

## Everybody Knows

*Your employees may know about waste and fraud in your district, and you can save a lot of money and other resources by making it easy for them to tell you about it*

**C**anadian artist Leonard Cohen recorded a song entitled “Everybody Knows”—a bleak commentary on modern culture. He highlights aspects of social blight such as war, poverty, and the limits of upward mobility. The refrain declares that although everybody knows serious problems exist, those issues are tacitly accepted and so persist.

These sentiments often are reflected in the workplace. Many employees recognize problems but feel unable to make change happen because they lack power. Or perhaps they witness colleagues taking action only to suffer retribution in the form of reduced work hours, loss of promotion, or even dismissal. They fear payback should they challenge the status quo.

Does your district have a system that encourages reporting unethical or illegal behavior and protects informants? Let’s explore how employee education, anonymous tip hotlines, and exit interviews are helping districts identify and actually do something to solve workplace problems.

### Policy and beyond

The childhood social constraint against tattling still guides some adults, especially if their livelihood is on the line. However, the stakes are high where public monies are concerned. Districts must uphold high ethical standards



rather than childish rules. The challenge is to create an environment within the district and the community that makes it safe for individuals to come forward if they are aware of a problem.

Developing policy is an important board function. It is essential that board members establish policies that encourage disclosure of inappropriate behavior or crimes. However, while a strong policy statement emphasizing ethical behavior is critical, it’s not enough. The board also must ensure that ethics education is provided for employees. Your state school boards association can provide that training or recommend other local resources.

When providing training, consider including information regarding state laws and district policies prohibiting conflicts of interest. Your district’s attorney may be willing to participate in this project to forestall compromising situations.

Training is important. But also consider eliciting a written commitment to adhere to ethical standards from every member of the school community, as

well as from those doing business with the district. Require all district employees, board members, vendors, and outside contractors to sign a conflict-of-interest statement annually. This measure sends a strong message that ethical behavior is expected.

### Anonymous tip hotline

Employees notice unprofessional behavior on the part of colleagues. For instance, because salaries of public employees are easy to find, radical shifts in spending or unusual lifestyle changes can raise a red flag for fraud. Although individuals manage their finances differently, extreme differences from the norm prompt questions. Everyone may know, but no one may talk.

Robust federal whistleblower legislation prohibits employers from firing, laying off, blacklisting, or demoting informants. In addition, the laws forbid reducing pay or hours worked, denying overtime or promotion, or cutting benefits. Despite these laws, unfortunately, informants are not as well protected as the legislation demands.

An anonymous tip hotline can help you find out what you need to know while protecting the whistle-blowing employee.

Tips are the most consistent source for detecting fraud in districts. A hotline is a cost-effective, private communication method that encourages reporting suspicious or illegal activity to administrators. To be successful, the system’s reporting process must be easy to use and protect the identity of the caller.

You can manage hotlines in various ways. Some districts develop their own tip line and monitor reports themselves. Some hire an independent ser-

vice that screens and investigates tips confidentially. Others provide the tip hotline telephone numbers for their state's comptroller, auditor or inspector general. Alternatively, if a district has an audit committee, the chair's telephone number can be used.

In addition to protecting callers, you also must provide controls to guard against false accusations that may permanently tarnish reputations. Consult with your district's attorney for guidance regarding strategies that screen out false accusations.

Irregularities in billing, expense reimbursement, and payroll are the most common scams identified on tip lines. Examples include:

- Pennsylvania's Bensalem School District administrators in May were surprised to receive a tip that hourly employees were tampering with time cards. An investigation implicated four employees. Two resigned, one retired, and one was fired.

- An employee's tip in October alerted New Jersey authorities to over a half million dollars of illegal transportation contracts. The transportation manager for the Piscataway and Hazlet school districts allegedly authorized payments to fictitious bus companies and deposited the checks into personal accounts.

Some of the greatest losses for school districts occur when corrupt individuals use their influence to gain direct or indi-

rect benefit for themselves. For example, because large dollar amounts are involved, construction projects are attractive targets for fraudsters. A typical scam involves collusion among bidders in order to rig prices. Contractors sometimes plan in advance which of them will win the bid.

During construction projects, a tip hotline is an important resource. As with any secret, the more people involved the more likely the secret will be leaked. The same is true when a fraudulent act is committed.

Other corrupt business practices also may come to light via a tip hotline. Unsuccessful bidders sometimes call to report financial or equipment kickbacks to district employees who authorize district purchases. The reports often come from disappointed vendors who offer better quality or cheaper prices but have been bypassed in the purchasing process.

#### **Exit interviews**

In addition to implementing a tip hotline, consider developing a policy requiring exit interviews with departing staff. Individuals may share what they know when leaving the district because there's no risk of retaliation.

Information related to employees manipulating attendance records to accumulate additional vacation and sick time may be uncovered during this

process. Similarly, employees noticing an administrator taking excessive time off may be unwilling to mention concerns, but may share the information as they are leaving.

Exit interviews also can uncover problems that are costly in terms of human suffering, likely to result in expensive litigation, and tarnish the district's reputation. For example, allegations about discrimination, improper relations between staff members and students, sexual harassment, unsafe working conditions, substance abuse by teachers or students, child abuse, vandalism, and the misuse of district property or employees' time may be revealed.

By collaborating with the district's attorney and administrators, your board can develop policies and procedures that encourage ethical behavior and provide employees, vendors, and the public with useful tools to report previously unidentified problems. Using tip hotlines and exit interviews, you can gain valuable information that will benefit both the district and your taxpayers. You can ensure that when everybody knows, everybody wins. ■

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