

Office of the Inspector General Chicago Board of Education

Annual Report July 1, 2009 – June 30, 2010

Prepared pursuant to 105 ILCS 5/34-13.1(e)

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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). The School Code authorizes the Office of the Inspector General (“OIG”) to conduct investigations into allegations of or incidents of waste, fraud, and financial mismanagement in public education within the jurisdiction of the Board. The OIG has also been charged with the responsibility of investigating allegations of various categories of employee misconduct. This *Annual Report* is a summary of reports and investigations for Fiscal Year 2010, the period between July 1, 2009 and June 30, 2010.

In FY 10, OIG investigations reviewed the conduct and practices of the highest level of the Board of Education and CPS administration. The OIG analyzed and criticized Board Office expenditures made by procurement card and purchase order. In addition, OIG investigations into clout admissions and preferential treatment of applicants for admission into selective enrollment high schools and other elite CPS schools resulted in findings that faulted the involvement of the Board Office, the CEO’s office, the Mayor’s office, politicians and benefactors in a process that should have been fair and impartial, but was instead tainted by politics and favoritism. As a result of these investigations, additional controls have been implemented and numerous business practices altered in order to enhance CPS integrity and efficiency. These investigations have changed the way the Board and CPS do business in essential ways. Numerous other investigations and reviews by the OIG served as a catalyst for the implementation of stronger control measures and helped purge CPS of its most unscrupulous employees.

In FY 10, the OIG responded to 1479 complaints of waste, fraud, financial mismanagement and employee misconduct — the largest number of complaints it has ever received. Based on the current complaint volume, it is estimated that the total number of complaints in Fiscal Year 2011 will increase 11.5% from FY 10, and over 89% from FY 06. The rapid increase in complaint volume means that the OIG’s workload has effectively doubled in just five years, while staffing levels have remained the same. On top of the increased workload, many OIG investigations from previous fiscal years still require continued OIG involvement due to ongoing criminal investigations and prosecutions or pending administrative hearings and arbitrations. When the continuing manpower demands of previous investigations and the OIG’s stagnant budget and staffing levels are considered along with the drastically increased number of complaints, it becomes clear that the time and energy necessary to triage complaints and service older cases is detracting from the ability of the OIG to perform its primary statutorily-mandated function. In short, without additional funding and

staff increases, the OIG faces the serious prospect that in the near future that it may no longer effectively serve as a deterrent for misconduct and a mechanism for identifying and remediating waste and financial mismanagement.

James M. Sullivan
Inspector General

ANNUAL REPORT

MISSION

The mission of the OIG is to ensure integrity in the operations of the 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 2010, the Office of the Inspector General 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 10, the OIG was allocated \$1.9 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.

The continued under-funding and under-staffing of the OIG will now force the OIG to investigate a smaller percentage of allegations received than in years past. Historically, the OIG has opened investigations on 55% to 66% of complaints received. An increased number of complaints received, coupled with a stagnant budget appropriation and staffing level, decreases the OIG's ability to address and investigate allegations received. In addition, as the OIG attempts to process, evaluate and investigate the complaints received, less time and effort can be afforded to proactive investigations initiated by the OIG based on its past investigative work and continued exposure to CPS systems and practices.

TRAINING

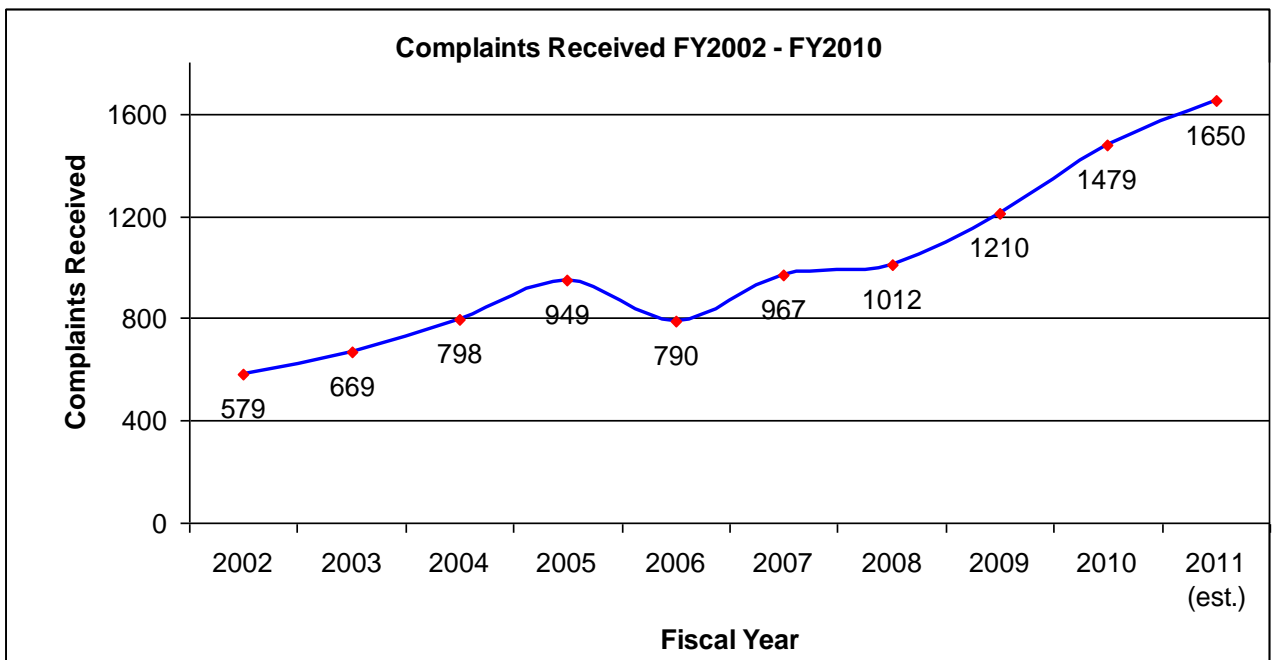
Many employees of the OIG are members of the Association of Inspectors General, a national organization of state, local and federal inspectors general and their staffs. The AIG offers training seminars and certification institutes for members as well as networking opportunities. Currently, five OIG employees have received the designation of Certified Inspector General 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 *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 2010 COMPLAINTS RECEIVED

In FY 10, the OIG received 1479 complaints alleging misconduct, waste, fraud and financial mismanagement within the Chicago Public School system. This total represents the largest number of complaints received in a reporting year by the OIG. These complaints included allegations of misconduct by CPS employees or vendors and allegations of students residing outside the City of Chicago and attending CPS. As illustrated below, the OIG continues to receive complaints and initiate investigations on an increasing number of allegations each year. Based on complaints received to date in FY 2011, the OIG estimates that it will receive approximately 1650 complaints in FY 2011.



The OIG receives a wide variety of allegations of waste, fraud, financial mismanagement and misconduct against employees and vendors. In FY 10 the OIG received 517 anonymous complaints, 35% 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 being able to question the complainant and evaluate the credibility of the information received.

The below table reflects the type of complaints received by the OIG in FY 10.

Type of Complaints Received FY 10		
Residency	246	16.63%
Residency / Tuition Fraud ¹	27	1.83%
Tuition Fraud	53	3.58%
Ethics	34	2.30%
Misuse of Internet	198	13.39%
Criminal Background	40	2.70%
Falsification of Attendance Records	65	4.39%
Falsification of School Records	63	4.26%
Grade Changing	25	1.69%
Inattention to Duty	102	6.90%
Misappropriation of Funds	59	3.99%
Mismanagement	87	5.88%
Misuse of Board Property	15	1.01%
Discourteous Treatment	18	1.22%
Retaliation	25	1.69%
Falsification of Employment Records	10	0.68%
Off Duty Criminal conduct	52	3.52%
On Duty Criminal conduct	105	7.10%
Standardized test cheating	17	1.15%
Miscellaneous (employee)	196	13.25%
Contractor ²	42	2.84%
	1479	100.00%

¹ Residency / Tuition Fraud means that the complaint received alleged that an employee resided outside of the City of Chicago and at least one of his or her children attend a Chicago public school.

² Numerous allegations of contractor misconduct are included in other categories since many allegations of contractor misconduct also allegedly involve CPS employees. As such, allegations of contractor misconduct are contained in other categories and those allegations involving only contractors are contained in the “Contractor” category.

FY 2010 UPDATES TO PREVIOUSLY REPORTED INVESTIGATIONS

Conviction for Charter School Theft

In FY 05, the OIG reported the results of an investigation that revealed that a charter school founder and principal charged more than \$250,000 on the school's credit card and used school funds to pay for questionable expenditures that included more than \$32,000 of purchases from Lord & Taylor, Marshall Field's, Louis Vuitton, Meystel's Fashion, Coach, Bloomingdales, Saks Fifth Avenue, Elan Furs, Tommy Hilfiger and the Sky Mall Airline Catalog; more than \$2,000 in hair care and cosmetic products; \$5,800 for jewelry, \$329 for appetite suppression pills; more than \$18,000 in food and beverage expenses; \$31,000 in expenditures for telephone and internet use; \$71,000 in travel expenses; and hundreds of dollars in personal car repair expenses. The investigation also revealed that the principal commingled charter school funds with funds from another school in which she was involved, and the principal made large disbursements to family members. Following the OIG report, the charter school agreement between CPS and the charter school was terminated. In FY 09, the charter school principal was indicted and charged with the theft of charter school funds. In FY 10, following a jury trial in the United States District Court for the Northern District of Illinois, the charter school principal was found guilty of the theft of charter school funds and was sentenced to serve a term of three years of probation and ordered to pay \$48,370 restitution. (3614)

Debarments

- In FY 08, the OIG reported on an investigation of two related vendors which revealed that the first vendor engaged in stringing to avoid dollar thresholds requiring Chief Procurement Officer approval under Board Rule 5-4.1(b) and to avoid the \$10,000.00 threshold requiring the school principal's approval of the transaction with the endorsement of the Local School Council. The OIG investigation revealed that the second vendor, which shared an office and employees with the first vendor, allowed the first vendor to utilize its name and vendor number to mask the fact that the first vendor was actually engaging in transactions with various CPS schools to circumvent the above-listed dollar thresholds. In FY 10, the two vendors and three representatives of the companies were fully and permanently debarred from doing business with CPS. (C383)
- In FY 09, the OIG reported on an investigation of a vendor who had provided services to a central office department. The OIG investigation revealed the following:
 - The vendor had previously resigned from her position with CPS in the central office department and a "do not hire" was placed on her employment record following an investigation by the OIG which revealed that, when an employee, the vendor resided outside the City of Chicago. Shortly thereafter, the vendor obtained a CPS vendor number and began performing services for the central office department where she had worked.

- The vendor was paid in excess of \$25,000, through various budget units of the central office department for services provided to the department during fiscal years 2007, 2008 and 2009 without obtaining the required approval of the Chief Purchasing Officer, in violation of Board Rule 5-4.1.
- The payments made to the vendor were divided or “strung” among various purchase orders payable through various budget units within the central office, despite the fact that the vendor provided services only to the one central office department, in order to avoid the Board Rule requirement that the Chief Purchasing Officer approve agreements for non-biddable items in excess of \$25,000.00, in violation of Board Rule 5-30 and the Illinois Criminal Code, 720 ILCS 33E-18.
- The vendor provided services to the central office department in excess of \$25,000.00 without the agreement being memorialized by a written contract, in violation of Board Rule 2-5.1.

In FY 10, the vendor was fully and permanently debarred from doing business with CPS. In addition, two employees involved in the violation of Board Rules were each issued 15-day suspensions. (7093)

Termination for Corporal Punishment

In FY 09, the OIG reported on an investigation of an elementary school kindergarten teacher, which was initiated after receipt of an allegation that the teacher physically abused students. The OIG investigation revealed that the teacher used corporal punishment that resulted in the deliberate use of physical force with students, in that she struck two kindergarten students on the buttocks with a belt; she struck another student with a belt; she struck two students on the buttocks with her hand; and struck another student approximately twenty times with a belt on his legs as “birthday licks”, in a manner that was “definitely harder than a tap causing a slight sting.” All of these acts were in violation of the Employee Discipline and Due Process Policy and contrary to the CPS Student Social and Emotional Health Policy. In FY 10, following a dismissal hearing, the Board of Education upheld the teacher’s termination from CPS employment. The teacher appealed the ruling of the Board and filed an action for Administrative Review in the Chancery Division of the Circuit Court of Cook County. Following briefing and arguments, the termination of the teacher was upheld. (7620)

Grade Change Policy Amendments

In previous *Annual Reports*, the OIG has reported on investigations which revealed staff members’ flagrant abuse of established grade changing rules and practices which resulted in massive and inappropriate grade changes and the altering of student transcripts. In response to these investigations, and with the desire to enhance controls to further prevent fraudulent grade changes, the Board of Education enhanced its *Grade Change Policy* by passing Board Report 10-0324-PO1. The new grade change policy strengthened the requirements to authorize grade changes, implemented a new grade change audit system and established audit requirements and accountability measures to ensure the integrity of the grading system. The enhanced policy enumerated additional

responsibilities for principals, teachers and grade coordinators; provided for monitoring of grade changes by Chief Area Officers and warned CPS staff that failure to abide by the policy will subject the employee to discipline, up to and including discharge.

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. Specifically, the OIG found that the official occupied CPS owned property for more than 14 years pursuant to various leases with CPS. However, the OIG investigation revealed that since 2002, the official has occupied the property without a lease. In addition, the OIG found that CPS administration had acquiesced to the official's tenancy of the property by failing to either enter into a new lease with the official or evict the official, thereby making the official a holdover tenant liable for the payment of rent to CPS at the rate of the last lease, \$1,534.70 per month. Since the official had not paid rent to CPS for the period of time since the expiration of the lease while still occupying the property, the official, at the time of the OIG report, 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. Recently, CPS filed a Forcible Entry and Detainer Action in the Illinois Court of Claims against the elected official and the State of Illinois. In its complaint, CPS has asked the Court of Claims to terminate the elected official's holdover tenancy. CPS also seeks monetary damages from the State of Illinois and/or the elected official in excess of \$600,000 for rent owed and penalties. (7504)

FISCAL YEAR 2010 INVESTIGATIONS

In FY 10, the OIG issued 106 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 10.

Board Office Expenditures – Procurement Card

In 2008, the OIG issued a warning to CPS that it would be monitoring procurement card (a CPS issued credit card designed for business-related purchases) use following an Illinois Supreme Court decision which held that use of public funds for a personal purpose, however brief the benefit, could lead to criminal charges. Following this warning, CPS amended its Procurement Card Program Code of Conduct to include the following:

- Use of P-Card – Only authorized Board of Education purchases for which sufficient budget funds are available may be completed with the P-Card. Any personal or non-CPS related purchases are strictly prohibited and can result in criminal charges and loss of pension.
- Authorization – Only the employee to whom the card is issued is authorized to use it. Delegating the use of the P-Card to another employee, even an employee with their own card, is strictly prohibited.
- Documentation – All purchases using the P-Card program must be properly documented. Please retain all original receipts (both the itemized bill of sale and card signature receipt) as you are responsible for verifying the validity of all purchases. Any altered or forged documentation is grounds for termination.

In addition, the CPS *Procurement Card Program Cardholder Manual*, dated October 2008 and revised in June 2009, designates “allowable” and “prohibited” purchases with the P-Card. Section 3.4 of the manual lists *Prohibited Purchase with the P-Card (examples only)*, which includes, in part, the following:

- 3.4.4 Personal purchases of goods and services
- 3.4.6 Alcohol purchases
- 3.4.7 Donations
- 3.4.12 Sales tax

In August 2009, the OIG initiated a formal investigation of Board Office P-Card use after noticing significant expenditures, in number and amount, by the Board Office. The OIG reviewed P-Card use by the Board Office during the period from July 1, 2008 through November 18, 2009, a period of time in which three P-Cards were utilized by Board

officials and Board staff. The OIG determined that from July 1, 2008 to November 18, 2009, the three credit cards issued to the Board office were utilized in 463 transactions and charged purchases totaling \$134,221.82. The OIG reviewed these transactions and categorized the charges based on the type of purchase made. The following represents the type of purchases made by Board Office credit cards between July 1, 2008 and November 18, 2009.

Type	Totals
Food / Beverages	\$43,396.84
Art	\$5,706.59
Electronics purchases and accessories	\$4,556.28
Florists	\$1,790.91
Hotels/Resorts	\$9,833.73
Airlines	\$16,202.71
Limo's/Taxi's	\$2,386.45
Book stores	\$582.16
Charitable Orgs. / memberships/associations	\$41,951.00
Direct Marketing/subscriptions	\$863.81
Parking lots/Car Wash	\$1,272.00
Schools/Educational Services	\$563.33
Clocks/Jewelry/Gifts	\$4,304.74
Miscellaneous	\$811.27
Totals	\$134,221.82

Of the 463 P-Card charges, the OIG identified 299 questionable transactions that were subjected to further review. The OIG review included an analysis of supporting documentation and other records of P-Card use maintained by the Board Office, records and comments maintained on the CPS Oracle system, interviews of Board Office staff and CPS staff and a review of a personal calendar. In addition, the OIG obtained itemized receipts concerning P-Card charges made at numerous restaurants and other businesses in the Chicago area. Based on this review the OIG issued eight findings. These findings will be highlighted below with some specific examples of control weaknesses and inappropriate expenditures cited where appropriate. (The findings have been edited for this Annual Report based on statutory reporting requirements.)

- The Board Office lacked sufficient controls to prevent the misappropriation of public funds through the inappropriate use of P-Cards, as evidenced by the fact that: 1) monthly spending limits on the P-Cards issued to Board officials and Board staff exceeded limits established by the CPS *Procurement Card and Corporate Credit Card Policy*; 2) the Board Office failed to maintain itemized receipts for numerous P-Card expenditures as required by the CPS *Procurement Card Program Cardholder Manual*; and 3) the Board placed subordinates in the untenable position of monitoring and questioning P-Card use by Board officials and Board staff.

Specifically, the OIG learned during the course of the investigation that a lack of sufficient controls was evidenced by the fact that monthly spending limits on the P-Cards issued to Board officials and Board staff exceeded limits established by the *CPS Procurement Card and Corporate Credit Card Policy*. When other cards issued to CPS staff had a monthly limit of \$5000 per month, Board office credit card limits were being increased well beyond that limit. The monthly spending limit on one card issued to the Board office was increased incrementally from \$5000 per month to \$18,000 per month.

In addition, the OIG investigation revealed that the Board office failed to maintain itemized receipts for numerous P-Card expenditures as required by the *CPS Procurement Card Program Cardholder Manual*. Cardholders, for the most part, only submitted signature copies of credit card receipts instead of itemized receipts. As the OIG discovered through its acquisition of itemized receipts from local establishments, it is far easier to determine if expenditures are related to a Board purpose, or if expenditures are contrary to the P-Card Manual, if an itemized receipt is reviewed.

As further evidence of a lack of controls, the Board placed subordinates in the untenable position of monitoring and questioning P-Card use by Board officials and Board staff. The OIG determined that a staff member should not be put in the position to question a supervisor, let alone Board officials and Board staff regarding the use of P-Cards. Due to the understandable reluctance of subordinate staff members to question the acts of a superior, the controls in place to review the P-Card expenditures become ineffective.

- A card holder routinely used his P-Card to charge CPS for in-town meals despite the fact that he received a \$3,000.00 monthly expense allowance authorized by the *Policy on Expense Reimbursement of Board Members*, designed to cover all in-town expenses.

Specifically, the OIG investigation revealed that a card holder routinely used the CPS issued P-Card to pay for meals, purportedly in connection with meetings regarding CPS business. In fact, from March 18, 2009 through November 10, 2009, the card holder used the P-Card for eighty-six meal expenses – including nineteen breakfasts, twenty-eight lunches and thirty-nine dinners - totaling \$5,966.99, for an average of \$745.87 per month. Since the cardholder received the \$3,000.00 monthly expense allowance to cover in-town expenses and additionally charged CPS for meals on the P-Card, in effect, the cardholder caused CPS to expend nearly 25% more for his monthly expenses than authorized by Board policy.

The OIG also questioned whether some expenditures were for a Board-related purpose, including:

- A \$31.00 expenditure at a restaurant when the card holder was scheduled to attend a Democratic Ward Organization fundraiser. Handwriting on the back of the signature receipt reflected that the expenditure was for a meeting with an Alderman and a County Commissioner. An itemized receipt obtained from the

restaurant reflected that the expenditure was comprised of three glasses of wine, tax and tip.

- An expenditure of \$130.00 at a restaurant for a bottle of wine and four other alcoholic beverages. The signature receipt for this expenditure reflects that the card holder met with two local government officials and a third person.
- An expenditure of \$125.69 at a restaurant for one bottle of Veuve Yellow champagne.
- A \$39.97 expenditure at a bar and grill when the card holder was scheduled to have dinner with a family member and attend a Chicago Bulls pre-season game that evening.

- P-Cards were used to purchase alcohol during dinner meetings and a CPS sponsored event contrary to the *CPS Policy on Reimbursement for Work-Related Expenses* and the *CPS Procurement Card Program Cardholder Manual*.

Specifically, based on 20 itemized receipts for meal purchases received by the OIG, during a six-month period, only one did not include expenditures for alcohol. The chart below details the charges for the 20 dinner meetings examined by the OIG.

Total Charges	Food	Alcohol	Other Beverages	Tax	Tip
\$2,624.81	\$870.08	\$1,170.90	\$9.88	\$239.93	\$334.02
	33.15%	44.61%	0.38%	9.14%	12.73%

Additionally, the OIG investigation revealed that a P-Card was used to purchase refreshments in a Soldier Field skybox for the Chicago Football Classic. The \$6081.00 bill for food and beverage at the skybox included \$807.00 for alcohol.

- P-Cards were used to purchase flowers for CPS employees and others which is inconsistent with the guidelines set forth by the *CPS Insider's Guide to School Business and Internal Accounts (CPS Internal Accounts Manual)*.

Specifically, the OIG investigation revealed that from July 2008 through July 2009, P-Cards were used to purchase \$1,790.91 of flowers for a variety of occasions including the death of CPS and Board staff family members, the death of elected officials' family members, a holiday party at a Board member's home, and as a get well wish for a local newspaper reporter.

- P-Cards were used to pay for travel expenses related to a Board official's trip to Copenhagen, Denmark for the Chicago 2016 Olympic bid presentation as well as for a donation to Sprint Through to the Finish, a dinner for the 2009 Induction Ceremony for the U.S. Olympic Hall of Fame, which were non-Board related functions.

The OIG investigation revealed that the travel expenses totaled \$3,030.40 and included airline tickets, hotel and meal charges. The OIG investigation also revealed that the card holder had begun paying back the charges after returning to the country.

- P-Cards were used for donations to various organizations contrary to the CPS *Procurement Card Program Cardholder Manual*.

The OIG investigation revealed that these donations included the following:

- Various donations totaling at least \$7500.00 to the City Club of Chicago for events.
- A donation of \$1,000 to a charter school fundraiser
- A \$450.00 expenditure for a neighborhood civic organization awards banquet.
- A \$3,500.00 expenditure for a Board charity gala.
- A \$2,500.00 expenditure for a community action organization gala.
- An expenditure of \$500.00 for a charitable board's gala. A Board official sat on the board of this entity.
- A \$5,000.00 donation to a fraternity fundraising event. A Board official was a member of this fraternity.
- A \$1,000.00 expenditure for a golf outing held by a hospital's foundation and a \$3,000.00 expenditure for the hospital foundation's annual gala and dinner dance. A booklet for the foundation's annual fundraiser gala and dinner dance reflected that a Board official personally, and not the Board, was a "Patron Sponsor - \$3,000 Plus".
- An expenditure of \$1,000.00 for an educational fund.
- A \$1,500.00 expenditure for an event benefiting a home for boys and girls.
- An expenditure of \$100.00 for an educational alliance.
- Expenditures totaling \$3500.00 for the purchase of gift cards for two recent CPS graduates who had come from foster homes and overcame tough circumstances.
- A \$200.00 expenditure for a school leaders organization awards gala.
- A \$3,000.00 expenditure made on behalf of a Board official and his wife to a children's shelter organization annual gala.
- A \$2,500.00 expenditure for a children's charity.
- A \$1,000.00 donation to a university alumni association of which a Board staff person was a member.
- A \$1,875.00 expenditure for five tickets to a children's disease foundation's fundraising gala.

The OIG also learned during the course of the investigation that a recent amendment to Board Rule 1-4 granted authority to give donations, however, some of the donations discussed above predate this rule amendment. The OIG further explored the concept of the Board making gifts, grants and donations in a subsequent investigation of Board expenditures that is summarized below.

- A Board office P-Card was used by other Board Office staff members in violation of the CPS *Procurement Card Program Code of Conduct*.
- Numerous P-Card expenditures by the Board officials and staff members demonstrated a lack of fiscal responsibility and set an inappropriate "tone at the top".

1. A Board office staff member's P-Card was routinely used to purchase refreshments and lunch for Board members and staff during the monthly Board meetings.

The OIG investigation revealed that from July 2008 through October 2009, P-Card expenditures included purchases of food and refreshments purchased on Board meeting days totaling at least \$10,473.00. These purchases were from restaurants and coffee shops and provided catering for up to 50 plates of food for consumption on days of Board meetings.

2. The P-Card was used to pay for refreshments at Soldier Field skybox suites at the Chicago Football Classic.

The OIG investigation revealed that in addition to sponsorship fees paid by CPS for the Chicago Football Classic, P-Cards were also used to purchase food and refreshments totaling \$6,080.10 at the event in 2008. The OIG found that this extravagant expenditure, which included alcohol as noted above, was clearly irresponsible especially when juxtaposed to the more modest \$900.00 expenditure for refreshments at the 2009 event. Equally irresponsible, the OIG found, was the \$800.00 spent on alcohol during the 2008 game, not only because such expenditure was prohibited by various CPS policies but because of the inappropriate tone at the top displayed to the whole of CPS and the fact that alcohol should never be present at any CPS function where students may be present.

3. The P-Card was used to pay for a portion of the Board holiday parties held at a Board official's house.

The OIG investigation revealed that in three consecutive years, a Board official hosted a holiday party and used CPS P-Cards to charge \$10,639.00 in party expenses. It should also be noted that an additional \$1,985.00 in party-related expenditures were made with CPS funds through purchase orders to vendors.

4. Art work for Board official's office.

A Board official used P-Cards to charge \$5,333.33 for artwork to decorate an office, despite the fact that CPS has a cache of artwork available for office decoration. The OIG found this expense to be extravagant and unnecessary.

5. A one-day \$979.39 hotel bill in New York City.

A Board official paid \$979.39 for a one night stay in a New York hotel for a business related meeting. The OIG found that this expenditure reflected a lack of judgment and a lack of fiscal responsibility.

6. Limousine expenses in Washington, D.C.

The OIG investigation revealed that a Board official charged \$1,734.00 for limousine service in Washington D.C. for three days. Again, the OIG identified this expenditure as an extravagant expenditure which reflected a lack of fiscal responsibility.

7. A Board official used a P-Card to purchase a \$272.00 scarf from Burberry.

The OIG investigation revealed that two months after the purchase of the scarf, the Board official reimbursed CPS for the expenditure.

8. Various other P-Cards expenditures for meals

The OIG investigation revealed various other meals charged to the P-Cards that should not have been paid with CPS funds and that showed a lack of fiscal responsibility on part of the P-Card holder. These meals included the following:

- An expenditure of \$134.70 from a pizza restaurant for an Inauguration Day lunch in the Board office.
- An expenditure of \$993.79 at a steak house for an “interfaith luncheon” with community groups to discuss summer programs.
- An expenditure of \$312.73 at an Italian restaurant to debrief staff and prepare for back-to-school events.

In summary, the OIG found that when the Board finds that it has enough funding to feed itself and its staff on Board meeting days or to lavishly cater Soldier Field suites during football games, not to mention ignore P-Card and reimbursement rules and policies for which disciplinary action would be issued if CPS employees ignored such rules, the Board sends mixed messages to the whole of CPS. On one hand, CPS departments and schools are being instructed to be fiscally responsible, to implement a hiring freeze, to endure unpaid holidays and the suspension of raises, and to find new ways to be fiscally creative to stretch funds. On the other hand, the Board allows for double reimbursements, the purchase of alcohol with public funds, catered lunches, publicly funded holiday parties and other gratuitous expenditures. The message that budget cuts need to be made and furlough days need to be taken rings hollow when the Board itself uses CPS funds irresponsibly. The Board’s failure to ensure that it, like the whole of CPS, tightens its belt only increases the frustration felt by the whole of CPS when continually called upon again and again to do more with less.

Before the distribution of the OIG’s report concerning the above-noted issues, the Board, with knowledge of the pending OIG findings, adopted Board Report 09-1216-PO4, which essentially mandated that Board members could be reimbursed for Board-related expenses on a monthly basis only upon the receipt of itemized receipts for such expenses and an explanation attesting to the fact that the expenditure is a Board-related expense and that Board members should not be reimbursed for expenditures for alcohol.

Additionally, the OIG recommended the following:

- P-Card expenditure limits set forth by the *Procurement Card and Corporate Credit Card Policy* should be applied consistently to all CPS P-Card holders including all members of the Board and the Board Office.
- The Board should adopt consistent policies system-wide concerning the expenditure of public funds for food and flowers as memorials. For example, as noted in the OIG's report, expenditures for flowers as memorials are prohibited by the CPS *Internal Accounts Manual*, but these guidelines are not applicable to Central Office departments.
- In order to remove Board Office staff from being in the untenable position of reviewing superiors' P-Card usage, the Board should adopt a procedure whereby P-Card expenditures by Board officials and staff are reviewed by the Board, consistent with the amendments to the *Policy on Reimbursement for Work-Related Expenses*.
- The Board should establish a process to review and approve grants, gifts, and donations made under the authority of the Board President pursuant to Board Rule 1-4.

Following the OIG investigation, CPS cancelled P-Cards issued to Central Office employees and reduced the number of P-Card holders system-wide. An auditing firm was retained to perform an audit of the P-Card program and make recommendations to enhance controls. (8399)

Board Expenditures – Purchase Order

Contemporaneous with the above investigation of Board use of P-Cards, the OIG also investigated expenditures by the Board Office by way of purchase order. During the course of the investigation of Board Office expenditures by way of purchase order, the OIG reviewed hundreds of expenditures made by the Board Office from July 1, 2008 through December 31, 2009. Where relevant, the OIG also reviewed expenditures outside that scope. In addition, the OIG conducted interviews of various Board Office staff and other CPS personnel. Some of those staff who played an integral role in expending Board Office funds left the Board Office prior to the conclusion of the investigation. In essence, the OIG investigation revealed that Board Office expenditures by way of purchase order lacked transparency and some expenditures were made with complete disregard for Board Rules and purchasing laws. Specifically, the OIG investigation yielded the following findings:

- The expenditures by the Board Office lack transparency, in that:
 - The budget for the Board Office does not accurately reflect the expenditures made by the Board Office.
 - The Board Office has manipulated expenditures to remain just under the \$25,001.00 threshold requiring Chief Purchasing Officer approval pursuant to Board Rule 7-2(b)(1), three price quotations submitted for evaluation by the Chief

Purchasing Officer pursuant to Board Rule 7-2(b)(1), and a required written contract approved as to legal form by the General Counsel and signed by the Board or the Chief Purchasing Officer pursuant to Board Rule 7-13.

- The Board Office has involved itself in administering specific activities and programs, such as CPS Back-to-School activities, however, the Board Office lacks procedures and controls to objectively select programs to fund and review the performance of such programs. The Board Office should refrain from attempting to administer such activities and programs and an appropriate CPS department should be designated with the responsibility of managing the Back-to-School initiative, if it is deemed a necessary expenditure.
- The Board Office purchased in excess of \$10,000.00 of biddable items without subjecting the purchase to competitive bidding, in violation of the School Code of Illinois and Board Rule 7-2.
- The Board Office, in conjunction with the Office of the Chief Executive Officer and other CPS departments, engaged in stringing to avoid required Chief Purchasing Officer approval and written contracts in violation of Board Rule 7-12 and 720 ILCS 5/33E-18.
- Despite the fact that on occasion the Board Office received the required approval of the Chief Purchasing Officer for expenditures on non-biddable items between \$25,001.00 and \$75,000.00, such expenditures were not based on the submission of three price quotations for evaluation by the Chief Purchasing Officer, in violation of Board Rule 7-2(b)(1).
- Despite the fact that on occasion the Board Office received the required approval of the Chief Purchasing Officer for expenditures on non-biddable items between \$25,001.00 and \$75,000.00, such expenditures were not evidenced by a written contract approved as to legal form by the General Counsel and signed by the Board, in violation of Board Rule 7-13.
- The approval of the Chief Purchasing Officer for expenditures on non-biddable items between \$25,001.00 and \$75,000.00 is not a sufficient control over expenditures by the Board Office.
- The Board Office made donations to various organizations on which a Board member and/or a relative sat on the board of directors, contrary to the Code of the Ethics of the Board of Education.
- Two vendors refused to comply with an OIG subpoena and other requests to cooperate with the OIG investigation, in violation of the School Code of Illinois and the CPS Debarment Policy.

OIG findings, and, where appropriate, specific examples of the improper Board Office expenditures by way of purchase order are discussed below.

- The expenditures by the Board Office lack transparency, in that:
 - The budget for the Board Office does not accurately reflect the expenditures made by the Board Office.
 - The Board Office has manipulated expenditures to remain just under the \$25,001.00 threshold requiring Chief Purchasing Officer approval pursuant to Board Rule 7-2(b)(1), three price quotations submitted for evaluation by the Chief Purchasing Officer pursuant to Board Rule 7-2(b)(1), and a required written

contract approved as to legal form by the General Counsel and signed by the Board or the Chief Purchasing Officer pursuant to Board Rule 7-13.

During the course of the investigation, the OIG learned that the non-personnel budget for the Board Office for Fiscal Year 2009, as adopted by the Board, was \$837,485.00. CPS records reflect that during FY 2009, the Board Office opened purchase orders in excess of \$1.3 million or \$463,000.00 more than the non-personnel budget adopted by the Board. As of April 22, 2010, \$1.2 million was actually expended pursuant to these purchase orders. When combined with other Board Office non-personnel expenditures for FY 2009 (including P-Cards and direct reimbursements), the Board Office's expenditures exceeded its original budget by more than \$588,000.00 as of April 22, 2010. The non-personnel budget for the Board Office for FY 2010, as adopted by the Board, was \$924,040.00. CPS records reflect that through December 31, 2009, the Board Office opened purchase orders in excess of \$1.46 million or \$538,000.00 more than the non-personnel budget for FY 2010. As of April 22, 2010, \$1.4 million was actually expended pursuant to these purchase orders. When combined with other Board Office non-personnel expenditures for FY 2010, the Board Office's expenditures exceeded its original budget by more than \$629,000.00 as of April 22, 2010.

OIG research also revealed that for FY 2010, the amount budgeted for Board Office budget account 54125 for *Services –Professional & Technical* as approved by the Board was \$141,122.00. However, through December 31, 2009, total purchase orders in excess of \$800,000.00 were opened with funds from this budget account. The OIG investigation revealed that as of May 18, 2010, in excess of \$1.19 million had been transferred into this budget account primarily from a citywide general education budget unit. The OIG investigation also revealed that funds were transferred into budget account 54125 from other budget accounts within the Board Office budget unit.

The OIG investigation reviewed the nearly 400 purchase orders totaling more than \$2.7 million opened on behalf of the Board Office for the period of July 1, 2008 through December 31, 2009. After an initial review, the OIG observed numerous purchase orders for office supplies. These purchase orders were not further investigated by the OIG. Additionally, the initial review revealed purchase orders supported by Board Reports approving the expenditures of such funds. These purchase orders were not further investigated by the OIG. The OIG investigation focused on more than 100 purchase orders totaling almost \$1.7 million.

The above reveals that there was a complete lack of transparency regarding what the Board Office is budgeted to spend in a given fiscal year. The Board Office has the ability to amass funds from a variety of CPS sources and use the funds as it sees fit, with little to no limits or scrutiny. There is no objective reason or justification why the Board Office budget does not realistically reflect what the Board Office intends to expend in a given fiscal year. This lack of transparency in the Board Office's budget not only sent the wrong message to the rest of CPS and set an inappropriate tone at

the top, but also gave the impression to anyone trying to understand the CPS budget that there was an intent to hide Board Office expenditures.

In addition to the failure of the Board Office to maintain a transparent budget by failing to specifically include its intended annual expenditures, another activity that created the impression that the Board Office intended to avoid controls was the practice of creating purchase orders for just under \$25,001.00. This is an indication that the amounts were solely determined to avoid the approval and contract requirements of Board Rules.

- The Board Office has involved itself in administering specific activities and programs, such as CPS Back-to-School activities, however, the Board Office lacks procedures and controls to objectively select programs to fund and review the performance of such programs. The Board Office should refrain from attempting to administer such activities and programs and an appropriate CPS department should be designated with the responsibility of managing the Back-to-School initiative, if it is deemed a necessary expenditure.

The OIG observed during the course of its investigation that the Board Office lacked procedures and controls to effectively and objectively select programs to fund and review the performance of such programs. The OIG believed that funding of specific activities or programs should be left to CPS departments better equipped to monitor such expenditures and outcomes, while the Board Office should act as a necessary, high-level control. Moreover, the OIG investigation revealed that a Board official made unilateral decisions to fund numerous activities or programs without consulting the full Board.

Some problematic Board expenditures include the following:

- In a three-year period, the Board Office issued three purchase orders totaling \$77,500.00 to a church. The bulk of the expenditures, \$69,500.00, were to purportedly fund summer programs for children. The OIG found that there was no contract with the church for the program that would require specific deliverables and impose health and safety requirements on the church and its staff, like criminal background checks. The OIG also found that the church also received \$3,000.00 from CPS to purchase a boiler.
- Numerous other expenditures were identified by the OIG as problematic for a variety of reasons, including failure to have a contract when required, failing to obtain price quotes for purchases of non-biddable items more than \$25,000.00 and other factors evidencing a lack of controls.

Relaxed controls or lack of adherence to controls, including lack of contracts and the absence of price quotes, were also evident in Board expenditures related to Back-To-School activities. These purchase orders involved expenditures for parade sponsorships, laundry service for band uniforms, funding for neighborhood festivals run by a variety of aldermen, limousine service for entertainers for festivals and parades, and funds paid to organizations and individuals with ties to a Board official.

The OIG also questioned the propriety of the Board Office making donations to various organizations. The OIG investigation revealed that the Board Office routinely used purchase orders to make thousands of dollars of donations to various organizations. Based on the Board Office expenditures reviewed by the OIG during the course of the investigations of Board Office expenditures by P-Card and purchase order, the OIG has categorized as much as \$747,000.00 of Board Office expenditures in FY 2009 and FY2010 as gifts, grants or donations. As with the expenditures by procurement card, many of these expenditures were for the purchase of seats or tables at fundraising events. The public purpose behind the Board Office's expenditure of CPS funds for many of these donations would appear to be dubious at best.

Specific examples include:

- A \$2,500.00 donation to a charter school fundraising event.
- \$40,000.00 in expenditures to sponsor a Black Women's Expo.
- A \$15,000.00 sponsorship to an Anti-Defamation League award dinner.
- A \$2,000.00 expenditure to purchase a table at a Navistar Foundation fundraising event.
- A \$2,500.00 expenditure to purchase and "Anniversary Table" for a leadership conference sponsored by Chicago United.
- A \$10,000.00 expenditure for a benefit sponsored by Facing History and Ourselves.
- A \$2,500.00 donation to The Day School.
- A \$5,000.00 sponsorship of the Archbishop Desmond Tutu Breakfast and Leadership Conference.
- A \$5,000.00 expenditure to purchase a table for ten at the Marwen Foundation Paintbrush Ball.
- A \$2,500.00 expenditure for five reservations for the Ripples of Hope Awards Dinner sponsored by City Year Chicago.
- A \$5,000.00 donation to the Barbara Bates Foundation annual fundraiser.
- Two purchase orders were created for the National Forum for Black Public Administrators.
 - A \$1,500.00 expenditure for one corporate table for the Marks of Excellence Luncheon.
 - A \$600.00 expenditure for a three year legacy committee membership for a Board official.
- A \$10,000.00 purchase of one benefactor table for the Chicago History Museum's 15th Annual Making History Awards.
- A \$3,000.00 expenditure for the 37th Annual Dinner and Auction sponsored by the Spanish Coalition for Jobs.
- A \$5,000.00 expenditure for one table for the National Museum of Mexican Art's Cinco de Mayo Gala.
- A \$5,000.00 sponsorship for the Alivio y Salud Run for Health sponsored by the Alivio Medical Center.

- A \$1,000.00 donation to the Jane Addams Hull House 2009 Legacy Award Campaign Reception Honoring Elzie Higgenbottom.
 - A \$500.00 expenditure to the Westside Branch of the NAACP to purchase six tickets to the annual Freedom Fund reception, a renewal of NAACP membership and a listing as a Centennial Patron.
 - A \$2,000.00 sponsorship for the 4th Annual High School Steppers Ball and Competition at the South Shore Cultural Center sponsored by the Chicago Style Steppers, LLP.
 - A \$25,000.00 expenditure to the Black Ensemble Theater. The invoice reflects that \$12,500.00 of the \$25,000.00 would be used towards construction costs of building the New Black Ensemble Theater Cultural Center. Another \$12,500.00 would be used towards sustaining the Black Ensemble Theater's educational outreach efforts and helping to build their Strengthening The School Through Theater Arts Program in preparation for occupancy in their new space, including \$6,250.00 for helping the theater to refine their marketing materials for the program and \$6,250.00 for helping to build a new computerized data base to enhance the theater's marketing efforts.
 - A \$3,500.00 expenditure to purchase a table at the Little City Foundation Golden Anniversary Dinner held on November 7, 2009.
 - A \$5,000.00 sponsorship for the La Rabida Children's Hospital Friends of La Rabida Awards Dinner.
- The Board Office made donations to various organizations on which a Board member and/or a relative sat on the board of directors, contrary to the *Code of the Ethics of the Board of Education*.

The OIG investigation revealed that some of the donations made by the Board Office were to organizations for which a Board official or a family member served as a member of the board of directors. Such donations were inconsistent with the conflict of interest provisions of the Code of Ethics for the Chicago Board of Education. Specifically:

- \$15,000.00 to the Better Boys Foundation
 - \$53,400.00 to the Chicago Urban League
 - \$15,000.00 for a 2008 fellowship dinner
 - \$25,000.00 to sponsor programs at CPS high schools
 - \$5,900.00 for a membership registration packet for a conference
 - \$7,500.00 for a 2009 fellowship dinner
 - \$10,000.00 to Mujeres Latinas En Accion
 - \$14,500.00 to the Sinai Community Institute
- The Board Office purchased in excess of \$10,000.00 of biddable items without subjecting the purchase to competitive bidding, in violation of the School Code of Illinois and Board Rule 7-2.
- The Board Office, in conjunction with the Office of the Chief Executive Officer and other CPS departments, engaged in stringing to avoid required Chief Purchasing

Officer approval and written contracts in violation of Board Rule 7-12 and 720 ILCS 5/33E-18.

- Despite the fact that on occasion the Board Office received the required approval of the Chief Purchasing Officer for expenditures on non-biddable items between \$25,001.00 and \$75,000.00, such expenditures were not based on the submission of three price quotations for evaluation by the Chief Purchasing Officer, in violation of Board Rule 7-2(b)(1).
- Despite the fact that on occasion the Board Office received the required approval of the Chief Purchasing Officer for expenditures on non-biddable items between \$25,001.00 and \$75,000.00, such expenditures were not evidenced by a written contract approved as to legal form by the General Counsel and signed by the Board, in violation of Board Rule 7-13.

Specific examples of the numerous purchasing rule, law and policy violations engaged in by the Board Office include the following:

- A \$62,500.00 expenditure for the purchase of 25,000 tee-shirts without subjecting the purchase to competitive bidding and without a contract.
- \$69,500.00 in expenditures to PUSH for Excellence, Inc. for the 38th Annual Rainbow PUSH Coalition and Citizenship Education Fund Conference; \$30,000.00 of which came from the CEO's office, \$24,500.00 from the Board Office and an additional \$15,000.00 from the CEO's office in a separate fiscal year, in violation of CPS rules and policies against stringing purchases to avoid approval and contracting requirements.
- \$61,500.00 in expenditures strung between the Board Office, the CEO's Office, the Office of High School Programs and the Office of High School Programs – Citywide.
- \$30,000.00 in expenditures to Parents United for Responsible Education to fund the same work, however, there was no contract for the work provided and the purchase was strung over two fiscal years to avoid controls.

In addition to the expenditures cited above, the OIG also examined purchase order expenditures linked to questionable expenditures made using the Board's P-Cards. Specifically:

- An additional \$6,166.66 to pay for artwork for an office at the Board.
- A \$70,000.00 expenditure to help sponsor the Chicago Football Classic; a purchase made without a contract.
- Expenditures strung between various CPS departments, including the Board Office, related to the Chicago Football Classic.

Other Board expenditures identified by the OIG as problematic included;

- \$48,000.00 to a local little league organization, ½ from the CEO's office and ½ from the Board office. These payments were in two fiscal years and the OIG learned the payments were negotiated to cover the "soft costs" for the

organizations negotiating with CPS for the rights to use CPS facilities for a baseball field.

- The OIG also learned of an \$8,601.54 purchase made by the CEO's office for a "Gator" tractor to be used by the little league organization.
- A \$3,000.00 expenditure to have offices within the Board Office and the CEO's office swept for electronic eavesdropping devices.
- Expenditures totaling \$14,925.00 for the purchase of football equipment for a youth football team.
- A \$40,000.00 expenditure to a consultant, without a contract.

Based on the investigation, the OIG issued the following recommendations:

1. In order to remove CPS staff charged with the responsibility of reviewing purchases from being in the unenviable position of reviewing the Board Office's purchases and expenditures, CPS should amend the Board Rule 7-2(b)(1) to reflect that all Board Office expenditures for non-biddable items between \$25,001.00 and \$75,000.00 must be approved by the Board, memorialized in a Board Report, and reported in the Board's public Agenda of Action.
2. In order to help bring transparency to the gifts, grants, and donations process and to ensure that donations made by the Board Office and any CPS departments are for appropriate public purposes, the Board should enact a policy and procedure to receive and review all requests for donations, which should include a process to evaluate the necessity and appropriateness of the donation and require the Board's approval for all donations, documented in the Board's public Agenda of Action.
3. In conjunction with such policy and procedure to review all requests for donations, the Board should rescind: a) Board Rule 1-4 authorizing the Board President to make donations on behalf of CPS; b) Board Rule 3-1 authorizing the Chief Executive Officer to make donations on behalf of CPS; and c) Board Rule 7-15(d) authorizing the Chief Financial Officer to make donations under \$75,000.00 on behalf of CPS.
4. The Board should enact a rule which requires financial audits of all Central Office departments, including the Board Office and the Office of the Chief Executive Officer.
5. CPS should seek to debar two vendors who failed to cooperate with the OIG's investigation from doing future work and receiving funds from CPS.

During the course of the OIG investigation, the Board Office and the Department of Law retained a law firm to provide legal advice to the Board regarding ways it could better control procurement activity. In response to the report from the law firm and the OIG's investigative findings, the Board implemented or enhanced the following controls:

- Board approval is required for all expenditures in excess of \$1,000.
- Board Office credit cards were cancelled.
- A policy authorizing expenses for Board members was rescinded and Board members are subject to the same reimbursement policy as CPS employees.
- The delegated authority of the Board President, CEO and Chief Financial Officer to approve gifts, grants and donations was revoked.
- A Finance and Audit Committee of the Board was created.

- A Board rule was amended regarding approval of donations to students and organizations that serve CPS students. (8399)

Selective Enrollment High Schools

In the summer of 2009, the United State's Attorney's Office for the Northern District of Illinois served the Chicago Board of Education with a grand jury subpoena requesting documents relative to CPS Selective Enrollment High Schools. Immediately following the service of this subpoena, the OIG initiated an investigation to examine the integrity of the CPS selective enrollment process. The OIG assisted in the collection of documents necessary to comply with the subpoena. Thousands of documents were collected in this process.

Contemporaneous with the initiation of the OIG investigation, an independent auditing firm was retained by CPS to perform a process audit of the selective enrollment process for high schools. The audit team included staff from the CPS Office of Academic Enhancement, the Law Department, Internal Audit Services, a law firm and the OIG. The objective of the audit was to perform a process design analysis of the internal controls surrounding the admission processes for selective enrollment high schools, with a focus on determining the adequacy of existing internal controls to ensure that admission offers and enrollments to the selective enrollment high schools were based on merit and comply with published selection criteria and guidelines.

The process audit promulgated 12 specific recommendations to enhance controls. Included among the enhanced controls to reduce a variety of risks posed to CPS was a recommendation that CPS remove principal discretion from the process of selecting students and instead rely on a centralized scoring process. In the alternative, the audit team recommended that if CPS decided to retain principal discretion as a practice it should mitigate the risks of inequity, fraud and preferential treatment by establishing a more controlled process to review and monitor principal discretion.

During the course of the OIG investigation, the OIG conducted scores of interviews of Board and CPS staff, principals and school staff, public officials and others. The OIG also obtained thousands of documents from the selective enrollment high schools, the Office of Academic Enhancement, the Law Department, the CEO's office and a variety of other sources. For the most part, the scope of the OIG review concerned the selective enrollment process for admission in the 2008-2009 and 2009-2010 school years. When relevant, the OIG also reviewed issues from prior years. One issue from the 2010-2011 school year was also reviewed by the OIG.

As the OIG conducted its investigation, numerous facts were uncovered which revealed that inherent in a process that allowed principals to select students for enrollment in coveted selective enrollment high school seats, either through the regular selection process or through the Principal Discretion process, was the potential that some students would be selected for reasons other than the true mission of the selective enrollment high school program. During the course of the investigation, the OIG learned of numerous instances where selections and admissions to selective enrollment high schools were

made for reasons other than meeting the needs of the most academically advanced students. The OIG uncovered instances of political clout, favoritism, preferential treatment and violations of selection and enrollment practices and policies. Virtually every selective enrollment high school principal informed the OIG that they routinely received telephone calls and other inquiries from politicians, CPS staff members and others seeking preferential treatment for enrollment into their schools.

The OIG also learned during the course of the investigation that staff in the CEO's office tracked inquiries concerning selective enrollment high school admissions, as well as admissions and other issues related to selective enrollment elementary schools, classical schools, magnet schools and other CPS schools. The CEO's staff maintained a binder and a spreadsheet tracking inquiries made by aldermen, state representatives, state senators, current and former members of the United States legislature, committeemen, benefactors, CPS employees and others inquiring about the potential admission of family members, friends and constituents into selective enrollment high schools. The OIG acquired and analyzed these records and found that, when the OIG obtained these records, the CEO's office was in the process of tracking 69 inquiries concerning students seeking admission into a selective enrollment high school. Of those 69 student inquiries that were being tracked by the CEO's office, 20 students were subsequently enrolled into a selective enrollment high school. Based on the OIG analysis, 6 of those admissions can be directly attributed to influence exerted by the CEO's office.

In addition, the CEO's office did not play a formal roll in the selection of students into selective enrollment high schools. In fact, at the time, enrollment into selective enrollment high schools was achieved after applicants engaged in a testing and scoring process. For the most part, schools selected the highest scoring applicants that chose to attend their school. Selective enrollment high schools were also allotted a small number of seats that could be filled through a principal discretion process. Neither of these processes required involvement of the CEO's office. And, many inquiries concerning enrollment into a selective enrollment high school were made to the CEO's office after the students were not selected in the regular selection process.

During the course of the investigation, the OIG also discovered examples of clout and preferential treatment exercised directly by the selective enrollment high schools. The investigation revealed examples of politicians, CPS administrators and officials, Board office officials, principals and other CPS employees who sought preferential treatment for the enrollment of family members, friends and constituents into selective enrollment high schools by contacting the selective enrollment high schools directly without channeling their request through the CEO's office.

The most egregious example of preferential treatment concerned a local elected official whose three children had been enrolled in selective enrollment high schools. The OIG investigation revealed that one child of the local elected official was selected into a selective enrollment high school because of a friendship between the principal and the politician despite the fact that the student did not take the selective enrollment high school examination. Two other children of the local elected official were enrolled into a selective enrollment high school through the principal discretion process despite earning scores

well below the range of scores of other students accepted into the school. The OIG investigation revealed that the selection of those two students was made to avoid anticipated reprisals to the school from the local elected official.

The OIG also uncovered numerous other examples of preferential treatment that are too numerous to mention in this report.

The OIG investigation also revealed numerous improper admissions of students into selective enrollment high schools in violation of CPS policies and guidelines. Specifically, the OIG found examples of students being enrolled into at least three selective enrollment high schools who did not engage in the selective enrollment application and testing process. The OIG also found examples of students being enrolled into selective enrollment high schools without a record of the students having been selected by the school, either through the regular selection process or the principal selection process.

Following the OIG investigation, the OIG issued a report which contained the following findings (which have been edited for this Annual Report based on statutory reporting requirements):

1. Students who did not engage in the selective enrollment application and testing process were enrolled in selective enrollment high schools in violation of the Chicago Public Schools Policy Manual, specifically section 702.1, *Enrollment And Transfer Of Students In The Chicago Public Schools*, and the Options For Knowledge Guide published by the Office of Academic Enhancement.
2. Students were enrolled in selective enrollment high schools who were not selected in the regular selection process and who were not approved principal discretion picks in violation of the Chicago Public Schools Policy Manual, specifically section 702.1, *Enrollment And Transfer Of Students In The Chicago Public Schools*, and the Options For Knowledge Guide published by the Office of Academic Enhancement.
3. CPS lacked sufficient controls to monitor the selection and enrollment of students into selective enrollment high schools to ensure compliance with CPS policies and guidelines.
4. The CEO's office process of tracking inquiries concerning enrollment in selective enrollment high schools and forwarding information about certain students to the schools gave, at the very least, the appearance that outside influence from politicians, public figures, CPS staff and others was accepted and condoned, and may have influenced the enrollment of at least six students in 2008.
5. The Office of the Board improperly influenced the selective enrollment high school selection and Principal Discretion processes to give preferential treatment to politicians, public figures, friends and others.
6. Selective enrollment high school principals are placed in the unenviable position of having to respond to inquiries concerning enrollment in their schools from the CEO's

office, the Board Office, politicians and others, enhancing the possibility that principals will be unduly influenced by requests for preferential treatment.

7. Selective enrollment high school principals consistently abused the Principal Discretion process, in that principals exercised their discretion on students to give preferential treatment to politicians, public figures, friends, high ranking CPS staff, school staff and others rather than selecting students who were uniquely suited to the school's defined educational mission and who could contribute to the school's intellectual and holistic diversity.
8. Selective enrollment high school principals consistently abused the regular selection process to give preferential treatment to politicians, public figures, friends, high ranking CPS staff, school staff and others rather than selecting the highest scoring students who had chosen their schools.
9. No controls exist to monitor and regulate the transfer of students into selective enrollment high schools and no guidelines exist to establish requirements for students seeking to transfer to a selective enrollment high school.

Based on these findings, the OIG made the following recommendations:

1. Consistent with the recommendation made by the auditing firm following its Process Audit of Selective Enrollment High Schools, the OIG recommends that CPS eliminate Principal Discretion as a means of enrolling students into selective enrollment high schools.
2. In the alternative, if CPS decides to continue the Principal Discretion process, CPS should amend its Principal Discretion guidelines and mandate a minimum qualifying score for applicants for Principal Discretion. This score should be based on a formula that establishes a minimum qualifying score in relation to the scores of those students selected in the regular selection process at the school to which the applicant is seeking admission. In essence, those schools that select higher scoring students would have a higher qualifying score for Principal Discretion.
3. If the Principal Discretion process continues, pursuant to the Guidelines in effect at the time, CPS should suspend two selective enrollment high school principal's ability to exercise Principal Discretion for their abuse of the Principal Discretion process in 2008 and 2009. At a minimum, principals who abuse Principal Discretion should lose the ability to exercise discretion the next year. However, based on the egregious level of abuse of the Principal Discretion process shown by one of the selective enrollment high school principals, the OIG recommends that that principal's school lose its ability to exercise Principal Discretion during the principal's tenure as principal.
4. Consistent with the recommendation made by the auditing firm following its Process Audit of Selective Enrollment High Schools, the OIG recommends that CPS implement controlled enrollment functionality in IMPACT so that students cannot be

enrolled at a selective enrollment high school without the approval of the Office of Academic Enhancement.

5. CPS should cease tracking inquiries concerning enrollment or any requests for preferential treatment for admission into selective enrollment high schools and strictly adhere to established enrollment policies and guidelines. CPS should educate staff, the public and politicians that strict adherence to policies and guidelines is mandated. Severe disciplinary action should be taken against staff members who violate enrollment policies and guidelines or are involved in the preferential admission of students.
6. The OIG recommends that the Board of Education amend the *Code of Ethics for the Chicago Board of Education* to prohibit CPS employees from advocating for the enrollment of a student into a selective enrollment high school, or any other CPS Options for Knowledge school, unless they have specific, direct and personal knowledge of a student's educational, extra-curricular or personal accomplishments. This recommendation is in addition to the recommendations made by the auditing firm concerning various disclosures principals and CPS employees have been required to make during the Principal Discretion process for enrollment in the 2010-2011 school year.
7. Consistent with the recommendation made by the auditing firm following its Process Audit of Selective Enrollment High Schools, the OIG recommends that CPS establish a comprehensive policy regulating the transfer of students into selective enrollment high schools. Transfers into a selective enrollment high school for a student's freshman year should be prohibited. Transfers in subsequent school years should be monitored and approved by OAE following a testing or scoring procedure.
8. The OIG recommends that CPS take appropriate disciplinary action against some of the selective enrollment high school principals and any other employees whose conduct as reported in this Investigative Summary violates Board Rules or CPS policies and guidelines.

Following the OIG investigation, CPS responded to the OIG recommendations and the recommendations by the auditors by enhancing controls. Specifically,

- All applications for selective enrollment high schools are now submitted to the Office of Academic Enhancement.
- A controlled enrollment functionality, requiring the Office of Academic Enhancement to approve all selective enrollment high school selections, is being implemented in the IMPACT system.
- A selective enrollment high school principal must present principal discretion picks to a review panel for approval.
- Selective enrollment high school principals must sign affidavits attesting that they have not had any improper contact concerning their proposed principal discretion picks. An improper contact would be with those people seeking preferential treatment including politicians and CPS staff.

- The principal discretion process will be audited to ensure compliance with guidelines.
- An algorithm was developed which placed students in selective enrollment high schools based on their scores in the application and testing process and the choices of schools they sought to attend, which removed the schools from selecting applicants in the regular selection process. As such, schools can now only select students through the principal discretion process.

No disciplinary action was taken against any CPS employees, either school based staff or central office staff for involvement in the exercising of preferential treatment. (8300)

Preferential Treatment

During the course of the above investigation which focused on admissions into CPS Selective Enrollment High Schools, the OIG was alerted to two issues of alleged preferential treatment concerning enrollment into two magnet elementary schools. The OIG investigated both issues, one resulted in substantiated findings.

The substantiated investigation concerned the enrollment of two children of a City of Chicago department head into a CPS magnet elementary school. During the course of the investigation, the OIG learned that magnet elementary school applications were submitted for the children, applying for the lottery at five magnet elementary schools. CPS requires that applicants for enrollment into a magnet school engage in a lottery process if there are more applicants than seats available at the school. During the course of the investigation, the OIG learned that the two children were not selected at any of the magnet schools to which they applied through the lottery process and were placed on waitlists. The list of inquiries concerning enrollment maintained by CPS contained notations about the two children's attempt to enroll in a magnet school and the fact that they were on waitlists at various magnet elementary schools.

The OIG also learned during the course of the investigation that an assistant working in the City of Chicago Mayor's office was tasked with the responsibility of assisting the City of Chicago department head in getting the two children into a good school. The assistant passed a note concerning the two children to a CPS official and also subsequently called a CPS consultant, who had been a CPS employee, inquiring about the possible admission of the children into one of the magnet schools. At least one telephone call was made to a principal of a magnet elementary school by the consultant inquiring about open seats at the school. The OIG investigation also revealed that the assistant from the Mayor's office also called the magnet elementary school principal and explained that they really wanted to get the two children enrolled in the school. The assistant subsequently accompanied the children and their mother on a site visit of the school.

Finally, the OIG investigation revealed that the two children were offered, and accepted, seats at the school after June 30th, the date the waitlist expired and magnet schools were not bound to follow the results of the lottery. The OIG also learned during the course of the investigation that the magnet elementary school maintained a special request list and the children of the City of Chicago department head were placed on that list. When the

waitlist expired, because the children were on the special request list, they were offered seats at the school instead of children who were closer to the top of the waitlist.

Based on the investigation, the OIG found that that the magnet elementary school principal and the CPS consultant gave preferential treatment to the children of the City of Chicago department head, allowing the students to be enrolled into the magnet elementary school, following a request for assistance with the student's enrollment from the Mayor's office.

Following the investigation the OIG issued the following recommendations:

1. Since the 2008-2009 school year, CPS has strengthened controls on the enrollment of students into magnet schools by extending the period of time in which waitlists created from the computerized lotteries are effective. The OIG recommends that CPS continue to require, and codify in a formal policy, that enrollment into magnet schools follow the current guidelines which mandate that waitlists do not expire until another lottery is held.
2. The OIG recommends that CPS take appropriate disciplinary action against the magnet elementary school principal and the CPS consultant. However, as this investigation and other OIG investigations have found, it was a common practice within CPS to give preferential treatment to certain applicants for enrollment in magnet schools and selective enrollment high schools and the conduct of the principal and consultant must be evaluated based on that fact

The CPS Law Department is currently reviewing the OIG investigation to determine if disciplinary action is warranted. It should be noted that current CPS policies concerning enrollment into magnet schools have extended the period of time that the waitlists are to be followed, essentially requiring the waitlists to be followed until another lottery is held. The OIG also referred the results of this investigation to the City of Chicago Inspector General's Office based on the conduct of City of Chicago employees revealed in this investigation. (9019)

Leased Vehicles

- Initial Review

Following an article in a local newspaper, the OIG initiated an investigation of CPS vehicle lease agreements. The OIG initiated this investigation to determine whether state procurement laws and CPS policies were followed in the acquisition of these vehicles and whether the acquisition of these vehicles revealed waste, fraud or financial mismanagement by CPS.

The initial stages of this review revealed that CPS acquired six vehicles from a vehicle leasing company which were assigned to central office personnel. One vehicle was assigned as a pool vehicle in a central office department. CPS had paid the vehicle

leasing company \$6,895.85 for the use of three of these vehicles through the end of July 2009.

In addition, according to a representative from the vehicle leasing company, at the time of this initial investigation, CPS had ordered 36 vehicles for use in the driver's education program. CPS records reflected that a purchase order, payable to the leasing company in the amount of \$164,702.25, had been opened. CPS records did not reveal that any Board of Education authority had been granted, as mandated by Board Rules, to allow CPS to open this purchase order. However, CPS records reflected that no payments had been made to the leasing company for these vehicles and no funds had been expended from this purchase order. According to a representative from the leasing company, these 36 vehicles were being stored in a leasing company lot in the western suburbs. When the OIG observed the vehicles, they were all buried under snow in a leasing company lot.

In addition, the OIG learned that CPS, at the time may have been incurring charges for these 36 cars despite the fact that CPS had not taken possession of the cars. Documents obtained from the leasing company reflected that the company was to deliver these 36 vehicles to CPS, but a contract had not been entered into and there was no approval for the purchase. Further, according to a representative from the leasing company, CPS, at the time owed the leasing company \$66,561.85, a financial liability that was continuing to grow.

The OIG's initial review of the CPS relationship with the leasing company revealed that:

- CPS did not subject the procurement of vehicles from the leasing company to a competitive bid in violation of the School Code of Illinois, specifically, 105 ILCS 5/34-21.3, and in violation of Board Rule 7-2;
- Assuming the lease of vehicles from the leasing company was not a biddable item, CPS did not engage in a competitive process prior to acquiring the vehicles and incurring substantial financial liabilities to the leasing company as required by Board Rule 7-2;
- The Board of Education had not approved any agreement with the leasing company as required by Board Rule 7-2;
- Even assuming that CPS anticipated future Board approval and a subsequent contract with the leasing company, the receipt of items and the making of payments prior to the execution of a required written contract is forbidden by Board Rule 7-13;
- The Board of Education had not approved an Intergovernmental Agreement with the City of Chicago authorizing CPS to acquire vehicles through the City contract or to incur a financial liability by obtaining vehicles from the leasing company;
- Reliance on a City of Chicago contract with the leasing company as a means to avoid a direct contractual relationship with the company was misplaced since CPS cannot be contractually bound by various provisions contained in the City contract; and
- CPS had opened a purchase order in the amount of \$164,702.25 payable to the leasing company without Board authority to open the purchase order.

As such, the acquisition and use of 6 vehicles from the leasing company, the ordering of 36 driver's education vehicles, and the substantial financial liability attached thereto, had taken place with complete disregard of the procurement requirements set forth in Chapter VII of the Board Rules and the Board's authority to review and approve purchases. Moreover, the acquisition of vehicles from the leasing company may have violated procurement requirements of the School Code of Illinois under 105 ILCS 5/34-21.3.

In that the acquisition of 6 vehicles from the leasing company and the ordering of 36 other vehicles, at the very least, violated Board Rule procurement requirements and the continued possession of the vehicles subjected CPS to an increasing, unauthorized financial liability, the OIG recommended the following:

1. CPS immediately return all of the vehicles acquired from the leasing company.
2. CPS refrain from acquiring any other vehicles in the immediate future from the leasing company, or any other company with which CPS does not have contract, unless and until the following required procurement procedures are followed:
 - a. written justification for the need to acquire any additional vehicles and written approval from the Chief Executive Office are obtained;
 - b. the appropriate competitive bidding procedures pursuant to Board Rule 7-1 et. seq. are completed;
 - c. the Board approves entering into an agreement with the leasing company or any other company chosen pursuant to the appropriate competitive bidding procedures; and
 - d. a written contract is executed for such acquisition.

The OIG continued its investigation of the issues raised in the initial review.

- Follow-up Investigation

After submitting the initial findings and recommendations, the OIG continued with its investigation of whether state procurement laws and CPS policies were violated in the acquisition of forty-two vehicles from the leasing company. Upon the conclusion of that investigation the OIG issued the following findings:

- CPS leased vehicles from the leasing company in excess of \$25,000.00 without subjecting the purchase to competitive bidding, in violation of the School Code of Illinois, 105 ILCS 5/34-21.3, and in violation of Board Rule 7-2, which requires competitive bidding for purchases of biddable items in excess of \$10,000.00.
- CPS incurred a financial liability in excess of \$10,000.00 by leasing vehicles from the leasing company without the purchase of this biddable item being evidenced by a written contract approved as to legal form by the General Counsel and signed and executed by the President and Secretary of the Board, in violation of Board Rules 7-13 and 7-14.
- Employees of a CPS program manager vendor, a CPS contractor primarily tasked with responsibilities other than fleet management, but who were given fleet

management responsibilities, violated their contract with CPS by failing to comply with all Board policies and rules, in that the vendor:

- caused CPS to lease vehicles from the leasing company in excess of \$25,000.00 without the purchase being subjected to required competitive bidding, in violation of the School Code of Illinois, 105 ILCS 5/34-21.3, and without subjecting the purchase to competitive bidding, in violation of Board Rule 7-2, which requires competitive bidding for purchases of biddable items in excess of \$10,000.00.
- caused CPS to incur a financial liability in excess of \$10,000.00 by leasing vehicles from the leasing company without the purchase of this biddable item being evidenced by a written contract approved as to legal form by the General Counsel and signed and executed by the President and Secretary of the Board, in violation of Board Rules 7-13 and 7-14.
- CPS, through high-level management, failed to effectively manage the vendor, in that the vendor's employees leased vehicles on behalf of CPS from the leasing company in excess of the School Code of Illinois and Board Rule dollar thresholds without subjecting the purchase to required competitive bidding and Board approval.
- CPS, through two managers, inadvertently caused the leasing company to purchase a total of thirty-six vehicles to be leased for use by the CPS driver education program based on e-mail communications from the managers to the leasing company which could be reasonably interpreted as approval by them for such purchase.
- A central office department failed to adequately perform its role as a necessary control over the CPS procurement process in that:
 - the department allowed a purchase order in the amount of \$164,702.25 to be created and removed a hold on the purchase order despite the fact that there was no Board authority to spend the funds.
 - A department employee approved a purchase order which exceeded dollar thresholds requiring competitive bidding and Board approval despite the fact that competitive bidding had not taken place and Board authority for the expenditures had not been granted.
 - Another employee failed to sufficiently act upon learning that CPS was conducting unauthorized business with the leasing company.
- Various CPS executive staff members failed to make reasonable inquiries whether the actions of the vendor in leasing vehicles from the leasing company were performed with the authority of the Board.
- Numerous CPS executive staff members failed to maintain daily Logs of Departmental Vehicle Use Forms or any type of vehicle use log regarding vehicles that were purportedly used as pool vehicles, in violation of the CPS *Fleet Management Policy*.

Following this second phase of the investigation, the OIG made the following recommendations:

1. Based on their failure to comply with Board Rules and the School Code of Illinois regarding the leasing of vehicles from the leasing company without subjecting the purchase to required competitive bidding and without obtaining necessary Board authority, CPS should demand that the vendor refrain from using two of its managers

- to perform work on behalf of CPS pursuant the program manager agreement between CPS and the vendor.
2. CPS should use all legal remedies to seek damages from the vendor for financial liability incurred by CPS due to the failure of the vendor's employees acting on behalf of CPS to comply with Board Rules 7-2, 7-13 and 7-14 and the School Code of Illinois when entering into vehicle lease agreements with the leasing company on behalf of CPS.
 3. CPS should take appropriate disciplinary action against various CPS management employees for their failure to effectively manage and for their inattention to duty.
 4. The Board of Education should adopt rules which prohibit the creation of a purchase order by a user department and the approval of the purchase order by the Department of Procurement and Contracts, even if the Department intends to place a concurrent hold on the purchase order, for funds in excess of Board dollar thresholds requiring competitive bidding and / or Board approval until a competitive process has taken place and the Board has authorized such expenditure.
 5. The CPS Fleet Management Policy, Section 401.15(2.5b), should be amended to include the following:
 - a) that the Logs of Departmental Vehicle Use Forms maintained by department directors for CPS leased vehicles should be forwarded to Fleet Management on a monthly basis;
 - b) that the Logs of Departmental Vehicle Use Forms be routinely audited by Fleet Management to ensure that such forms are properly completed and forwarded to Fleet Management; and
 - c) that the Logs of Departmental Vehicle Use Forms be periodically audited by CPS Audit Services to ensure that leased vehicles are being used and paperwork documenting such use is being prepared and maintained in a manner consistent with the CPS Fleet Management Policy.

Following the completion of the OIG investigation, CPS, the leasing company and the program manager vendor engaged in mediation to settle a claim by the leasing company that CPS owed the leasing company in excess of \$225,000.00. Following the mediation, CPS agreed to pay the leasing company \$45,000 and the program manager vendor agreed to pay the leasing company \$25,000, settling all claims for costs incurred by the leasing company. (8828)

Theft

- Following the receipt of a complaint alleging improprieties related to a tuition-based after school program at an elementary school, the OIG initiated an investigation of a teacher assigned to the school. The teacher was the coordinator of the tuition based after school program and was also the only administrator involved in the PTA affiliated with the school.

At the onset of the investigation, the OIG learned that the tuition based after school program was funded with tuition payments and was not supported by school funds. In addition, the tuition payments included the cost of a meal that was served to the students during the after school program. The OIG attempted to obtain attendance

records and tuition payment information for the after school program, however none of these records could be found at the school. To determine the attendance at the after school program, the OIG obtained and reviewed the After School Supper Program Attendance Rosters. Based on the attendance reported on these rosters, the OIG calculated the tuition fees that should have been collected and compared those calculations to the actual reported fees deposited into the school's internal account. For the 2007-2008 school year, the OIG determined that the difference between the amount of tuition fees that should have been collected, based on reported attendance for the supper program, and the actual tuition fees that were deposited was \$9521.00. For the 2008-2009 school year, the OIG calculated this total to be \$46,965.00.

In addition to the shortages based on attendance for the supper program and fees actually collected, the OIG also determined that the teacher under-reported actual attendance in the program in an attempt to show less participation and, as such, less expected revenue. The teacher also convinced a parent to issue a check to the program for more than \$4,000.00 to cover tuition costs and then reimbursed the parent with a check from the PTA account, over which the teacher exercised exclusive control.

The OIG then analyzed and audited the PTA account and found that the teacher:

- Cashed \$3500.00 worth of checks payable to himself from the PTA account;
- Cashed \$10,500 worth of checks payable to cash; and
- Made ATM withdrawals from the PTA account totaling \$26,030.00

Also during the course of the investigation, the OIG obtained the teacher's personal bank records. These records reflected numerous deposits to the teacher's account and corroborated the significant theft of funds from both the tuition based after school program and the PTA. During an interview with the OIG, the teacher admitted his involvement in the theft of funds from the tuition based after school program and from the PTA.

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

- The teacher misappropriated as much as \$56,486.50 from funds that he collected from the parents of students participating in the elementary school's tuition based after school program during the 2007-2008 and 2008-2009 school years.
- The teacher misappropriated as much as \$40,030.25 in funds from the elementary school's PTA checking account which he controlled during the period of January 2007 through May 2009.
- On at least two occasions during an interview with the OIG, the teacher made false, inaccurate, or deliberately incomplete statements, in violation of the CPS Employee Discipline and Due Process Policy.

The OIG recommended that the teacher be immediately discharged from CPS employment. The OIG also recommended that CPS should use all legal remedies to

recoup the elementary school's tuition based after school program and PTA funds misappropriated by the teacher. Following the investigation, the OIG also referred the results of the investigation to the Cook County State's Attorney's Office for prosecution.

Dismissal charges have been filed against the teacher and a disciplinary hearing is pending. (7994)

- The OIG conducted an investigation of a high school teacher which revealed that the teacher misappropriated Board funds in that he deposited, into his personal bank account, three checks totaling more than \$9,200.00, which were provided to the high school from a vendor in exchange for books. The checks were written to the high school in care of the teacher and were to be turned in and deposited into the school's internal account.

The OIG found that the teacher committed the offenses of theft, theft of government property and official misconduct. Prior to the conclusion of the OIG investigation, the teacher resigned from his position with CPS. Following the release of the OIG's report, the teacher was designated ineligible to be rehired. The OIG recommended that CPS use all legal remedies to recoup the money that the teacher misappropriated from the high school. The OIG also referred the results of this investigation to the Cook County State's Attorney's Office for review for possible criminal charges. (8870)

Misappropriation of Funds

- The OIG conducted an investigation of an elementary school principal that revealed the following:
 - The principal approved and received two reimbursements, which totaled \$122.82, for purchases made using the CPS P-card issued in the principal's name. Subsequent to being asked about these reimbursements by the OIG, the principal wrote a personal check, in the amount of \$122.82, to the school.
 - The principal approved a school Internal Account check payable to an individual for substituting for a kindergarten teacher despite the fact that CPS time records reflect that the kindergarten teacher worked a full day.
 - The principal approved and received a school Internal Account check payable to the principal as reimbursement for the purchase of a Palm Pilot, however the item could not be located at the school.
 - A CPS Audit Services Principal Transition Review at the school for the period of time when the principal was assigned to the elementary school revealed numerous Internal Account violations.
 - A CPS Audit Services Limited Scope Review at the school the principal was newly assigned to also revealed numerous Internal Account violations.

Following the OIG investigation the principal was issued a warning resolution. (7368)

- The OIG conducted an investigation of an elementary school principal which revealed that the principal made purchases utilizing a CPS Procurement Card issued in her name and then requested and received personal reimbursement from CPS for those same purchases when in fact she had not expended any personal funds on the purchases. The investigation also revealed that the principal requested and received reimbursement on thirty-nine occasions for parking fees in excess of \$16.00, contrary to the *CPS Policy on Reimbursement for Work-Related Expenses*. The principal also altered documents requested by the OIG during its official investigation, including blacking-out or cutting-off the Procurement Card account number from various receipts that she produced at the request of the OIG, in order to hide the fact that she requested and received reimbursement for purchases for which she did not personally expend any money. The principal will be retiring from CPS employment and upon her retirement will be designated ineligible to be rehired. (8213)
- A high school teacher was investigated following an allegation that the teacher misappropriated funds. The OIG investigation revealed that the teacher received and maintained more than \$9,000.00 in CPS reassigned teacher pay to which she was not entitled since she was working at a charter school during the three pay periods for which she received such pay. (8625)
- The OIG conducted an investigation of an elementary school principal which revealed that the principal fiscally mismanaged or wasted funds received from a grant in that he used thousands of dollars of the funds to purchase food when in fact the funds should have been used for training. The principal also violated the guidelines of the *CPS Insider's Guide to School Business and Internal Accounts* in that he failed to obtain Local School Council approval for an expenditure of more than \$1,000.00 and attempted to hide such expenditure by stringing the expenditure over three Internal Account checks. In addition, the principal approved numerous CPS School Expenditure Requisition Order forms that reflected that the expenditures were for supplies when in fact the expenditures were for food for staff and he approved the use of internal account funds to pay for gifts for two CPS employees. Following the OIG investigation, the principal received a warning resolution. (7736)

Misuse of the Internet

- The OIG conducted an investigation of a high school special education classroom assistant, a college/career coach, a student engagement specialist and an elementary school principal. The OIG investigation revealed that the special education classroom assistant remotely accessed the CPS network user account of the career coach without his knowledge, viewed his e-mail, changed his CPS password, and utilized the account to send two e-mails as if the e-mails were from the career coach. The classroom assistant also sent an e-mail containing a sexually explicit image to the career coach at his CPS e-mail account. The career coach also received and sent various e-mails containing sexually explicit images on his CPS e-mail account. In addition, the investigation revealed that the student engagement specialist sent e-mails containing sexually explicit images to the career coach e-mail account. Finally, the investigation revealed that the principal sent an e-mail

containing sexually explicit images to the career coach at his CPS e-mail account. All of this activity was in violation of the *Policy on Acceptable Use of the CPS Network and Computer Resources*. Based on the results of the investigation, the OIG recommended that all of the employees be terminated from CPS employment. The Law Department is currently reviewing the OIG investigation to determine appropriate discipline for the employees. (8054, 8103, 8125)

- An OIG investigation of an hourly employee assigned to a central office department revealed that the employee sent and received sexually explicit images by way of his CPS e-mail account and accessed sexually explicit images through the CPS network, in violation of the *Policy on the Acceptable Use of the CPS Network and Computer Resources*. The employee resigned from CPS employment. (8818)
- The OIG conducted an investigation of a high school teacher which revealed that the teacher, who was also a coach, engaged in the unacceptable use of the CPS network in that he sent numerous e-mails containing sexually explicit images and videos to the CPS e-mail account of another teacher at the high school while on duty, in violation of the *CPS Policy on the Acceptable Use of the CPS Network and Computer Resources*. The Law Department is currently reviewing the OIG investigation to determine appropriate discipline for the employee. (8941)
- An OIG investigation of a school security officer assigned to an elementary school revealed that the security officer used the CPS network for an unacceptable use in that he used a CPS computer and the CPS network to transmit an image of an erect penis from his personal mobile account to his personal e-mail account, in violation of the *Policy on the Acceptable Use of the CPS Network and Computer Resources*. The security officer received a written reprimand and has been laid off from CPS employment. (8954)
- The OIG conducted an investigation of a high school teacher which revealed that while at work, the teacher reviewed and sent sexually explicit images from his personal e-mail account through the CPS network to various individuals, including the CPS e-mail account of a CPS employee, in violation of the *CPS Policy on the Acceptable Use of the CPS Network and Computer Resources*. The teacher was subsequently non-renewed and has been designated ineligible to be rehired. (9175)
- The OIG conducted an investigation of a high school principal, a school clerk assistant and a former teacher who was assigned to the high school as a substitute teacher. The OIG investigation revealed that the principal directed the school clerk assistant to disclose the assistant's password to the CPS IMPACT system to the substitute teacher so that the teacher could access the IMPACT system to perform work on student records at the high school, in violation of the *Policy on the Acceptable Use of the CPS Network and Computer Resources*. The results of this investigation were especially disturbing in light of a previous investigation by the OIG regarding grade changing at the high school which was reported by the OIG in FY 08. In that case, among other things, the OIG found that grades of four members of the basketball team were changed by someone using the password of the teacher.

However, due to the fact that passwords were routinely shared at the high school, and that the teacher was not recorded as present in the school at the time and date the grades were changed, the OIG was not able to definitively determine who changed the grades.

Based on this investigation, and to prevent similar conduct from occurring again at the high school, the OIG recommended that CPS take appropriate disciplinary action against the teacher and that the teacher be banned from working in any capacity at the high school. Since the principal resigned from her position with CPS during the course of the investigation, the OIG recommended that a do not hire (“DNH”) be placed on the principal’s personnel record. Following the OIG investigation, the teacher was issued a written reprimand and the former principal was designated ineligible to be rehired. (8266)

Failure to Cooperate with the OIG

- Following the receipt of information reflecting that a teacher assistant was arrested and charged with the offense of possession of a controlled substance with the intent to deliver pursuant to 720 ILCS 401(a)(2)(D), a Class X Felony, the OIG initiated an investigation. During the course of the OIG investigation, the teacher assistant refused to answer questions by investigators from the OIG regarding certain details surrounding his arrest for possession of a controlled substance with the intent to deliver after being advised of administrative rights, in violation of Board Rule 4-4(m), the School Code of Illinois, and the CPS *Employee Discipline and Due Process Policy*. Following the OIG investigation, the teacher assistant resigned from CPS employment and was designated ineligible to be rehired. (8362)

Falsification of Attendance Records

- The OIG conducted an investigation of brothers, each was an engineer and they were assigned different elementary schools. The OIG investigation revealed the following:
 - Both engineers falsified their attendance records by representing they were working when in fact they were not at their schools and were engaging in personal business.
 - The brothers also falsified attendance records by swiping each other in and out on the Kronos timekeeping system.
 - One of the engineers also falsified official school documents in that he and his wife submitted a CPS Household Application for Free and Reduced-Price Meals 2009-2010 and Requests for Emergency Information reflecting that their children resided in Chicago, Illinois when in fact they resided with their parents in South Holland, Illinois. As mentioned below in the *Tuition Fraud* section, the OIG found that the engineer and his wife are liable for non-resident tuition in the amount of \$17,505.34.

Following the investigation, the engineer who falsified his attendance records and also enrolled his children in CPS despite residing in the suburbs was terminated from CPS employment. The other engineer received a 15 day suspension. (7585)

- An OIG investigation of two high school teachers assigned to provide homebound services to various students revealed the following:
 - Both teachers falsified attendance records by failing to provide homebound services to at least three students on the dates and times documented on time sheets. The teachers also failed to provide homebound services on the number of days indicated on the time sheets.
 - The signature of a student was forged on the time sheets documenting the homebound services provided by the teachers.
 - One of the teachers had a student forge the student's mother's name on time sheets documenting the homebound services provided by the teacher.
 - Both teachers certified that they provided homebound services on days that they took sick time during their regular teaching assignment, in violation of her Teacher Agreement and Responsibilities for Providing Homebound Services.
 - Both teachers had various individuals sign time sheets for multiple dates at the same time documenting that homebound services were provided for those days, in violation of her Teacher Agreement and Responsibilities for Providing Homebound Services.

Disciplinary action against both teachers is pending. (7665)

- The OIG conducted an investigation of various individuals assigned to an elementary school, including the principal, an engineer, a privatized custodial worker, and a person who was neither an employee nor a contractor. The OIG investigation revealed the following:
 - The custodial worker falsified attendance records by leaving the school for personal business while on CPS time.
 - The engineer allowed the custodial worker to work a split-shift in order to attend college classes during the work day, but failed to ensure that the custodial worker worked a full shift.
 - The engineer allowed the custodial worker to leave work several days a week in order to drive her children to school.
 - The engineer falsified attendance records in that he signed time sheets reflecting that the custodial worker worked a full shift on numerous days when in fact the custodial worker did not work those hours.
 - The engineer falsified attendance records in that he left the school to engage in secondary employment at a church while on CPS time.
 - The engineer engaged in secondary employment without first notifying the CPS Ethics Officer, in violation of the *Code of Ethics for the Chicago Board of Education*.
 - The principal and the engineer allowed the non-CPS employee, who had five criminal convictions including two convictions which would preclude him from CPS

employment, access to the elementary school and CPS students, in violation of the School Code of Illinois.

- The engineer paid the non-CPS employee to help the engineer with tasks at the elementary school and encouraged others to do the same.

Following the OIG investigation, the principal received a written reprimand and the engineer retired and was designated ineligible to be rehired. (7716, 7717)

- An OIG investigation of a retired school clerk assigned to a high school revealed that the school clerk misappropriated school funds in that she received as much as \$31,015.00 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. Additionally, during the course of the investigation, the school clerk failed to appear in response to an OIG subpoena. Based on the investigation, the OIG recommended that the school clerk be designated ineligible to be rehired and that CPS use all legal remedies to recoup the payments made to the school clerk that the clerk was not authorized to receive. Following the OIG investigation, the school clerk was designated ineligible to be rehired. The Law Department is reviewing the OIG investigation and may take action to recover the unearned funds paid to the school clerk. (7870)
- The OIG conducted an investigation of a school clerk assigned to a high school which revealed that the school clerk falsified her attendance records in that on numerous occasions the school clerk credited herself with working a full day when in fact her Kronos swipe records did not reflect that she in fact worked all of those hours. The OIG investigation further revealed that the school clerk falsified her attendance records by editing herself in as working extra curricular hours when in fact her Kronos swipe records did not reflect that she in fact worked all of those hours. Prior to the completion of the OIG investigation, the school clerk was laid off from her position. The school clerk was subsequently designated ineligible to be rehired. (8004)
- An OIG investigation of a school clerk and a school clerk assistant assigned to a high school revealed the following:
 - The school clerk falsified her attendance records in that she had the school clerk assistant utilize the Kronos timekeeping system to record that the school clerk was working when in fact the school clerk was not working and was out of town.
 - The school clerk assistant falsified her attendance records in that she edited her own swipe-in times to record that she was present for work at a time earlier than she was actually present for work.

Following the OIG investigation, both the school clerk and the school clerk assistant were terminated and designated ineligible to be rehired. (8271)

- The OIG conducted an investigation of an engineer assigned to a high school which revealed that the engineer falsified his attendance records in that on numerous occasions he represented that he was working when in fact he left the school during his work day, without permission, to engage in personal business. The engineer was terminated from CPS employment and designated ineligible to be rehired. (8411)
- The OIG conducted an investigation of seven employees classified as professional II's who worked in a federally funded program designed to increase the number of low-income students who are prepared to enter and succeed in postsecondary education. During the course of the investigation the OIG reviewed Kronos time and attendance records regarding all of the employees assigned to the program, conducted surveillance, and interviewed numerous employees. The OIG investigation revealed the following:
 - Seven employees falsified attendance records in that on various occasions they each swiped-in another program employee or they had another program employee swipe them in.
 - One of the employees falsified his attendance records in that on various occasions he represented that he was working when in fact he was not at his assigned job site but engaging in personal business.
 - Three of the employees resided in the suburbs. (These investigations are noted in the *Residency* section of this report).
 - A deputy director of the program and a team leader incompetently or inefficiently performed their duties by failing to properly manage the seven employees of the program mentioned above.

Following the OIG investigation, the three professional II's who falsified attendance records and resided outside the City of Chicago were terminated and designated ineligible to be rehired. Another professional II resigned and was designated ineligible to be rehired. The remaining three professional II's received 10 day suspensions and their supervisors received oral reprimands. (8441)

Falsification of School Records

- The OIG conducted an investigation of an elementary school principal which revealed that student attendance records at the school were manipulated to presumably increase the student attendance rate. Specifically, students were dropped from the attendance rolls when they were actually in class and students who were absent were recorded as present. The investigation also revealed that when students were dropped from the rolls, procedures mandated by Section 703.1 of the CPS Policy Manual, *Absenteeism and Truancy*, were not followed. In addition, the investigation revealed that staff at the school attributed the manipulation of attendance records to a directive by the principal. The principal resigned from CPS employment and was designated ineligible to be rehired. (7035)
- The OIG conducted an investigation of a high school teacher which revealed that the teacher altered and then submitted a CPS Office of Curriculum, Instruction, Research, and Professional Development / CPS Teachers Academy for Professional

Development certificate to the CPS Department of Human Resources purportedly supporting her application for a salary lane adjustment to which she was not in fact entitled, in violation of the CPS *Employee Discipline and Due Process Policy*. The Law Department recommended that the teacher receive a 10 to 14 day suspension and a warning resolution for the infraction, however the principal of the high school only issued the teacher a written reprimand. (8260)

- Following receipt of an allegation of falsified student attendance, the OIG conducted an investigation of a school community representative assigned to a high school. The OIG investigation revealed that the school community representative falsified official school documents in that on almost 700 occasions, the school community representative inappropriately and fraudulently utilized the “school function” code when recording student attendance at the high school when the students whose attendance was recorded as “school function” were in fact absent. Disciplinary action against the school community representative is pending. (8154)
- Responding to an allegation that student attendance at an elementary school was being falsified because students’ tardies were deliberately not being recorded on the IMPACT system, the OIG initiated an investigation. The investigation did not reveal any evidence of misconduct, but revealed that staff at the elementary school recorded tardy students as present with tardy reflected as a comment in CPS IMPACT attendance records. As a result of the findings, the OIG recommended that CPS amend the CPS *Absenteeism and Truancy* policy to provide clear and complete requirements and procedures regarding the documentation of tardiness in the IMPACT attendance records for elementary schools and that CPS provide training to school staff regarding the proper procedures regarding the documentation of tardiness in the IMPACT attendance records. (8682)
- The OIG conducted an investigation of allegations of grade changing at a high school. The OIG reported on this unsubstantiated investigation due to the fact that the allegations which led to the investigation were made in the local media. The OIG investigation revealed that students in various classes at the high school were given A’s for the first quarter of the 2009-2010 school year due to the fact that the classes were not staffed by a consistent instructor, and not as a result of misconduct on the part of a CPS employee. The OIG investigation further revealed that although IMPACT records reflect that the high school had an inordinate number of grade changes during the 2008-2009 school year, the grade changes were as a result of staff being inadvertently locked out of the Gradebook system on the last day to enter grades. As a result, grades were subsequently inputted into IMPACT by way of the school’s grade coordinator’s password due to grades not being inputted by teachers within the Gradebook program’s required time frame and not as a result of misconduct on the part of a CPS employee.

Based on the investigation, the OIG recommended the following:

- CPS review current policies to determine whether sufficient procedures are in place to ensure that schools are staffed at appropriate levels in a timely fashion so that all students receive proper instruction and appropriate grades.

- CPS initiate training at the high school by IMPACT staff to ensure that all high school teachers know how to enter grades in a proper and timely fashion. (9026)

Ethics Violations

- An OIG investigation of an elementary school assistant principal revealed that the assistant principal engaged in secondary employment with a local university while on a CPS leave of absence for personal illness, in violation of Board Rule 4-12(i). The OIG investigation also revealed that the assistant principal obtained and accepted secondary employment with the university without first notifying the CPS ethics officer, in violation of the *Code of Ethics for the Chicago Board of Education*. The assistant principal was terminated from CPS employment and was designated ineligible to be rehired. (8153)
- The OIG conducted an investigation into ethical and internal account violations at an elementary school involving a school clerk, a teacher and a special education teacher. The OIG investigation revealed the following:
 - The special education teacher received payment from school funds for catering services that she provided to the elementary school while employed at the school and also while serving on the Local School Council, in violation of the *Code of Ethics for the Chicago Board of Education*.
 - The special education teacher failed to deposit money collected for graduation luncheon fees with the school treasurer on a daily basis, contrary to the guidelines of the *CPS Insider's Guide to School Business and Internal Accounts*.
 - The school clerk failed to make timely bank deposits of school funds, contrary to the guidelines of the CPS Internal Accounts Manual.
 - The teacher used her position as the person in charge of all eighth grade graduation activities to select her daughter as a vendor to provide programs for the various eighth grade graduation activities and supervised the performance of her daughter in that regard, in violation of the *Code of Ethics for the Chicago Board of Education*.
 - The teacher failed to deposit money collected for fundraising activities and for graduation fees with the school treasurer on a daily basis, contrary to the guidelines of the CPS Internal Accounts Manual.

The teacher retired prior to the conclusion of the OIG investigation and was subsequently designated ineligible to be rehired. The Law Department is reviewing the OIG investigation for potential disciplinary action against the clerk and the special education teacher. (8509)

- The OIG conducted an investigation of an elementary school principal and a teacher assistant at the school. The OIG investigation revealed that the principal hired the teacher's assistant, an individual with whom the principal shares a child. Being that the *Code of Ethics of the Chicago Board of Education* does not prohibit a CPS official or employee from hiring an individual with whom that official or employee shares a child, the OIG recommended that CPS amend the *Nepotism Prohibited* section of the

Code of Ethics of the Chicago Board of Education to prohibit a CPS official or employee from hiring any individual with whom that official or employee shares a child, at any Board facility, including any school, in which the official or employee serves or over which the official or employee exercises authority, supervision, or control. (9208)

Miscellaneous Investigations

- The OIG conducted an investigation of an engineer assigned to an elementary school. The investigation revealed that the engineer was arrested for the offense of attempt child abduction and was released without being charged. During interviews with Chicago Police Department detectives and the OIG, the engineer gave conflicting accounts as to why he drove through a particular Chicago neighborhood and thus made false statements during an official investigation, in violation of the *CPS Employee Discipline and Due Process Policy*. In addition, the OIG investigation revealed that the engineer left his work site without permission, also in violation of the *CPS Employee Discipline and Due Process Policy*. Disciplinary action against the engineer is pending. (9053)

- The OIG conducted a joint investigation with the OIG for the Chicago Transit Authority following the theft of CTA fare cards valued at more than \$27,000.00, which were maintained in a storage area in a central office department. Despite the fact that interviews of twenty-five individuals were conducted and the Chicago Police Department recovered fingerprints from the exterior packaging of the CTA transit cards remaining in the boxes from which other CTA transit cards were missing, the joint investigation did not reveal who took the missing 1,360 CTA transit cards. A lack of controls regarding access to the storage area may have contributed to the disappearance of the CTA fare cards. The department that received the fare cards has subsequently enacted various procedures to better control access to the storage area to help eliminate future risks to the security of the fare cards.

Based on the OIG investigation, and in addition to the changes in procedures already implemented by the CPS department to better secure the CTA fare cards, the OIG made the following recommendations:

- The CPS department should request that the CTA develop a procedure whereby fare cards can be activated just prior to the time that the fare cards are to be actually utilized.
 - The CPS department should purchase CTA fare cards in smaller batches thereby reducing the value of the fare cards being stored by the department at any given time and also reducing the risk of loss. (7357)
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- An OIG investigation revealed that a computer technician assigned to a high school removed six CPS-owned computers from the high school and gave them to a special education teacher who was also the proprietor of a for-profit child care facility for use at the facility. The OIG investigation further revealed that both the computer technician and the special education teacher made false statements to the OIG

during the course of interviews. The special education teacher retired from her position with CPS and was subsequently designated ineligible to be rehired. The computer technician was terminated from CPS employment and was also designated ineligible to be rehired. (7660)

- The OIG conducted an investigation of a City of Chicago employee who serves on two Local School Councils, for an elementary school and for a high school. The city employee had three children who attended the elementary school. The OIG investigation revealed that during a six year period, the families household income was understated and misrepresented on *Family Applications for Free and Reduced-Price Meals* enabling the students to receive free and/or reduced-price meal benefits to which they were not entitled. These fraudulent misrepresentations potentially resulted in almost \$6,900.00 in free meal benefits being approved for the students despite the fact that they were ineligible for such benefits and the family income far exceeded the threshold for free or reduced price lunch. The CPS Law Department is reviewing the investigation to determine if there are civil remedies that be taken against the parents. (7728)
- An OIG investigation revealed that a speech pathologist failed to inform CPS of the termination of her eligibility to bill Medicaid for services that she provided and she also falsified a CPS Electronic Signature Verification Form by affirming that she was eligible to participate in the Health Services Management Program when in fact she was not, in violation of the *CPS Employee Discipline and Due Process Policy*. Due to the speech pathologist's failure to inform CPS of the termination of her eligibility to bill Medicaid for services that she provided to CPS students, CPS will have to reimburse Medicaid for more than \$91,000.00 in payments that CPS has received from Medicaid since 2003. In addition, the investigation revealed that the speech pathologist failed to notify the CPS ethics officer prior to obtaining and accepting secondary employment and she made a false statement during an official investigation by the OIG. Following the OIG investigation, the speech pathologist resigned from CPS employment and was designated ineligible to be rehired. (8247)
- The OIG conducted an investigation of a school security officer assigned to a high school. The OIG investigation revealed the following:
 - The security officer requested and took a leave of absence on fraudulent grounds in that she requested and took the leave of absence to purportedly care for her daughter and/or her father when in fact she worked for other companies; she worked for one company on forty-eight days, including thirty CPS work days, during the leave period.
 - The school security officer also utilized CPS sick days on four occasions when in fact she was not sick but working for one of the companies.
 - The school security officer engaged in secondary employment with one of the companies which conflicted with her employment with CPS and she accepted secondary employment with the company without first notifying the CPS ethics officer, in violation of the *Code of Ethics for the Chicago Board of Education* and the *CPS Employee Discipline and Due Process Policy*.

Following the OIG investigation, the school security officer was terminated and designated ineligible to be rehired. (8557)

- An OIG investigation of an elementary school principal revealed that the principal used an approval code from a 2007 student trip to attempt to register the 2008 student trip out of the country with the United States Department of State, thus not fulfilling one his duties as principal for student travel outside the United States, in violation of the CPS *Student Travel* policy. Following the OIG investigation, the principal retired from CPS employment. (8512)
- The OIG conducted an investigation of an elementary school teacher which revealed that the teacher and her husband, who is not a CPS employee, used a CPS tax-exempt letter to avoid paying Illinois sales tax on purchases of personal, non-school related items totaling more than \$16,000.00 from Home Depot. The Law Department is reviewing the OIG investigation for potential disciplinary action. (8833)
- An OIG investigation of a high school technology coordinator revealed that the coordinator submitted attendance in the Oracle system for a CPS student for the student's purported participation in an after school program for hours in which the student did not in fact participate. The technology coordinator then withdrew, without authorization, more than \$500.00 from an account created for the student for her purported participation in the after school program. After the OIG investigation was initiated, the technology coordinator subsequently submitted \$880.00 to CPS for the money that he withdrew to which he was not entitled. The technology coordinator was terminated from CPS employment and has been designated ineligible to be rehired. (8794)
- An OIG investigation of a lunchroom manager revealed that the lunchroom manager was on a personal illness / disability leave of absence since 2005, yet was working at another job at a private preschool in violation of Board Rule 4-12(i). The lunchroom manager retired from CPS and was designated ineligible to be rehired. (8711)
- The OIG conducted an investigation of an elementary school principal and a CPS vendor concerning the purchase of an \$18,122.00 item for the school. The OIG investigation revealed that although the school paid a \$9,061.00 deposit to the vendor representing one-half of the purchase price, the item was never delivered and the deposit was never returned to the school. The OIG investigation further revealed the following:
 - The principal failed to submit the purchase of the item to a competitive bidding process despite the fact that the item was a biddable item in excess of \$10,000.00, in violation of the Illinois School Code, 105 ILCS 5/34-21.3 and Board Rule 5-4.
 - The principal failed to ensure that the contract entered into with the vendor was approved as to legal form by the CPS general counsel and failed to ensure that the contract was signed by the Board, in violation of Board Rule 2-5-1.

- The vendor received a deposit of one half of the \$18,122.00 purchase price from the school for the purchase, delivery and installation of the item but failed to deliver and install the sign in violation of the *Contract For The Sale of Goods* between the school and the vendor and failed to return the \$9,061.00 deposit to Kozminski.

Based on the investigation, the OIG recommended that CPS take appropriate disciplinary action against the principal and that CPS use all legal remedies to recoup \$9,061.00, and all costs associated with the collection process, from the vendor. The Law Department is reviewing the OIG investigation for potential disciplinary action and a civil recovery action. (8694)

- The OIG conducted an investigation of an elementary school principal and assistant principal. The OIG investigation revealed that the principal sent a letter to a collection agency hired by CPS to collect outstanding pre-school fees owed by the assistant principal, reflecting that the assistant principal had in fact paid the fees in full and had a zero balance despite the fact that the principal had no actual knowledge whether or not the assistant principal had fulfilled her financial obligation to CPS. The investigation also revealed that during three school years, the assistant principal understated and misrepresented her income on applications for free and reduced-price meals submitted on behalf of her two children enabling them to receive meal benefits to which they were not entitled. The fraudulent representations by the assistant principal potentially resulted in more than \$1,700.00 in free meal benefits being provided to the assistant principal's two children despite the fact that they were ineligible for such benefits. Following the OIG investigation, the assistant principal was terminated and designated ineligible to be rehired. Disciplinary action against the principal is pending. (8424)
- An OIG investigation of a lunchroom manager assigned to an elementary school revealed that the lunchroom manager attempted to use a CPS tax-exempt letter to avoid paying sales tax on the purchase of a television, a personal non-school related item, at a retail store. The lunchroom manager was terminated from CPS employment and designated ineligible to be rehired. (9061)
- An OIG investigation of a teacher assigned to an alternative high school revealed that the teacher violated the rules of the school by accessing the school without notifying the school, and, as such, the teacher was unable to have further access to the school. (9092)
- The OIG conducted an investigation of a high school principal which revealed that the principal allowed a non-school affiliated group to use the school facilities on Saturdays without requiring an executed School Usage Permit and without ensuring that the group had obtained required commercial general liability insurance, in violation of Board Rule 6-25 and the CPS *Insider's Guide to School Business and Internal Accounts*. The principal resigned from CPS employment. (9023)

- An OIG investigation of an elementary school assistant principal revealed that the assistant principal used sick leave in an unauthorized manner in that she used four sick days when in fact she was not sick but on vacation with her husband, in violation of the CPS *Employee Discipline and Due Process Policy*. The Law Department is reviewing the OIG investigation to determine if disciplinary action is warranted. (8678)
- An OIG investigation of an elementary school lunchroom manager revealed that the lunchroom manager falsified employment records in attempting to secure employment by providing a false social security number to CPS on an *Employment Application* in 1999. The OIG learned that the social security number was actually assigned to another individual who is currently a college student. The lunchroom manager resigned from CPS employment and was designated ineligible to be rehired. (9062)
- The OIG conducted an investigation of an elementary school principal, a school security officer and a school bus aide. The OIG investigation revealed the following:
 - The principal wasted between \$54,200.00 and \$64,400.00 in CPS funds in that she maintained and paid three bus aides despite the fact that only one student received CPS transportation services.
 - The principal incompetently performed her duties in that she failed to adequately oversee a trip to a Chicago Bulls game in that non-students were provided tickets to the game despite the fact that the tickets were purportedly intended as student incentives and the principal did not know the identity of at least one of the chaperones accompanying students on the trip.
 - The school security officer wasted CPS funds in that he allowed a non-CPS employee chaperone under his supervision to sell a Chicago Bulls ticket purchased by the school and failed to retrieve the funds obtained from the sale for the benefit of the school.
 - The school bus aide falsified her attendance records in that on numerous occasions she represented that she was engaging in bus aide duties when in fact she was conducting personal business.

Following the investigation, the OIG recommended that CPS conduct audits assessing the need for the bus aides assigned to each school receiving CPS transportation services before each school year and again at the mid-point of each school year to ensure that CPS' limited resources are being allocated in an appropriate fashion. The Law Department is reviewing the OIG investigation for potential disciplinary action. (7605, 8615)

- The OIG conducted an investigation of a complaint that alleged that an elementary school principal failed to inform the CPS Department of Information and Technology Services staff that the school's grade scale was different than the scale in the Gradebook program and as a result students' grades were not accurately reflected in Gradebook. The OIG investigation revealed that the principal did not request that the CPS Department of Information and Technology Services change the default grade

scale as reflected in the Gradebook program to accurately reflect the grade scale utilized by the school which caused the grades of students to be inaccurately reflected in the IMPACT system. Significantly, this caused the total score of five students applying for admission into Selective Enrollment High Schools to be calculated as lower than the score actually earned resulting in the students not being accepted by a Selective Enrollment High School to which they sought admission. The OIG investigation further revealed that IMPACT failed to adequately train administrative staff at the elementary school and similarly situated schools, to help ensure that the correct grade scales for the school was being applied in the Gradebook program. The CPS Information and Technology Services department has reviewed the issue and implemented training, where appropriate. (9181)

- The OIG conducted an investigation of an elementary school assistant principal which revealed that in 1996, the assistant principal was convicted of a federal felony offense for engaging in a payroll fraud scheme in his position as a manager at a company in that he paid unearned overtime to other employees and shared in the misappropriated proceeds. The assistant principal was subsequently sentenced to serve a forty-six month term of imprisonment. The OIG investigation further revealed that despite the fact that the assistant principal disclosed the federal felony conviction on a CPS *Employment Application* submitted in 2007 and CPS *Fingerprinting Background Investigation Authorization & Release* forms submitted in 2007 and 2008, the assistant principal was hired by CPS and subsequently promoted to principal and assistant principal positions. Based on the investigation, the OIG recommended that CPS reconsider its hiring of the assistant principal in light of the facts of his criminal activity. The OIG also recommended that, at the very least, the assistant principal should be precluded from serving in any administrative position, including principal and assistant principal, for CPS. The Law Department is reviewing the OIG investigation and recommendations. (8552)

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 10, the 246 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 production; 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 10, 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.

- A Professional II assigned to a central office department resided in Glenwood, IL. The employee was terminated and designated ineligible to be rehired. The employee also falsified attendance records; that investigation is discussed above. (4938)
- An OIG investigation revealed that a high school teacher resided in Geneva, IL. Following the OIG investigation, the teacher resigned from CPS employment. (6536)
- A teacher assigned to a high school was found to be residing in Brookfield, IL. The teacher resigned and was designated ineligible to be rehired. (7021)
- A high school business manager resided in Berwyn, IL. Following the OIG investigation, the business manager was terminated from CPS employment and designated ineligible to be rehired. (7028)
- An analyst assigned to a central office department was found to be residing in Villa Park, IL. The analyst was terminated from CPS employment and designated ineligible to be rehired. (7104)
- An OIG investigation revealed that an elementary school child welfare attendant resided in Griffith, IN. The child welfare attendant was terminated from CPS employment and designated ineligible to be rehired. (7185)
- After being issued a written reprimand and directed to move into the City of Chicago, a professional III assigned to a central office department was found to be residing in South Elgin, IL. The professional III was terminated from CPS employment and designated ineligible to be rehired. (7432)
- A director in a central office department was found to be residing in Evanston, IL. Following the OIG investigation, the director was terminated from CPS employment and designated ineligible to be rehired. (7500)
- An OIG investigation revealed that a central office employee resided in Homer Glen, IL. The employee was subsequently laid off and was designated ineligible to be rehired. (7767)
- A high school teacher was found to be residing in Evergreen Park, IL. As of the writing of this report, the CPS Law Department is reviewing the OIG investigation and will determine if disciplinary action is appropriate. (8316)

- An OIG investigation revealed that an elementary school principal resided in Olympia Fields, IL. The principal has been suspended without pay and is awaiting a disciplinary hearing. (8326)
- A high school teacher was found to be residing in Woodridge, IL. The teacher also made a false statement to the OIG during an interview. The teacher was terminated from CPS employment and designated ineligible to be rehired. (8445)
- An OIG investigation revealed that a high school teacher resided in South Holland, IL. Dismissal charges have been filed against the teacher and a disciplinary hearing is pending. (8478)
- A central office employee was found to be residing in Bolingbrook, IL. The employee was terminated from CPS employment and designated ineligible to be rehired. The OIG investigation also revealed that the employee falsified attendance records and that investigation is discussed above. (8498)
- A teacher assistant assigned to a high school was found to be residing in Flossmoor, IL. The teacher assistant was laid off prior to a scheduled disciplinary hearing. (8528)
- An OIG investigation revealed that a high school teacher resided in Riverside, IL. The teacher was laid off from CPS employment. (8536)
- An elementary school teacher resided in Hoffman Estates, IL. Following the OIG investigation, the teacher was issued a warning resolution. (8554)
- An OIG investigation revealed that a school clerk assigned to an elementary school resided in Richton Park, IL. The school clerk resigned from CPS employment and was designated ineligible to be rehired. (8588)
- A professional II assigned to a central office department resided in Lansing, IL. Following the OIG investigation, the professional II was terminated from CPS employment and designated ineligible to be rehired. (8652)
- An OIG investigation revealed that a deputy in a central office department resided in Olympia Fields, IL. Following the OIG investigation, the deputy was terminated from CPS employment and designated ineligible to be rehired. (8768)
- An OIG investigation revealed that a central office employee resided in South Holland, IL. The employee was laid off from CPS employment and subsequently designated ineligible to be rehired. (8772)

Employees who do not intentionally provide a false residential address to avoid the residency requirement are allowed to remediate their misconduct by coming into compliance with the residency requirement. The following OIG investigations dealt with employees who did not provide a false residential address.

- A high school teacher resided in Steger, IL. The teacher was issued a warning resolution and directed to move into the City of Chicago. (7821)
- A high school guidance counselor assistant resided in Crete, IL. The guidance counselor assistant was issued a written reprimand and directed to move into the City of Chicago. (8075)
- A central office employee resided in Thornton, IL. The employee was issued a written reprimand and directed to move into the City of Chicago. (8107)
- An elementary school assistant principal resided in Cicero, IL. The assistant principal was issued a written reprimand and directed to move into the City of Chicago. (8258)

Residency / Tuition Fraud

The Office of the Inspector General has been delegated the responsibility of conducting investigations into allegations that various Chicago Public School students reside outside the City of Chicago, a violation of the Illinois School Code. In FY 10, three of these 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 to 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. These investigations are detailed below.

- An OIG investigation revealed that a high school assistant principal resided in Wheaton, IL and the assistant principal's two children also resided in Wheaton while they attended a CPS high school. The OIG investigation revealed that the assistant principal was responsible for the payment of at least \$35,010.68 in non-resident tuition. During the course of the OIG investigation, the assistant principal resigned from CPS employment and was subsequently designated ineligible to be rehired. The Law Department is reviewing the OIG investigation and, if appropriate, will begin the adjudication process to find the assistant principal responsible for the payment of non-resident tuition. (6673)
- An OIG investigation revealed that two children of an engineer assigned to an elementary school resided in South Holland, IL and attended a CPS elementary school. The engineer was hired prior to 1996 and could therefore reside outside the City of Chicago. The OIG investigation revealed that the CPS employee and his wife were responsible for the payment of non-resident tuition in the amount of \$17,505.34. A hearing officer determined that the most stable residence for the two children is with their father, who the hearing officer concluded, lived in the City of Chicago. As such, CPS is not pursuing the payment of non-resident tuition in this matter. (7585)
- An OIG investigation revealed that an elementary school teacher resided in Oak Park, IL. The investigation further revealed that the teacher's two children attended CPS

high schools and resided with their other parent in Maywood, IL. The parents were previously found to have enrolled their children in CPS while residing in the suburbs and an OIG investigation revealed that they were held responsible for the payment of non-resident tuition in the amount of \$58,803.00. Based on the recent OIG investigation, the parents are responsible for the payment of an additional \$17,505.34 in non-resident tuition. Disciplinary action against the teacher is pending and the Law Department is reviewing the OIG investigation and will initiate collection procedures for the non-resident tuition owed, if appropriate. (8683)

- An OIG investigation revealed that an elementary school teacher resided in Melrose Park, IL with a child who attended a CPS elementary school. The OIG investigation revealed that the teacher was responsible for the payment of non-resident tuition in the amount of \$43,298.00. The Law Department is reviewing the OIG investigation for evidence sufficient to take disciplinary action against the teacher and, if appropriate, to begin the adjudication process to find the teacher responsible for the payment of non-resident tuition. (9060)

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.

- An OIG investigation revealed that the parents of a CPS elementary school student enrolled their child in CPS while residing in Hazel Crest, IL. The OIG investigation revealed that the parents were responsible for the payment of non-resident tuition in the amount of \$34,545.33. The Law Department is reviewing the OIG investigative to determine the appropriate action. (5883)
- An OIG investigation revealed that two siblings attended a CPS selective enrollment high school despite residing in River Grove, IL. Following the OIG investigation, the Board found that the students resided outside the City and the parents of the siblings are responsible for payment of non-resident tuition. The Law Department has begun the collection process and is seeking \$43,763.36 as payment for the non-resident tuition. (6913)
- An OIG investigation revealed that two siblings resided in Calumet City, IL and attended a CPS elementary school for a number of years. The OIG investigation revealed that the sibling's parents were responsible for the payment of non-resident tuition in the amount of \$101,721.56. The Law Department is reviewing the OIG investigation and will begin the adjudication process to find the parents responsible for the payment of non-resident tuition. (7576)

Criminal Conduct

The OIG has been charged with the responsibility of monitoring the outcome of cases wherein CPS employees were arrested and charged with criminal offenses. The OIG subsequently reports on these matters for a determination of whether disciplinary action may be taken based on the resolution of the cases. In FY 2010, the OIG reported on the following.

- An elementary school custodial worker was arrested and charged with the offense of solicitation of a prostitute. The custodial worker failed to appear in court and a default judgment was entered against him in the amount of \$760. Further investigation by the OIG revealed that the custodial worker had numerous criminal convictions. In 1997, the custodial worker was charged with the offense of possession of cannabis. The custodial worker pled guilty to the charge and was sentenced to four days in the Cook County Department of Corrections, time considered served. In 2007, the custodial worker was charged with the offense of possession of cannabis. The custodial worker pled guilty to the charge and was sentenced to one year of court supervision. In 2009, the custodial worker was charged with the offense of possession of a controlled substance. The custodial worker pled guilty to the charge and was sentenced to 2 years of “1410” probation. Following the OIG investigation, the custodial worker was terminated from CPS employment and designated ineligible to be rehired. (7861, 8558)
- A privatized custodial worker was arrested and charged with numerous counts of criminal sexual assault, the victims being family members. The custodial worker subsequently pled guilty to three counts of criminal sexual assault and was sentenced to consecutive terms of imprisonment totaling 14 years in the Illinois Department of Corrections. During the course of the investigation, the OIG confirmed that the custodial worker was no longer employed by custodial vendor. (6237)
- A central office employee was arrested and charged with the offense of aggravated assault with a knife and battery. The employee pled guilty to the charges and was sentenced to 18 months of court supervision. The employee was terminated from CPS employment and designated ineligible to be rehired. (8294)
- A miscellaneous employee assigned to a high school was arrested and charged with two counts of aggravated criminal sexual abuse where the victims were students from the high school where the employee worked. After a bench trial, the employee was found guilty of the charges. The employee was sentenced to 3 years of probation and 60 days of community service. During the course of the investigation, the employee was terminated from CPS employment and designated ineligible to be rehired. (6737)
- A privatized custodial worker was arrested and charged with the offense of bank robbery. The OIG learned that the custodial worker was subsequently released from

the custody Chicago Police Department without being charged. Further investigation revealed that the custodial worker was subsequently indicted in the United States District Court for the Northern District of Illinois and charged with crimes related to a death that occurred during a bank robbery. During the course of the investigation, the OIG confirmed that the custodial worker was no longer employed by the custodial vendor. The custodial worker pled guilty to various charges and was sentenced to 135 months in federal prison. (7720)

- A high school teacher was arrested and charged with the offense of aggravated criminal sexual abuse where the victims were students of the high school where the teacher worked. The teacher pled guilty to the charge of aggravated criminal sexual abuse and was sentenced to 24 months of probation. During the course of the investigation, the teacher was terminated from CPS employment and designated ineligible to be rehired. (6695)
- An elementary school instructor assistant was arrested and charged with numerous offenses including the felony offense of aggravated battery of a police officer. The instructor assistant pled guilty to misdemeanor charges and was sentenced to seven days in the Cook County Department of Corrections and 80 hours of community service. During the course of the investigation, the instructor assistant was terminated from CPS employment and designated ineligible to be rehired. (7137)
- An elementary school clerk was arrested and charged with the offense of identity theft. That charge was subsequently reduced to a misdemeanor and the school clerk pled guilty to the misdemeanor charge and was sentenced to one-year of court supervision and 30 hours of community service. The school clerk is currently on a leave of absence from CPS employment. (8559)
- A high school custodial worker was arrested and charged with the offenses of domestic battery, failing to register a firearm and failing to possess a firearm owner's identification card. The custodial worker pled guilty to the charge of failing to have a firearm owner's identification card while the remaining charges were dismissed. The custodial worker was sentenced to serve two days in the Cook County Department of Corrections. The custodial worker received school based discipline. (9087)
- A high school teacher was indicted by a Grand Jury of the Circuit Court of Cook County and charged with numerous criminal charges including financial exploitation of an elderly person, wire fraud and theft. After a jury trial, the teacher was found guilty of engaging in a continuing financial crimes enterprise and theft of more than \$100,000. The teacher was subsequently sentenced to serve a term of 12 years in the Illinois Department of Corrections. The teacher was terminated from his position with CPS and was designated ineligible to be rehired. (8005)
- The OIG conducted an investigation of a professional III assigned to a central office department which revealed that the professional III had been arrested and indicted for six counts of identity theft and three counts of theft regarding crimes against three individual victims. The police investigation revealed that three customers of a bank

where the professional III was previously employed discovered that an unauthorized electronic withdrawal was debited from each of their accounts. The debits of \$470 and \$480 were each applied to an auto loan in the name of the professional III. The professional III subsequently pled guilty to three counts of the felony offense of theft and was sentenced to serve three concurrent two-year terms of probation. Following the conviction, the professional III was terminated from CPS employment and designated ineligible to be rehired. (7640)

- A school security aide assigned to an elementary school was arrested and convicted of the felony offense of driving on a revoked license and was sentenced to serve a twenty-four month term of probation. The OIG investigation further revealed that the school security aide failed to notify the CPS Chief Executive Officer of his felony conviction within five days of his felony conviction, in violation of Board Rule 4-4c. The school security aide was terminated from CPS employment and designated ineligible to be rehired. (7789)
- An OIG investigation revealed that an elementary school special education teacher was arrested for the offense of possession of a controlled substance. Following the arrest, the special education teacher agreed to participate in the Cook County State's Attorney's Office Drug School Program. The OIG investigation further revealed that during an interview with the OIG, the special education teacher admitted to purchasing and possessing three bags of cocaine. The OIG investigation also revealed that the special education teacher utilized a sick day when she was in custody or in bond court. The special education teacher subsequently resigned from CPS employment and was designated ineligible to be rehired. (7962)
- The OIG conducted an investigation which revealed that a youth outreach worker was arrested for the felony offense of possession of cannabis. The charge was subsequently dismissed. The OIG investigation further revealed that the youth outreach worker engaged in fraudulent acts in attempting to secure employment with CPS in that he failed to disclose and / or provide the details of two prior felony criminal convictions on two CPS employment documents. Additionally, the youth outreach worker made a false statement during an official investigation when he stated during an interview with the OIG that he had never been arrested before his arrest for possession of cannabis when in fact he had twice been arrested for and subsequently convicted of felony offenses. The CPS Law Department is reviewing the OIG investigation and the youth outreach worker remains employed by CPS. (8510)
- The OIG conducted an investigation of a high school teacher after learning that the teacher was arrested for the offense of keeping a place of prostitution and an associate of the teacher was arrested for prostitution. The investigation revealed that the teacher intended to promote the associate's act of prostitution by obtaining and paying for the hotel room where the act of prostitution was to take place and, the investigation revealed, the teacher helped the associate with her internet advertisement which promoted her prostitution services in that he used his credit card number to pay the five dollar fee to "bump-up" or re-post the advertisement in a more

noticeable position on the internet website. The investigation also revealed that the teacher permitted the associate to use a hotel room that he rented under circumstances from which he could reasonably know that the room was to be used for purpose of prostitution. The criminal charges against the teacher were dismissed. CPS has filed dismissal charges against the teacher who is currently on a leave of absence. (8763)