professional, ethical and lawful manner in compliance with all Board Rules and policies. The policy explains that computer resources are intended for Board business, with limited personal use permitted. Such personal use must, in all circumstances, comply with the unacceptable use and conduct provisions in this policy, and must not result in costs to the Board, cause legal action against or cause embarrassment to the Board. Such use must also be appropriate as to duration and not interfere with the user's duties and the Board's business demands. The policy further declares that users shall not use the CPS network or computer resources including access to the Internet, Intranet, Collaboration Systems or E-mail to use, upload, post, mail, display, store, or otherwise transmit in any manner any content, communication or information that constitutes use for, or in support of, any obscene or pornographic purpose including, but not limited to, the transmitting, retrieving or viewing of any profane, obscene, or sexually explicit material. In FY 12, the OIG investigated the following violation of the Acceptable Use Policy.

- The OIG conducted an investigation of a high school teacher after a student, while working on a classroom computer, discovered numerous photos of the teacher exposing his genitals to the camera. The student also discovered numerous other pornographic photos on the computer of people exposing their genitals and/or engaged in sex acts. Subsequent examination of two external hard drives that were found in the teacher's classroom determined that those drives each contained graphic photos of the teacher engaged in sex acts with another adult, as well as numerous other photos of exposed genitalia. In an interview with the OIG, the teacher stated that many of the pornographic photos were taken in his home or, in many cases, his own bed. The teacher admitted to regularly taking CPS computers, cameras and video cameras home, and he said that he has never given permission to anyone else to take his classroom equipment home. Since the teacher was responsible for the pornographic images of him and others that were found on the computer and hard drives in his classroom, the OIG recommended that the teacher be immediately discharged from CPS employment. The teacher subsequently resigned from CPS employment and was designated ineligible to be rehired. (11-01168)

CPS LAPTOP THEFTS

- An OIG investigation revealed that an elementary school technology coordinator admitted to stealing a CPS Apple iMac computer from the school and pawning it at a pawn shop for \$300. The iMac computer was purchased by CPS for \$1,359. Following the OIG investigation, the technology coordinator returned the stolen computer and was terminated from CPS employment. The technology coordinator has also been designated ineligible to be rehired. (11-00829)
- An OIG investigation revealed that a laptop computer that had previously been reported stolen from an elementary school was found, via electronic tracking, to be in the possession of a teacher from the elementary school. The teacher contended that he had purchased the computer from a flea market. The teacher denied knowing that the computer was CPS property despite CPS logos and icons clearly visible on the laptop's screen when turned on. The teacher was also found to be residing in Markham, Illinois in violation of the CPS Residency Policy. Disciplinary action is pending against the teacher. (11-00834)
- The OIG conducted an investigation into the theft of a CPS laptop from a high school. The investigation included reviewing surveillance video from a camera located in the school's library which revealed that a teacher concealed the laptop among papers and placed it into a bag. The investigation revealed that the teacher then took the computer home. After the computer was discovered missing, the school's principal (1) made an announcement over the school's intercom stating that a laptop was missing and staff should check to make sure everyone had his or her assigned laptop; (2) sent an e-mail to all staff in which she asked for the return of the missing laptop; and (3) posted signs around the building stating that CPS laptops have tracking devices. The missing computer was subsequently found in the library after the repeated calls for the return of the computer were made and the warning that the computer could be tracked was issued. After the OIG investigation, the teacher resigned from CPS employment and was designated ineligible to be rehired. (11-01113)
- An OIG investigation revealed that an elementary school security officer was in possession of a stolen CPS laptop. Specifically, on numerous occasions, geolocation software indicated that the laptop was being used from the security officer's home. In addition, the laptop was used to open a Kohl's account in the security officer's name and to access the security officer's CPS email account. Disciplinary action against the security officer is pending. (11-01560)
- The OIG conducted an investigation of a high school custodial worker which revealed that the custodial worker was in possession of a stolen CPS laptop. Specifically, tracking software established that, on numerous occasions, key-stroking data revealed that the laptop was used on websites where the custodial worker's personal information was entered, including his date of birth, social security number and address. In addition, the

laptop was used to enter the custodial worker's bank account online. The Law Department is reviewing the OIG's investigation for potential disciplinary action against the custodial worker. (12-00347)

- An OIG investigation revealed that a CPS laptop was being used by the daughter of an elementary school teacher who worked at the school that reported the laptop stolen. The investigation revealed that the teacher's daughter used the laptop while away at college. The Law Department is reviewing the OIG's investigation for potential disciplinary action against the teacher. (12-00407)

MISCELLANEOUS INVESTIGATIONS

- The OIG conducted an investigation which revealed that an elementary school principal, school clerk and preschool teacher allowed the child of the school clerk to attend tuition-based preschool for two years without paying any tuition. The decision to allow the child to attend tuition-based preschool for two years without paying anything amounted to a theft of at least \$17,670, and it was grossly unfair to every parent who paid thousands of dollars a year for the same preschool program. In addition, the OIG determined that the school clerk falsified a Free and Reduced-Price Meal Application for her child. The OIG recommended appropriate discipline for the principal, clerk and teacher and also recommended that CPS recover the cost of the tuition that should have paid for the pre-school from the clerk, which is at least \$17,670. Dismissal charges have been filed against the school clerk and disciplinary action against the principal and teacher are currently under consideration. (9506)
- An OIG investigation revealed that a CPS high school student stole \$650 from a school assistant by misdirecting a portion of the assistant's payroll into accounts that were controlled by the student. Specifically, while living in the home of the school assistant's mother as a foster child, the student obtained personal information about the school assistant and then used that information to repeatedly reset the assistant's CPS computer systems password. After resetting the password, the student then added his own bank accounts to the assistant's automatic direct deposits. The student was able to divert a total of \$650 dollars from the assistant's payroll, however, \$350 of that amount has since been recovered. Because the student's actions constituted criminal theft and other statutory crimes, the OIG referred the case to the Chicago Police Department for further investigation. In addition, the OIG recommended that CPS implement stronger measures to protect sensitive computer data, such as direct deposit information. (11-00149)
- The OIG conducted an investigation after a high school principal entered into a settlement agreement with the Board of Education under which she agreed to terminate her principal's contract and withdraw an EEOC charge that she had previously brought in exchange for assignment to an administrative position, which would last through a date specified. The investigation revealed that the principal's employment did not end

on the date specified due to an apparent clerical oversight in a central office department which was responsible for monitoring the time and attendance for displaced administrators. As a result, the principal's employment was not terminated, and she was kept on the CPS payroll through early 2011 when the situation was discovered. The principal resigned the day she was scheduled to report to central office for a meeting about her employment beyond the date specified in the settlement agreement.

The OIG learned that transitioning payroll duties between central office departments for employees similarly situated to the principal and a lack of decisive communication among departments led to confusion about which CPS office had administrative responsibility for the principal. In addition, although CPS exercised insufficient oversight, the principal deliberately exploited administrative ambiguity concerning the status of her position in order to remain on the payroll past the date specified. Specifically, throughout late 2010 and early 2011, the principal repeatedly forged the signatures of a high school principal and an assistant principal on CPS Absence forms. By forging those signatures, the principal made it appear as if she was requesting and receiving the necessary approval to use sick days and leave time.

Finally, the circumstances surrounding the principal's extended employment gave rise to significant questions about the quantity of work that she was performing in exchange for her pay, after she was to have left CPS employment. Specifically, (1) the principal told the OIG that she essentially reported to no one; (2) she frequently swiped in at places unconnected to her work and she told the OIG that she could do so because she was a city-wide employee; (3) she claims that she often worked from home; (4) she falsified work-related documents, namely, the approval signatures of the principal and assistant principal on absence forms; and (5) she resigned on the very day that she was scheduled to discuss her post-settlement employment.

Following the investigation, and the principal's resignation, the principal was designated ineligible to be rehired. Additional controls were implemented to enforce termination dates in settlement agreements. (11-00351)

- An OIG investigation revealed that a high school principal and the school's basketball coach were responsible for a purchasing violation that occurred when the school bought \$16,930 worth of uniforms without competitive bidding or approval of the Chief Purchasing Officer as required. The OIG recommended appropriate disciplinary action against the principal and coach. The Law Department further recommended disciplinary action which the principal's supervisor, to date, has failed to enact. (11-00458)
- The OIG conducted an investigation of four high school basketball coaches, an assistant principal and a principal which revealed that an AAU basketball tournament was held at three high schools and the organizers, including one of the CPS basketball coaches,

failed to follow appropriate CPS procedures, including, in some instances, obtaining proper school usage permits. As a result, the CPS basketball coach who organized the AAU tournament was able to collect fees for the tournament and did not have to pay a school usage fee, which could have been as high as \$2,500. The OIG recommended appropriate disciplinary action against the CPS employees and also recommended that CPS seek to recover the school usage fee from the basketball coach who organized the private tournament. The principal resigned from CPS, one of the basketball coaches was designated ineligible to be rehired based on unrelated issues and CPS directed the remaining employees to follow school usage policies. The basketball coach who organized the private tournament left CPS employment and no other discipline has been enacted nor have the school usage fees been recovered. (11-00552)

- The OIG conducted an investigation which revealed that a high school teacher committed aggravated criminal sexual abuse against a then-17-year-old suburban high school girl who he was coaching. Although the conduct at issue here occurred off-duty, and the teacher was not charged criminally, the conduct was sufficiently related to the teacher's CPS employment, warranting the OIG's investigation, since the teacher had been a physical education teacher and track coach at a CPS high school. The OIG recommended appropriate discipline for the teacher. The teacher has been suspended without pay pending disciplinary action. (11-00606)
- An OIG investigation of an elementary school principal revealed that the principal, in violation of CPS policies prohibiting fiscal mismanagement and waste of funds, improperly discarded thousands of dollars of serviceable school and office supplies. The list of items that were discarded included: 72 printer cartridges, 507 workbooks, 1,542 bottles of glue, over 835 blackboard and whiteboard erasers; and 808 rolls of transparent tape. The vast majority of the supplies that were discarded were unused and in new condition. The 72 printer cartridges alone had a retail value of \$2,773. The OIG learned that the principal discarded valuable school supplies solely to make room for even newer supplies that were recently purchased. The principal informed the OIG that she bought the additional school supplies because it was the end of the fiscal year and if she did not spend her school's budgeted money, the school would not receive the same amount of budgeted money next year. The principal was subsequently issued a written directive regarding the proper handling of school supplies and was not further disciplined. The principal contended she donated many of the surplus school supplies to other schools but failed to document those donations. (11-00843)
- An elementary school librarian, an OIG investigation revealed, improperly used 175 hours of CPS sick leave (6.25 hours on each of 28 days) to work for a technology company as a paid consultant. In addition, the librarian failed to submit a secondary employment form for her employment with the technology company as required. Finally, the investigation revealed that the librarian was involved in a square conflict of interest in that while working for the technology company, which was a CPS vendor, the

librarian also served on the elementary school's technology committee, where she evaluated the technology company's products for potential use in the school. The librarian resigned during the course of the OIG investigation and was subsequently designated ineligible to be rehired. (11-00847)

- An OIG investigation revealed that a project manager submitted inaccurate or incomplete mileage reimbursement forms, which caused him to be paid at least \$467 in unsupported reimbursements. Among other things, his reimbursement forms included inaccurate odometer readings. The extent of the project manager's falsification could not be determined because the project manager was pulled from field duties before the OIG had a chance to conduct field surveillance which would have quickly determined where the project manager drove and whether he reported his comings and goings accurately at the end of the month. In addition, the OIG determined that problems with the project manager's mileage reimbursement claims were partly the result of inadequate supervision within his department. In particular, the project manager submitted mileage reimbursement documentation to someone other than his direct supervisor, which meant that the person in the best position to evaluate the accuracy of the forms was not reviewing them. The project manager was subsequently laid off from CPS employment. (11-01318)
- The OIG conducted an investigation which determined that a high school teacher recklessly kept between \$1,500 and \$2,500 in cash that she collected from students in her desk. The money subsequently was missing. The teacher claimed that she last saw the money before she left for Christmas break in December and discovered that the money was missing when she returned to school in January. The teacher paid back \$1,000 of the missing money. In addition to keeping the cash in her desk, the teacher further failed to follow proper cash handling procedures in that she (1) commingled student funds with personal funds and (2) failed to use an authorized Teacher's Receipt Book to record the money that she received from students. The OIG recommended appropriate discipline for the teacher. The teacher was previously investigated for a residency violation in FY 11. Dismissal charges have been filed against the teacher who is currently suspended without pay pending a hearing before the Illinois State Board of Education. (12-00058)
- An OIG investigation of an elementary school counselor found that on six days the counselor abused the CPS sick leave policy by improperly using sick time to appear as a defendant in criminal court. On two days the counselor falsified his attendance records in that he was swiped in for work while he simultaneously appeared in court and on one day the counselor reported that he was attending a conference when he was actually appearing in criminal court as a defendant. Following the OIG investigation, the school counselor received a five-day suspension. (7641)

- An investigation at a high school revealed that the principal, a coach and another staff member allowed a school sports team to travel out-of-state without receiving the requisite approval from a CPS Chief Administrative Officer as expressly required by the CPS Student Travel Policy. In addition, the principal did not submit an application for trip approval by the specified date. This is the same school noted in the Selective Enrollment – Improper Transfers and Selective Enrollment – Prohibited Contacts sections above and disciplinary action against the principal, based on numerous OIG investigations, is pending. (11-00705)

RESIDENCY

To comply with the CPS Residency Policy, employees hired after November 20, 1996 must reside within the City of Chicago. The CPS Residency Policy mandates that employees, unless granted a waiver because they teach in an identified “special needs” area, must maintain a City of Chicago domicile defined as the one true, permanent home to which, whenever they are absent, they have an intention of returning. The OIG has been delegated the responsibility of investigating allegations of non-residency and in fact, the OIG receives more complaints of employees violating the Residency Policy than any other rule violation. In FY 12, the 276 complaints of alleged residency violations received by the OIG totaled more than 16% of all the complaints received by the OIG. To help ensure that all employees are treated fairly, consistently and equitably; to reduce animosity between those employees who abide by the residency requirement and those who do not, thereby enhancing employee productivity; and, to set the tone that CPS rules and policies must be adhered to, the OIG delegates resources to investigate alleged violations of the Residency Policy.

The Residency Policy reflects that employees who intentionally submit a false residential address to avoid the requirements of the policy have engaged in irremediable conduct punishable by discharge. In FY 12, the OIG issued the following reports on employees who intentionally submitted false residential addresses reflecting that they lived in the City of Chicago when in fact they did not.

- Two elementary school teachers, husband and wife, were found to be residing in Tinley Park, Illinois in a home the couple owned since 2006. Based on its investigation, the OIG recommended that the teachers be terminated for intentionally misrepresenting their address in violation of the CPS residency policy. CPS did not terminate the teachers and instead reached a settlement with them to ensure their prospective compliance with the CPS Residency Policy and the teachers were issued warning resolutions. (9008)
- The OIG conducted an investigation of an elementary school assistant principal which revealed that the assistant principal resided in Merrillville, Indiana. Based on the assistant principal’s intentional misrepresentation of her actual residence, the OIG recommended that the assistant principal be immediately discharged from CPS

employment. The assistant principal was terminated from CPS employment and designated ineligible to be rehired. (9150)

- An OIG investigation revealed that a team leader in a central office department resided in Matteson, Illinois, since being hired by CPS in 2004 despite signing a CPS Employee Residency Statement falsely claiming a Chicago residence. The team leader was laid off from CPS employment and designated ineligible to be rehired. (9493)
- A high school teacher was found to be residing in Country Club Hills, Illinois, after falsely claiming to reside in the City of Chicago. Disciplinary action against the teacher is pending. (10027)
- The OIG conducted an investigation of a central office manager which revealed that the manager resided in Lynwood, Illinois. Based on his intentional misrepresentation of his actual residence, the OIG recommended that the manager be immediately discharged from CPS employment. The manager was terminated and designated ineligible to be rehired. (11-00555)
- The OIG conducted an investigation of a husband and wife, an elementary school clerk and a teacher assistant, who resided in Midlothian, Illinois. Following the OIG investigation into their residency and another investigation into the theft of school funds mentioned above in this report, the school clerk and teacher assistant resigned from CPS employment and were designated ineligible to be rehired. (11-01482)
- An OIG investigation revealed that a high school engineer resided in Hometown, Illinois. The investigation also revealed that the engineer regularly visited a casino in Indiana and drank beer, during his workday. Based on his intentional misrepresentation of his actual residence, as well as his unauthorized absence from work and drinking on duty, the OIG recommended that the engineer be immediately discharged from CPS employment. The engineer was subsequently terminated from CPS employment and designated ineligible to be rehired. (11-01124)
- An OIG investigation revealed that a high school assistant principal lived in Richton Park, Illinois, in violation of the CPS residency policy. Based on her intentional misrepresentation of her residence, the OIG recommended that the assistant principal be immediately discharged. The assistant principal also falsified Free and Reduced-Price Meal applications for her daughter; an investigation mentioned above in this report. The assistant principal is currently suspended with pay pending disciplinary action. (11-01489)
- A school clerk assistant at a high school was found to be residing in South Holland, Illinois, in violation of the CPS residency policy. Based on her intentional misrepresentation of her residence, the OIG recommended that the clerk assistant be discharged from employment. The clerk assistant was terminated and designated ineligible to be rehired. (11-01558)

- The OIG conducted an investigation of an elementary school teacher which determined that the teacher lived in Calumet City, Illinois, in violation of the CPS residency policy. Based on his intentional misrepresentation of his residence, the OIG recommended that the teacher be discharged from CPS employment. The teacher was terminated and designated ineligible to be rehired. (11-01556).
- An OIG investigation revealed that a CPS Senior Professional who worked with a contract school organization through an on-loan leave agreement, and his wife, a school social worker, falsely misrepresented that they lived in Chicago, when they have actually lived in Oak Park, Illinois since 2007. Based on their intentional misrepresentation of their residence, the OIG recommended that both the husband and wife be discharged from CPS employment. Both employees resigned from CPS employment and were designated ineligible to be rehired. (12-00163)
- The OIG conducted an investigation which revealed that an elementary school assistant principal resided in Berwyn, Illinois, in violation of the CPS residency policy. Based on her intentional misrepresentation of her residence, the OIG recommended that the assistant principal be immediately discharged. The assistant principal resigned and was designated ineligible to be rehired. (12-00304)
- During the course of an investigation of a stolen CPS laptop, the OIG learned that an elementary school teacher resided in Markham, Illinois in violation of the CPS Residency Policy. The teacher was also found to be in possession of a laptop computer reported stolen from the elementary school where he worked. That matter is also reported above. Disciplinary action against the teacher is pending. (11-00834)
- While investigating an elementary school porter for theft of school supplies, the OIG also determined that the porter resided in Calumet City, Illinois, in violation of the CPS residency policy. Based on his intentional misrepresentation of his residence, and his theft of school supplies (which is reported above), the OIG recommended that the porter be immediately discharged from CPS employment and designated ineligible to be rehired. Disciplinary charges against the porter are pending. (12-00599)
- A school nurse was found to be residing in Elmhurst, Illinois and resigned from CPS shortly after her OIG interview in this investigation. Based on her intentional misrepresentation of her residence, the nurse was subsequently designated ineligible to be rehired. (11-01133)

RESIDENCY / TUITION FRAUD

The OIG also has the responsibility of conducting investigations into allegations that CPS students reside outside the City of Chicago, a violation of the Illinois School Code. In FY 12, three investigations conducted by the OIG found that CPS employees falsified their children's residential address, as well as their own residential address on employment

records with CPS, and enrolled their children in CPS despite residing in the suburbs. In addition the employees being subject to discipline for residing in the suburbs, the employees are also liable for the payment of non-resident tuition for enrolling their children in CPS while residing in the suburbs. Based on the three investigations, the OIG has recommended that CPS seek to recover \$254,907.84 from CPS employees who have enrolled their children in Chicago public schools. The investigations are summarized below.

- The OIG conducted an investigation of a Professional IV assigned to a central office department which revealed that the employee resided in Midlothian, Illinois in violation of the CPS Residency Policy. In addition, for three years, the employee improperly enrolled his child in a CPS school and used a fictitious city address for his school registration. During those three years, the child was not a resident of Chicago, but instead lived with the employee in Midlothian, Illinois. Based on the fact that the employee intentionally provided a false address in order to avoid the requirements of the CPS residency policy, the OIG recommended the employee's termination. The OIG also recommended that CPS pursue all legal remedies to obtain non-resident tuition from the employee in the amount of \$31,412. The employee was also involved in the theft of more than \$100,000 in CTA fare cards, an investigation that is summarized earlier in this report. The employee was terminated from CPS employment and has been designated ineligible to be rehired. The Board also issued a finding of non-residency and is currently seeking to collect \$32,227.70 in non-resident tuition from the employee. (7381)
- An OIG investigation of an elementary school assistant principal revealed that the assistant principal and her three children resided in Dolton, Illinois and the three children have attended CPS and CPS Charter Schools since 2008. In addition, although she is exempt from the CPS Residency Policy because she was hired in 1995, the assistant principal also falsified her residential address with CPS. Since her children attended CPS schools for a number of years, the OIG found that the assistant principal is responsible for the payment of non-resident tuition in the amount of \$141,382.39. The OIG recommended that CPS appropriately discipline the assistant principal and seek to recover the payment of non-resident tuition. The OIG also recommended that the children be disenrolled from CPS. It should be noted that the assistant principal also falsified Free and Reduced-Price Meal Applications for her children. That investigation is summarized above in this report. Disciplinary action against the assistant principal is pending and CPS will seek to recover the non-resident tuition. (11-01182)
- The OIG conducted an investigation which revealed that an elementary school principal and a high school assistant principal, husband and wife, resided in Lansing, Illinois, in violation of the CPS Residency Policy. The OIG investigation also revealed that the couple's children attended a CPS selective enrollment high school while residing in

Lansing with their parents. Based on their intentional misrepresentation of their residential address, the OIG recommended that CPS immediately discharge the principal and assistant principal. The OIG also recommended that CPS seek to recover \$81,297.75 in non-resident tuition from the couple and disenroll the one child still attending the selective enrollment high school. It should be noted that the couple was also involved in falsifying a Free and Reduced-Price Meal Application for one of their children. That investigation is summarized above in this report. Both the principal and assistant principal have resigned from CPS employment. CPS will also seek to recover the non-resident tuition. (12-00636)

TUITION FRAUD

The School Code of Illinois mandates that students attend the public school within the district in which they reside. The OIG has been charged with the responsibility of investigating allegations of students residing outside Chicago but attending CPS. In FY 12, the OIG recommended that CPS seek to recover \$223,025.24 in non-resident tuition from the parents of children who attended CPS while residing in the suburbs. Combined with the recommended collection of \$254,907.84 from CPS employees who reside in the suburbs and send their children to CPS, in FY 12 the OIG recommended that CPS seek to recover \$477,933.08 in non-resident tuition.

- The OIG conducted an investigation regarding two siblings who attended a selective enrollment high school. The investigation determined that the students' parents provided a false residential address to CPS and the siblings actually resided in Forest Park, Illinois. The OIG recommended that the siblings be disenrolled from the selective enrollment high school and that CPS recover \$40,861.43 in applicable non-resident tuition from the siblings' parents. (10246)
- An OIG investigation revealed that two children of a former CPS employee attended a CPS elementary school and high school despite residing in Country Club Hills, Illinois. The OIG determined that the parent's fraudulently enrolled their children in CPS by providing a false Chicago address and were responsible for \$20,079.24 in applicable non-resident tuition. As noted above, the former CPS employee was also responsible for falsifying Free and Reduced-Price Meal Applications for her children. Following the OIG investigation, the former employee was designated ineligible to be rehired and CPS will seek to recover the non-resident tuition. (10279)
- The OIG conducted an investigation which revealed that two siblings who attended a Regional Gifted Center resided in Evergreen Park, Illinois and their parents were responsible for \$92,488 in applicable non-resident tuition. The OIG also recommended that the students be disenrolled from CPS. CPS is seeking to recover the non-resident tuition from the parents. (11-00841)

- The OIG investigated another student from the same Regional Gifted Center who also resided in Evergreen Park, Illinois. The OIG recommended that the student be disenrolled from the school and that CPS seek to recover \$58,854.71 in applicable non-resident tuition owed by the parents. The CPS Law Department is currently reviewing the matter. (11-01496)
- The OIG completed an investigation of a selective enrollment high school basketball coach and his wife, which revealed that they improperly enrolled their son at the selective enrollment high school knowing that he was ineligible to attend because he lived with them in Oak Park, Illinois. The OIG further determined that the mother falsified documents relating to her son's residency when enrolling him at the school and the father lied during an OIG interview when he stated that the student lived in Chicago with his mother. The OIG recommended that CPS (1) disenroll the student from the high school; (2) appropriately discipline the basketball coach; and (3) recover \$10,742.57 in applicable non-resident tuition from the coach and his wife. The student no longer attends CPS, the basketball coach was terminated from CPS employment and CPS is seeking to recover the non-resident tuition from the parents. It should be noted that the enrollment of the student mentioned in this investigation was also the subject of another investigation concerning the school's principal. That investigation is summarized earlier in this report. (11-01433)

CRIMINAL CONDUCT

During FY 12, the OIG conducted investigations of employees who had engaged in criminal conduct. The following are investigations that resulted in recommendations for disciplinary action.

- The OIG conducted an investigation of an elementary school special education classroom assistant who was arrested on two occasions and charged with domestic battery and violation of an order of protection. The special education classroom assistant pled guilty to the charge of domestic battery and was sentenced to twelve months of conditional discharge. The employee was arrested a third time and charged with violating an order of protection, pled guilty to the charge and was sentenced to serve a term of two days in the Cook County Department of Corrections. The OIG investigation further revealed that while he was pleading guilty in criminal court to the charge of violating an order of protection, the classroom assistant was swiped in as if he was working from 8:01 a.m. to 3:36 p.m., evidence that he was falsifying his attendance records to reflect he was working when in fact he was not. The OIG recommended appropriate disciplinary action against the classroom assistant. Disciplinary action against the employee is pending. (11-01356)
- An elementary school porter was arrested and charged with the offense of armed robbery. The porter pled guilty to the charge of armed robbery and was sentenced to serve a term of eight years in the Illinois Department of Corrections. The porter

resigned from CPS employment following his arrest and has been designated ineligible to be rehired. (12-00112)

- An elementary school special education classroom assistant II was arrested and charged with numerous offenses including driving under the influence of alcohol, leaving the scene of an accident, and fleeing and eluding police. The special education classroom assistant was found guilty of the offenses of driving under the influence of alcohol and fleeing and eluding the police and was sentenced to serve a term of one year of conditional discharge. The investigation also revealed that while he was in court disposing of his criminal charges, the classroom assistant was credited with working 7.25 hours. The OIG recommended appropriate disciplinary action and that recommendation is under review by the CPS Law Department. (11-00266)
- A day-to-day school bus aide was arrested and charged with the offense of burglary. The aide pled guilty to the charge of burglary and was initially sentenced to serve a term of two years of probation. The aide subsequently violated the conditions of his probation and was sentenced to serve a term of three years in the Illinois Department of Corrections. The aide was terminated from CPS employment and designated ineligible to be rehired. (12-00280)
- The OIG conducted an investigation of an elementary school bus aide which revealed that the bus aide was convicted of felony retail theft for an incident in which she stole \$1,495 worth of perfume from a suburban store. In addition, the OIG learned that, in recent years, the bus aide has also been convicted of several misdemeanor crimes, including criminal trespass to property, retail theft, and battery. The bus aide informed the OIG that on one occasion, she used a sick day in order to be excused from work so that she could attend a court hearing in one of the criminal cases against her. Disciplinary action against the bus aide is pending. (11-01097)
- The OIG conducted an investigation of an elementary school custodial worker which revealed that during a twelve-year period the custodial worker had been convicted on four separate occasions for crimes that involved the illegal spray-painting (“tagging”) of property. Two of those convictions occurred since the custodial worker was employed by CPS. The custodial worker was convicted of criminal defacement of property for tagging CTA train cars at the Loyola elevated train platform resulting in \$2,344 of damage. Prior to that, the custodial worker was convicted on the charge of reckless conduct for an incident in which the custodial worker fled from the Chicago Police over live elevated CTA train tracks, an act which necessitated temporarily cutting off the power to the CTA trains because of the danger to the pursuing officers. The chase started after police responded to a call of suspicious men on the roof of a building. The Chicago Police reported that after his arrest, the custodial worker told them that he had been tagging immediately before the foot chase. Prior to becoming a CPS employee, the custodial worker was convicted of the offenses of criminal damage to property and

criminal trespass to real property following tagging incidents. The investigation also revealed that when he was hired by CPS in 2008, the custodial worker failed to accurately disclose his convictions. Based on his long history of damaging property, including public transportation property, the OIG recommended that CPS terminate the custodial worker. Dismissal charges have been filed against the custodial worker. (9584)

- An OIG investigation of an elementary school special education teacher's assistant determined that, while off duty, the teacher's assistant intentionally used the camera function of his cellular phone to capture video of a naked 16-year-old girl in the shower. The incident happened at a church in Chicago and the victim was a member of a suburban church youth group that had spent several days at the Chicago church for a retreat. The OIG learned that the teen-age victim deleted the incriminating video immediately upon discovering it. As such, the Cook County State's Attorney declined to charge the teacher's assistant. Following the OIG investigation, the teacher's assistant was terminated and designated ineligible to be rehired. (11-00869)
- The OIG was notified that a substitute teacher was arrested after being observed by police masturbating with his genitals exposed while at the Montrose Point Bird Sanctuary. The substitute teacher resisted arrest by kicking, pushing and grabbing the officers, injuring two arresting officers. The substitute teacher was charged with indecent exposure and two counts of aggravated battery of a police officer. The substitute teacher failed to appear in court and a warrant was issued for his arrest. The OIG attempted to interview the substitute teacher but he failed to appear for the interview. The substitute teacher was terminated from CPS employment and designated ineligible to be rehired. (11-01397)
- The OIG conducted an investigation which determined that a bilingual teacher was in possession of cocaine and cannabis when she was arrested by Chicago police officers. The teacher accepted the State's Attorney's Deferred Prosecution Program (Drug School) in lieu of prosecution and was subsequently not prosecuted. In an interview with the OIG, the teacher admitted that she was in possession of cocaine and cannabis when she was arrested by Chicago police officers and she specifically stated that she had purchased \$120 of cocaine and was just about to use it when she was arrested. The investigation also revealed that the teacher inappropriately used a sick day when she was in custody following her arrest. The teacher has been suspended without pay pending disciplinary action. (12-00002)