



DMPS RESPONSE TO STATE AUDITOR'S REPORT

DES MOINES, IA (January 13, 2021) – Following notification by Des Moines Public Schools of suspected wrongdoing, Auditor of State Rob Sand and his office has completed and released a report on financial issues involving a former employee in the school district's facility services department.

In December 2019 DMPS received an anonymous allegation regarding a contractor inappropriately purchasing tools, selling them for cash, and billing the school district. The DMPS Internal Auditor began an investigation and discovered that a school district employee, William Hinrichs, who was hired as a Project Facilitator Specialist in 2008 to manage the work and relationships with the contractors, had used the credit card of a contractor – Ja-Ra Enterprises – for personal purchases. These purchases were then billed back to the school district. Hinrichs resigned his position on February 14, 2020.

DMPS found that, over a six-year period, Hinrichs made improper purchases totaling nearly \$124,000 while an employee for a district contractor made more than \$77,000 in purchases.

DMPS notified the State Auditor's office of its findings on January 30, 2020. All information gathered from the district's internal audit was turned over to them, and the district continued to work with the State Auditor's office to provide any necessary support during their review. The Des Moines Police Department and Polk County Attorney were also informed by DMPS at that time.

The State Auditor's report – confirming the preliminary findings of the internal auditor at DMPS – has been provided to the Iowa Attorney General and Division of Criminal Investigation, in addition to the Des Moines Police Department and Polk County Attorney.

Prior to today's release of the State Auditor's report, DMPS implemented several steps over the past year to ensure greater compliance with district procedures and best financial practices, including:

- Ended all business with Ja-Ra Enterprises.
- Reviewed other vendors invoices to ensure sufficient support is provided for proper approval; if not sufficient upon review, the vendor was contacted to change their billing practices.
- Reviewed the RFP/Contract process to ensure contractors/vendors understand their obligations and that billings are in agreement with the RFP/Contracts.
- Improved the tool check out process at the Facility Services department so the district is better aware of tools issued to employees.
- Reviewed approved invoices to ensure sufficient documentation is included before processing payment and sending back for more support if not.
- The district does have internal controls and appropriate approvals around employee purchasing card usage. The reviews are completed electronically, and date stamped. Any questionable purchases are reimbursed by the employees.
- Management review includes electronic review notes and if further clarification is needed the

invoice is returned to Project Coordinator until satisfactory

- Upgraded work order system to allow for better tracking of assets and materials, which became operations on November 1.
- Continuing to increase the use of Purchase Orders.
- A follow up review will be conducted by Internal Audit to ensure internal controls are enhanced to prevent this situation from occurring again.

In addition, the State Auditor's report included recommendations for DMPS to implement, including:

- Segregation of Duties – School district officials should ensure those responsible for approving disbursements comply with District policy by establishing oversight procedures such as periodic testing of disbursements, and those responsible for approving disbursements should periodically acknowledge their understanding that approvals should be performed by someone independent of purchasing duties only after reviewing sufficient supporting documentation which clearly shows what was purchased and how a benefit to the District was provided.
- Supporting Documentation –All invoices submitted to the school district should include detailed itemized receipts prior to any approval by supervisor.
- Improper Use of District Property – School district officials should review existing code of conduct policy to determine if it should be expanded.