



Office of the Inspector General



# 2012 Annual Report



*Baltimore City - Council Chamber*



## OFFICE OF THE INSPECTOR GENERAL BALTIMORE CITY

100 N. Holliday Street, Suite 640  
BALTIMORE, MD 21202



Honorable Mayor, Members of the City Council, and Citizens of Baltimore:

It is my privilege and honor to provide you with this 2011/12 Annual Report for the Office of the Inspector General (hereinafter "OIG").

The OIG was created as an oversight authority that could effectively investigate at all levels of City government, while remaining autonomous, independent and insulated from political influences. I am pleased to report that Mayor Stephanie Rawlings-Blake and her leadership team have fully respected the independence of the office and provided the necessary support whenever requested.

The scope of authority and powers of inquiry vested in the OIG are, by necessity, quite broad. These include conducting objective and independent audits, reviews and investigations relating to Baltimore City Government and, in some cases, those who do business with the City, in order to:

- promote economy, efficiency and effectiveness;
- detect and deter fraud, waste and abuse; and
- promote ethical, fiscal and legal accountability.

The OIG is uniquely positioned to serve as a major contributor in the effort to strengthen and maintain trust in City government and to assist the City in achieving better results with limited resources. We are committed to working toward an open, honest and accountable government and have continued our practice of publicly posting synopses of our investigations and findings. These public postings may be found on the [OIG page](#). Additionally, those interested in our actions may follow the OIG on Twitter @OIG\_BALTIMORE; detailed instructions can be found on our website.

Lastly, I am mindful that our efforts could not be successful without the support and assistance of the overwhelming majority of City employees who do their jobs honestly and effectively every day and the ever vigilant public who bring forward their concerns and observations.

I encourage your continued support in our efforts to build a stronger, more efficient and open City government.

Very Truly Yours,

David N. McClintock

## **Overview**

The OIG's Annual Report is intended to serve three purposes:

- 1) To set forth our mission, our focus and explain our currently defined core functions;
- 2) To summarize the Office's activities of the past year, present certain findings and recommendations; and
- 3) Outline our objectives for the coming year.

During this reporting cycle, the OIG accomplished several non-case related goals and initiatives.

The need for a more efficient case management system was identified as a critical need in early 2010. During this reporting period, we have successfully implemented "Legal Files" case-management software. The system went live in 02/2012 and provides a robust platform for tracking cases from receipt through closure; capturing the data for reporting metrics; and providing staff accountability. In addition the database permits searches across multiple file formats permitting an enhanced intelligence capability.

Based on the success of our partnership with the Department of Public Works (hereinafter "DPW") to fund an Agent, we have extended the effort a second year. Through this partnership the OIG is able to dedicate one position to the issues specifically impacting the DPW. We hope to expand on this concept to acquire additional funding sources from other departments that may benefit from enhanced oversight efforts.

Also during this period, the OIG was supported by a temporarily assigned Detective from the Baltimore City Police Department to assist in addressing issues of mutual interest in a coordinated manner. The initiative demonstrated the value of pursuing parallel administrative and criminal investigations while revealing some of the obstacles created by divergent systems. Nevertheless, the initiative demonstrated that the best outcomes for the City at large will be realized only with the ability to engage fraud, waste and abuse administratively or criminally, as dictated by the facts presented. Solidifying this aspect of OIG operations must be considered a significant priority moving forward.

## **Reporting Period**

By Executive Order, the OIG Annual Report is due by September 1 of each year. The data used in this report adheres to the reporting period of 08/20 through 08/20, which was adopted in 2010.

## **Legislative Authority**

The Baltimore OIG was created by an Executive Order dated July 27, 2005, signed by Mayor Martin O'Malley.

### **Office Organization**

The OIG currently has six positions: the Inspector General, a Manager of Forensic Evaluation, three Investigative Agents, and one Special Assistant. One of the said Agent positions is funded by the DPW and is tasked with issues impacting that agency. Further, we are occasionally afforded a Detective on temporary assignment from the Baltimore City Police Department. The OIG Budget during FY12, which covered the significant portion of this reporting period, was \$544,091. Current funding levels for FY13 are \$674,667, which includes \$50,000 in encumbered funds for paying rewards and \$75,000 targeted to begin moving into data analytics.

### **Office Development**

In order to deliver as fully as possible on the intended services, the OIG focuses on building a team that has the collective capacity to perform across various skill sets to include investigation, auditing and technical support. Traditionally, the OIG's role has been one that was founded in earnest on investigative efforts. Over the course of this reporting period we have enhanced our audit capability which has resulted in more thorough and complete inquiries.

Despite the severe fiscal restraints faced by the City, the OIG looks forward to working with Mayor Rawlings-Blake to further build our staffing allocation to levels more properly able to address the scope and scale of the issues presented. The issue of scope as pertains to staffing involves building a team that possesses the requisite core skill sets and equipment to independently address the incredibly diverse issues presented across City operations.

One core area that remains a significant focus for the OIG is the development of in-house technical support ability. With the increasing saturation of electronic media throughout government and business operations comes the need for the OIG to engage in this specialized environment from an investigative perspective. We must have the ability to competently develop and/or retrieve relevant electronic data and analyze it in a timely and effective manner. This capability goes well beyond that of most auditors and investigators and has become a specialty in its own right. We currently remain dependent upon the City's technology support services. This presents great benefit but is accompanied by various limitations and presents questions of independence and confidentiality.

It is our intention to develop and implement a data analytics capability. Our goal is to leverage information from across various and disparate City databases to identify indicators of fraud, waste, abuse and related financial irregularities in City government. This will help the OIG move towards a more proactive effort designed to reduce the duration of illicit activity before detection and increases the probability of detection. This function will be developed and overseen by the OIG Evaluator(s). In the FY13 budget, the OIG was awarded a \$75,000 one-time funding initiative to begin the process of building a data analytics capability.

We will continue to work toward responsibly growing the Office to include functional and appropriate staffing levels across all relevant skill sets. Sufficient

staffing levels and realistic position development is critical to ensuring effective operations that are both independent and confidential.

### **Intake, Review and Report Issuance Process**

Matters alleging fraud, waste, abuse and corruption within or impacting the City are considered as tips or leads. Incoming tips or leads, regardless of source, are logged into our electronic database and assigned a tracking number.<sup>1</sup> Our goal is to review each tip or lead within seven days. During this review, jurisdiction, sufficiency of information and potential impact on the City are assessed.

If the case merits further inquiry, it will be assigned for a preliminary inquiry designed to determine whether a formal investigation is warranted and this period shall not exceed 45 days. The preliminary inquiry period permits the OIG to gather the sufficient level of information needed to establish case direction. During this period, efforts include, but are not limited to: securing evidence, conducting limited interviews, reviewing documents, requesting additional information, monitoring of electronic data and, on occasion, the issuance of subpoenas.

Upon completion of the preliminary inquiry one or more of the following actions may be taken:

- Referral or Informal Resolution – The decision to refer the case to another agency for internal processing may be used in instances where it is determined that the case does not indicate criminal activity; no significant or institutional fraud, waste or abuse; corruption; or a matter unrelated to public trust.
- Administrative Investigation – When the Inspector General determines that a formal investigation, agency procedural review and/or audit are warranted.
- Criminal Investigation - If it is determined that violations of criminal law may have occurred, the case may be worked jointly with the proper authority or referred to prosecutorial authorities upon completion.
- Unfounded or Closure – When it is determined that there is insufficient evidence to support the complaint. If the complainant is known, a written response and status will be provided. Any involved agency, vendor or contractor will also be advised of the case status and any relevant recommendations made. Cases in this category may be placed in monitoring status for periodic review.

Upon completion of a full investigation, the OIG Investigator will prepare a Draft Report of Investigation which includes any recommended policy or program enhancements resulting from the investigation. The draft report is forwarded to the affected department head, if any, for review and response. During this period the

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<sup>1</sup> Beginning in 03/2010, we initiated recording incoming tips and leads independently from preliminary inquiries/cases as part of the enhanced tracking process. Prior to this time, some were recorded as cases while others were not. The impact of this change in process is that data prior to this period may not represent valid historical markers.

relevant department head may also present additional factual information that may have bearing on the findings and comment on any recommendations.

Upon completion of the above-stated draft phase and any additional investigation, the OIG issues a Final Report of Investigation to the Mayor, City Solicitor and affected department heads. This final report serves as a foundation for the public synopsis, which is issued via the internet and is available in hard copy upon request.

### Case Statistics

The OIG has continued to track data in a consistent fashion since the 2009/10 reporting cycle. In addition, where records were available, data from the 2008/09 reporting cycle was correlated in the same manner. As such, we are able to provide meaningful data comparisons over a three-year cycle which will remain the operating norm for future annual reports. The use of acronyms is used throughout this report. Please refer to table T1 below for further clarification as needed.

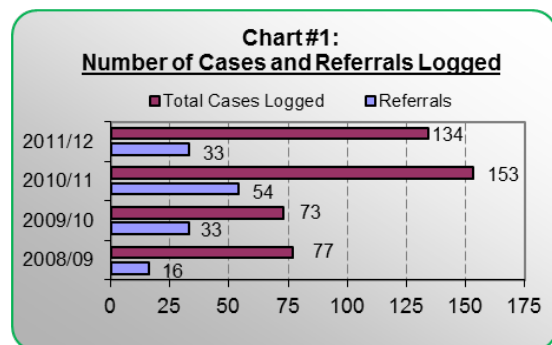
Table 1. List of Common Acronyms Used

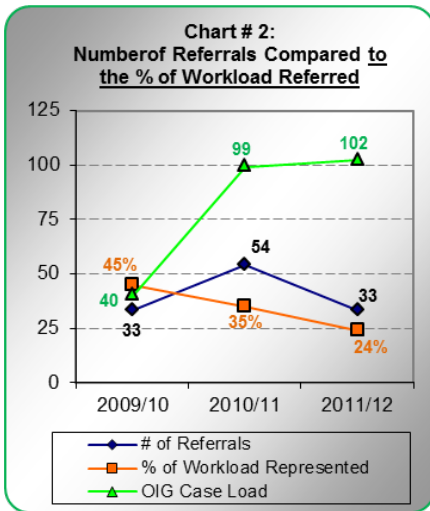
<b>DOT:</b> <u>Dept. of Transportation</u>	<b>DHCD:</b> <u>Dept. of Housing and Community Development</u>
<b>HABC:</b> <u>Housing Authority of Baltimore City</u>	<b>DHR:</b> <u>Dept. of Human Resources</u>
<b>DPW:</b> <u>Dept. of Public Works</u>	<b>DRP:</b> <u>Dept. of Recreation and Parks</u>
<b>BCPD:</b> <u>Baltimore City Police Dept.</u>	<b>EEOC:</b> <u>Equal Employment Opportunity Commission</u>
<b>BCFD:</b> <u>Baltimore City Fire Dept.</u>	<b>FIN:</b> <u>Dept. of Finance</u>
<b>BCSO:</b> <u>Baltimore City Sheriff's Office</u>	<b>OIG:</b> <u>Office of Inspector General</u>
<b>DGS:</b> <u>Dept. of General Services</u>	<b>PABC:</b> <u>Parking Authority of Baltimore City</u>

Also relevant to getting the most from the data below is recognizing the difference between a “case,” a “referral” and an “investigation.”

- **Case:** The general term for all matters logged by the OIG.
- **Referral:** A case that has been formally sent to an agency or department for handling internally.
- **Investigation:** A case that remains with the OIG for investigative purposes and represent the majority of the OIG Agent’s and Evaluator’s time and effort.

Chart #1 reflects two significant findings. First, that the average number of total cases logged during the two most recent reporting periods ( $134+153/2 = 143.5$ ) remains significantly elevated above the previous two reporting periods ( $77+73/2 = 75$ ) and likely represents a new normal. Viewed as a percentage, the cumulative data for the recent reporting cycles reflects an increase of 91.3% of the previous two periods.





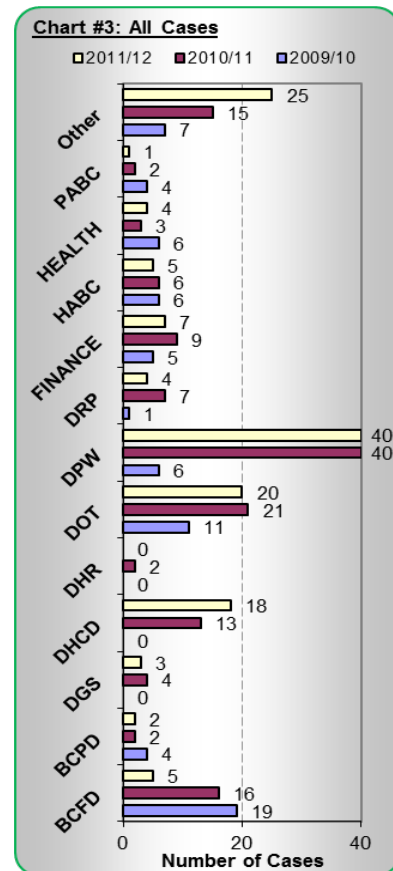
Second, is the continuation of the increasingly inverse relationship that has developed between the OIG case load and the percentage of referrals. This is the most significant indicator of case quality. Generally, the OIG will maintain cases that have system-wide implication, are complex in nature or are otherwise difficult for departments to pursue while referring the remainder to the departments. As such, considering the level of referrals against the overall case load provides some insight into the strength/quality of incoming cases.

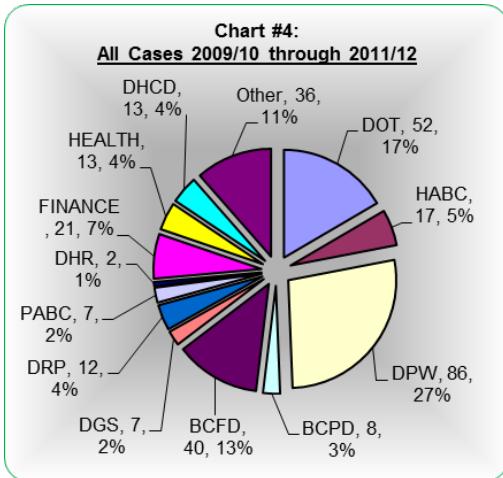
In Chart #2 we separate the cases maintained by the OIG (reflected as “**Case Load**”) from the “**Referrals**,” which are redirected to the departments. The “**% Workload Represented**” is the percentage of case load reflected by the referrals. The data reflects a steady decline of approximately 10% in the workload represented over each of the previous two reporting periods. The impact on the OIG is an inverse one, with the lower percentage representing an increase of work remaining with the OIG.

The data reflects that the OIG maintained 55% of cases in 2009/10; 65% of cases in 2010/11; and 76% in 2011/12. Also of interest is that referrals, which had increased significantly in the 2010/11 reporting period, have returned to the same rate that was seen in the 2009/10 period. It is unclear at this point if the referral rate will stabilize or remain variable. Lastly, the OIG case load remained relatively stable rising only 4% between 2010/11 and 2011/12, which are the first two full years of operation under revised protocols established in early 2010.

Chart #3 reflects the allocation of the cases by source department, agency or office for the three most recent reporting cycles. The data reflects that most departments’ representation among OIG cases remained relatively stable. The DPW and DOT continued to represent a significant presence among OIG cases, representing 45% of overall cases.

The BCFD showed the most significant reduction from 16 to 5 cases, representing a 69% reduction. The data also reflects a 40% increase in the “Other” category which encompasses a host of smaller entities, partnerships and other government entities outside of the OIG’s authority.

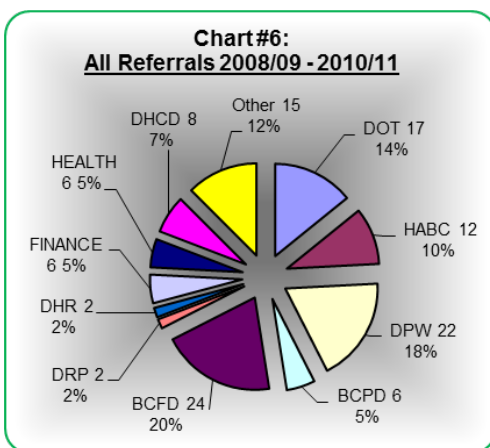
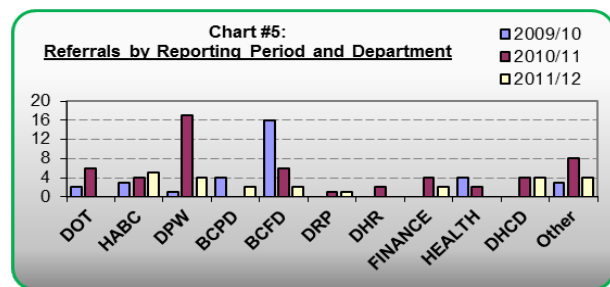




**Chart #4** examines the percentage of cases by department across the full three-year reporting cycle. This metric softens temporary or short-term spikes in activity and provides a more reliable data set using longer periods of observation. The largest source department of cases over the three-year period has been the DPW at 27% of the total. Following behind, but clustered closely together, are the DOT and the BCFD. The three entities combined account for 57% of all cases over the prior three-year period.

The utilization of referrals allows the OIG to focus limited resources on higher value investigations and those that support broader program goals, while also ensuring that other actionable information is addressed.

**Chart #5** displays the number of referrals received by each of the departments over the past three reporting cycles. The DOT and the HABC have seen steady increases in referrals over each of the three years reviewed. The data also reflects single-year spikes as demonstrated by the DPW and the BCFD. In both agencies the number of referrals has seen significant single-year increases and then returned to levels more closely resembling the previous period.



**Chart #6** displays the total distribution of referrals over the previous three reporting cycles in the aggregate. As with the previous chart examining all cases, the All Referrals chart presents a more reliable view of agency referrals by averaging the data over time. The data reflects that 52% of all referrals were to the BCFD (20%); the DPW (18%); and the DOT (14%). The HABC, DHCD, Health, Finance and BCPD were all clustered in a second tier with between 5 and 10% of the total referrals combining for 35% overall.

The OIG does recognize that there are outside factors that influence the number of cases and referrals related to a specific agency. In the case of the DPW, which funds one of the OIG positions, we have focused significant effort on the department and have begun initiating some measured proactive efforts. As such, care should be taken not to draw bright line conclusions regarding elevated data.



### **Select Cases and Information**

The following synopses reflect a partial snapshot of the work the OIG has completed during this reporting cycle.

#### **IG 111425-110**

This investigation involved an individual who was returning to City employment after a period of separation. During her re-entry into the system she was erroneously credited with significant leave which had already been cashed-out during her previous separation for a total of \$12,383.77. During the course of her second period of City employment the employee used the leave she had been erroneously credited with, resulting in the City incurring a loss of \$26,232.23.

The employee then engaged in a period of extended leave during which the City continued to pay for her benefits package even though she failed to maintain her contribution as required. The benefits continuation, which was in contrast to City policy, resulted in an additional loss to the City of \$21,943.35. Once the system benefits GAP was identified it was determined that both active and inactive employees/retirees owed the City a total of \$303,271.11 in unpaid healthcare premiums dating back to the inception of E-Time in 2005.

#### **IG 111412-110**

This investigation revealed that DOT employees assigned to the Special Events Facility had, with the tacit consent of the Division Chief, during paid working hours, engaged in gambling, the consumption of alcohol and other conduct that reflected incompetent, inefficient and/or negligence in the performance of their duties. Additionally, evidence indicates that the conduct was likely reflective of a pattern of institutional behavior that was regularly permitted on paydays.

Although conducting parallel investigations can be complex, often presenting conflicting priorities, the OIG believes the overall outcome disrupted the institutional misconduct and facilitated significant restructuring of the operational area by the DOT. Significantly 15 of the 24 employees contacted were either terminated or resigned, including the Division Chief, and one employee was found criminally guilty of gambling and assault related to the incident. In addition, the waste of resources permitted to occur on paydays, estimated conservatively at \$27,768.64 annually, has been eliminated.

#### **IG 2011-123**

This investigation revealed fraudulent billing by EBA Engineering related to a DPW Water and Waste Water contract and involved a detailed audit of invoices and supporting material. The OIG determined that 313 labor hours could not be supported. Further, that material discovered during the audit indicated that the labor had likely been performed under a Washington Suburban Sanitary Commission contract and was intentionally shifted to be billed against the City contract. The result of EBA's shifting of labor hours caused the City to be overbilled by \$26,492.28.

IG 2011-152

This program review, relating to the St. Paul Community Head Start Summer Program (hereinafter "SPCH"), was initiated at the request of the Mayor's Office of Human Services. Initial OIG inquiry identified discrepancies between funded staffing and actual staffing, as well as charging impermissible fees. Our review and analysis indicated that the SPCH charged families for participation in summer camp programs, intended to be free, for three consecutive years. Furthermore, the SPCH failed to adjust staffing levels and spending to reflect reduced enrollment and associated expenses for each of the three summer programs reviewed. It was determined that \$41,306.77 in surplus funds were received by the SPCH as a direct result of the financial practices noted here.

IG 2011-155

This investigation stemmed from a series of fuel thefts committed by a former employee that spanned approximately four months and included a period of his employment. It was determined that during this period the subject pumped at least 2,358.1 gallons of fuel into gas cans over nearly 100 separate transactions that resulted in a loss to the City of at least \$7,074.

The OIG used this occasion to engage in a full review of City fueling protocol during which it was determined that the City does not fully utilize the protections available under the current fueling software and that there are significant weaknesses in other aspects of the system. Although the DGS has taken several steps to enhance the system over the last few years, a series of recommendations were made that would substantially strengthen our fueling accountability.

IG 2011-167

This investigation involved determining the whereabouts of a late 1700s - early 1800s English Savonnerie rug that was purchased for the Mayor's Ceremonial Room. The rug was acquired in November 1976 for \$25,000 and eventually fell into a state that required repair and/or stabilization and was sent to Michael's Rug Gallery in Baltimore in November of 1997.

The City opted to store the rug due to a high estimated repair cost. During the following 10 years the City paid a storage fee of \$420 annually. Unbeknownst to the City, Michael's Rug Gallery closed sometime in 2008. The rug then came into the possession of a dealer in New York City where it was cut into pillows and sold for between \$3,000 and \$4,000. The matter has been referred to the Department of Law for further action.

IG 2012-0020

This investigation began with information provided from DOT management and involved concerns that an employee's personal banking information had been compromised and quickly included payroll irregularities. The OIG determined that the employee, who was serving as a payroll clerk, had utilized another employee's personal bank account information to "autopay" her personal cell phone and BGE bills over several months. Further, an OIG audit of her payroll history revealed a

pattern of fraudulent overtime and compensatory time entries that resulted in a loss to the City of \$27,604.60.

The OIG review also considered the timekeeping protocols across the DOT and made substantial recommendations for a restructuring to enhance accountability. Lastly, the matter has been referred to the Baltimore City State's Attorney's Office for consideration.

#### IG 2012-0020

This investigation involved the action of two City managers who had sold valuable City scrap metal for personal gain on numerous occasions. The scheme involved securing a large open top roll-off bin from a sales agent from Recovermat Mid-Atlantic (hereinafter "Recovermat"). The bin was placed at the DOT's Poncabird facility where City workers were directed to place valuable City scrap metal into the containers.

Periodically, the involved managers would have the material removed by Recovermat who would sort the material and determine the value. The managers were then paid cash for the material within a few days. The entire process engaged in was in violation of City policy and the funds were not submitted to the City. The OIG believes that there have been at least 17 transactions encompassing over 300,000 lbs. of scrap metal and totaling over \$30,000.00 in payments. Both managers were interviewed by the Baltimore City Police and placed on suspension from City employment pending the outcome of the investigation and further action by the Baltimore City Office of the State's Attorney.

#### **Self Reporting Program & Rewards Policy**

The OIG did not record any cases pursuant to the Self Reporting Policy during this reporting period. Further, while there have been cases recorded that may be eligible for a monetary reward during this reporting period, those cases have not yet progressed sufficiently for the proper evaluation to be conducted. We would like to take this opportunity to remind the reader that complainants bringing new information forward that results in a monetary recovery may be eligible for rewards up to 10% of all funds recovered, with no cap. Please contact the OIG for further details.

#### **How We Measure Success**

The OIG embraces the measurement of performance through the use of metrics and Baltimore's efforts to utilize meaningful data as guideposts during the budgetary decision-making process. The City is now in its third year of "Outcome Budgeting," which serves as a framework for evaluating the performance metrics of each operating area. Outcome Budgeting focuses on measurements of efficiency, effectiveness, outcomes and outputs.

As part of the FY11 process, the OIG developed measures in each of these areas and instituted internal systems to capture the data necessary to track information. These measurements have been continued through this reporting period as set forth below.

## Efficiency

Some of the efficiency measures selected by the OIG are:

1. Number of Formal Investigations and Audits per Investigator.
2. Number of Vendor Background Screening (hereinafter “VBS”) hours per Investigator.

### Number of Cases per Investigator

This measure is designed as a broad efficiency assessment comparing the available investigative work years (hereinafter “IWY”) to the total cases processed. Chart #7 reflects the average number of cases processed per IWY across the most recent three reporting periods.

The data reflects that the case load per **IWY** rose by 158% from 22.8 cases per IWY in 2009/10 to 55.6 per IWY for 2010/11. The most recent data reflects a reduction of 22% in the case load from the 2010/11 level to 43.2 cases per IWY.

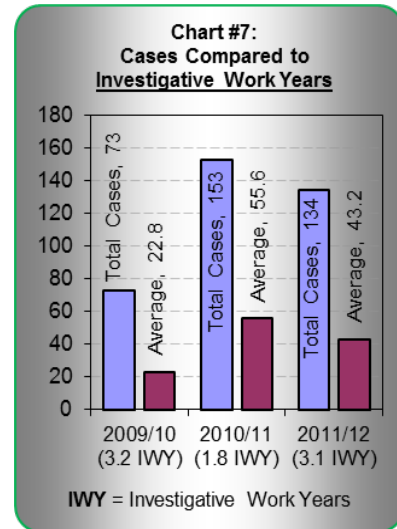
While there may be a desire to view the data as a measure of pure production the actual implications can be counterproductive. It is the position of the OIG that case loads in excess of 25 per IWY present unhealthy levels. Many of the cases the OIG investigates are complex matters involving multiple interviews, the review of substantial numbers of documents and time consuming analysis.

Excessive case load results in a reduction in thoroughness. Working case levels in excess of 25 per IWY will continue to result in longer periods of initial assessment; longer average investigative and referral periods; and the referral of matters that the OIG would otherwise desire to handle internally. The acquisition of additional staff should return this metric to levels more conducive to efficient processing of incoming tips and the resulting referrals, investigations and audits.

### Number of Hours per VBS

The VBS program was designed to provide a timely and extensive background screening of potential contractors and vendors in an effort to ensure that only responsible parties and businesses are provided with the opportunity to provide goods and services to the City.

Since placing this program into the OIG work plan in FY10, we have developed program guidelines, secured access to associated electronic databases and worked with the Department of Law to assess how information could be effectively used by the City to support better quality contractual relationships. This advancement of this program in earnest remains tied closely to funding and staff availability. The OIG has not attained the necessary resources to engage this effort to date.



## Effectiveness

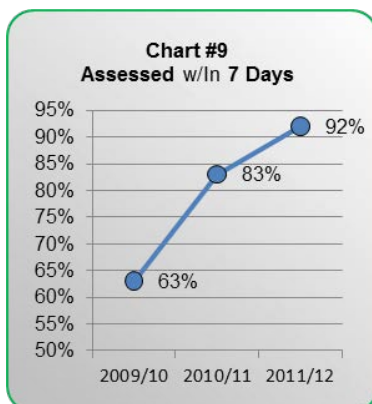
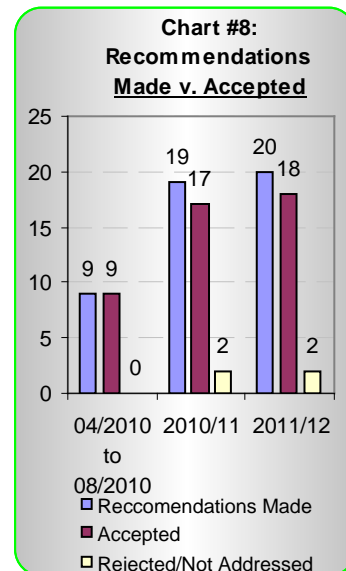
Some of the effectiveness measures selected by the OIG are:

1. Percent of Recommendations considered as adding value to subject Department, Agency or Office;
2. Percent of Tips and Leads Assessed within Seven Business Days; and
3. Percent of Formal Investigations completed in 180 days.

### Percent of Recommendations considered as adding Value to subject Department, Agency or Office.

This measure is intended to help assess the effectiveness of the OIG in adding value to City operations. At the conclusion of many reports of investigation and investigative memorandums the OIG will make program-based recommendations to the departments or agencies reviewed. The OIG does not make recommendations on personnel actions or disciplinary decisions. Chart #8, right, reflects that OIG recommendations have enjoyed a high degree of acceptance, 90% over the current operating period.

The receiving entities ordinarily provide written comments concerning the report and/or their intent to accept, modify or reject any recommendations that were made. This information serves as a useful performance measure. The recommendation process is among the most significant tool the OIG possesses. For the purposes of this metric, a recommendation is considered “accepted” if the recipient department either accepts the recommendation in writing or alternatively modifies business practices or policies in a manner that significantly accomplishes the same outcome. A recommendation is considered “rejected” if the recipient department either does so in writing or does not alter business practices or policies to substantially address the area of concern.



### Percent of Tips and Leads Assessed Within Seven Business Days.

Investigations often become complex and involved with active investigations legitimately spanning many months and, on rare occasions, longer. However, in 2010 the OIG determined that a meaningful metric was how quickly we review incoming complaints and information. Chart #9 reflects the data and demonstrates the results of our efforts in this area.

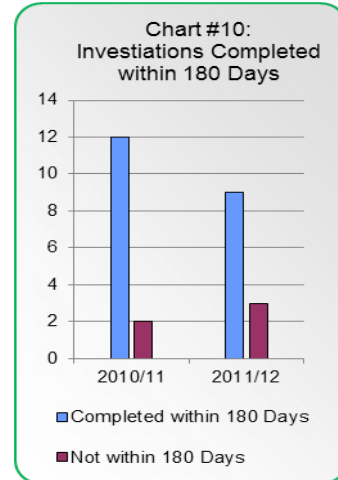
Our goal is to assess the preliminary information received within seven (7) business days. This data was not tracked prior to

03/2010. During the partial period of data available for the 2009/10 reporting cycle, it was determined that 69% of cases were assessed within the target 7-day period. Over the following 2010/11 reporting period, working under a revised management system, 83% of the incoming cases met the criteria. In the most recent period, during which the OIG has instituted a purpose-built case management software system, 92% of cases met the criteria.

#### Percent of Formal Investigations Completed in 180 Days.

In contrast to the previous measure, which addressed the front end of the process, this one is designed to measure the back end. Our goal is to bring all cases to a conclusion within 180 days. This will not always be possible, but it is an achievable goal for the majority of investigations initiated.

However, the data in Chart #10 reflects that 75% of our significant investigations were completed within 180 days during the current reporting period. However, this is a reduction from the 86% rate seen in the 2010/11 reporting cycle. This measure is most likely influenced by caseload/staffing level and case complexity. As such, either an increase in case complexity and/or an increase in case load will result in a larger percentage of cases closing beyond the 180 day measure.



#### **Outcome**

Some of the outcome measures selected by the OIG are:

1. OIG Savings and Recoveries;
2. Number of Referrals to Law Enforcement or Prosecutorial authorities; and
3. Number of Tips or Leads developed via all Sources.

#### OIG Savings and Recoveries.

The meaningful calculation of savings to the City is one of the more difficult tasks for any OIG. Often the true financial impact is not known for several years after the corrective action was taken and the legitimate cost of efficient operations are known. In addition, we will also note those matters where efforts are ongoing to make recoveries from individuals who have been identified. The following cases represent the most significant savings and recoveries concluded during this reporting period.

#### IG 111425-110

This investigation involved an individual who was returning to City employment after a period of separation. A full assessment of the event reveals that the matter resulted in a loss of \$48,175.58 (\$26,232.23 in unearned pay and \$21,943.35 in unearned benefits payments). In addition, once the system benefits GAP was identified, an additional \$303,271.11 in unpaid healthcare premiums dating back to the inception of E-Time in 2005 were identified. The total funds identified and subject to recovery efforts is **\$351,446.69**.

Action to recover the funds is currently underway by the Department of Law.

IG 111412-110

This investigation revealed significant misconduct occurring at the DOT Special Events Facility. Further, the information developed indicates that the conduct was likely reflective of a pattern of institutional behavior that was permitted on paydays (every other Friday) for a period of 4 or more hours. Using the employee's hourly rates as a foundation and considering lost productivity of 4 hours every two weeks, the OIG conservatively estimates the waste eliminated as **\$27,768.64** annually.

IG 2011-123

This investigation revealed fraudulent billing by EBA Engineering of 313 labor hours related to a DPW contract. The investigation resulted in the City not paying **\$26,492.28** that had been invoiced and shifting the cost of a more thorough audit to the vendor. The actual cost of an independent audit has not yet been determined.

IG 2011-152

This program review, relating to the St. Paul Community Head Start Summer Program (hereinafter "SPCH"), involved compensation discrepancies between funded staffing levels versus actual staff retained, as well as the charging of impermissible fees. Our review and analysis determined that **\$41,306.77** in unsupported funds were received by the SPCH over the period reviewed. As a result the facility has been removed from the program, eliminating future waste. An effort to recover the unsupported payments is currently underway by the Maryland State Department Education.

IG 2011-167

This investigation determined that an antique ceremonial rug that had been stored by a local company had been transferred without the City's approval and eventually used to make pillows. Efforts to recover the fair market value of the rug, as much as **\$25,000**, have been initiated by the Department of Law for further action.

IG 2012-0020

This investigation involved a DOT payroll clerk's use of a fellow employee's personal banking information for personal gain and a payroll fraud scheme that resulted in a loss to the City of **\$27,604.60**.

The matter is currently under review by the Baltimore City State's Attorney's Office. In addition, the City Department of Law will pursue matters.

IG 2012-0020

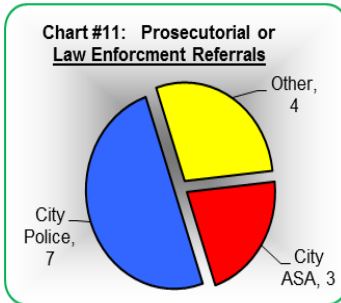
This investigation revealed a scheme to sell valuable City scrap metal for personal gain. The investigation documented a loss of \$29,143. In addition the case resulted in an immediate savings of \$3,399, which was the value of the material

involved in the transaction that was intercepted. Total value - **\$32,542** of savings and pending recovery.

Aggregate

The aforementioned cases represent a total annual savings and/or recovery of \$532,160.98. In addition, another \$6,431.30 in property recovery, lost productivity and ordered judgments was received from cases not cited which combined totals **\$538,592.28**. The OIG maintains that this figure will vary considerably from year to year and should not be considered a reliable estimation of future outcomes.

Number of Referrals to Law Enforcement, Prosecutorial or Other Authorities.



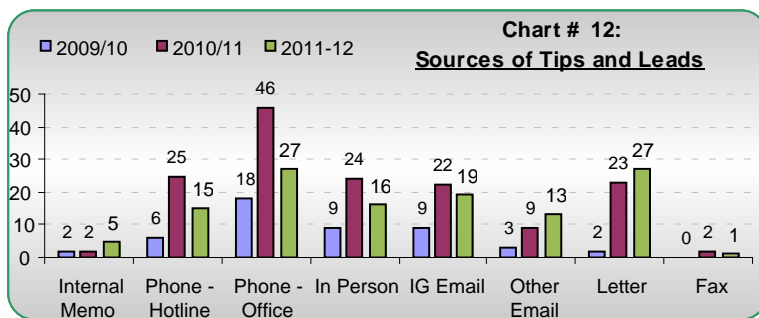
On occasion the OIG develops information that is more properly addressed through law enforcement, prosecutorial, or other authorities. In those matters, the OIG may refer cases to the appropriate entity for further action. Additionally, referrals may be made at any point in the investigative cycle.

The data in Chart #11 clearly demonstrates our increased involvement with the Baltimore City Police Department. This trend is likely to continue as a significant number of tips and leads involve criminal aspects. In those circumstances the cases are evaluated on a case-by-case basis to determine the most practical investigative avenue. In many cases, the decision has been that the matter involved predominately criminal allegations and the case has been referred to the Police Department for investigation. In those matters, the OIG may conduct an administrative review at the conclusion of the criminal matter.

Number of Tips or Leads Developed via all Sources.

The OIG understands that our ability to be effective is directly tied to our ability to generate information. We have increased efforts to develop a better understanding of our Office among City employees, vendors and the public. We have selected this measure as a reliable outcome indicator of those efforts.

The process of logging all incoming tips is useful data across several areas, including the source of the information. Chart #12 indicates the dominant method of intake remains via the phone with both the office phone and hotline combining for 42 intakes. Interestingly, written communication in the form of letters and internal memorandum combine for 32 intakes, as does electronic mail options.





## Output

Some of the outcome measures selected by the OIG are:

1. Number of VBS.
2. Number of Employees Briefed or Trained by OIG Staff.

### Number of VBS.

In addition to efficiency performance measures based on the VBS program, we have also established an output measure to assess the program once underway. Please refer to the section above listed under the efficiency measure for additional information about the status of the VBS program.

### Number of Employees Briefed or Trained by OIG Staff.

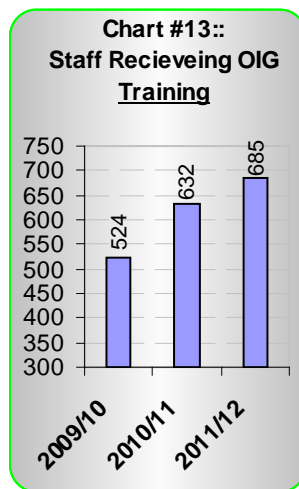


Chart #13 demonstrates the number of staff the OIG has had the opportunity to provide instruction to during the following three periods. Typically, the OIG speaks with all new City employees during orientation and also during the initial training process of those employees becoming supervisors.

The number of staff receiving the instruction on the OIG rose by 21% between the 2009/10 and 2010/11 reporting cycles. The rate for the most recent period has increased an additional 8%, bringing the number of staff trained to 685. Lastly, it is of some interest that the OIG is frequently contacted by attendees of our training sessions and has received actionable information as a direct result of

contacts made in this venue.

## Goals and Recommendations for 2012/13 Reporting Period

Over the next reporting period, the OIG will again table efforts to move into Vendor Background Screening pending additional resources. We will continue to focus on contract compliance reviews and contract management systems to increase accountability.

The Evaluator Manager retained during this cycle will continue to look at broader systems and program issues for potential efficiency enhancements. She will also begin the process of building a data analytics capability. Effective data analytics is a significant factor in the effectiveness of the OIG in the long term and in the ability to reduce the overall duration of fraudulent practices before discovery.

Staffing issues are the most significant element in the OIG's ability to advance our efforts and improve the results in a scalable sense. Efforts will continue to develop appropriate partnerships with other City departments and agencies to both supplement our staffing and provide increased levels of review where desired. Further, we will continue to seek resources to support a technical position within the office that is able to work more effectively and efficiently with the vast array of

electronic data available in most every case. This area, especially the recovery of electronic data as evidence, has become increasingly complex and specialized.

During this reporting period the OIG also engaged in some efforts to develop a more effective relationship with the Baltimore City Police Department. Many of the issues presented include elements that may have criminal implications. We strongly believe that a joint process that allows the City to pursue administrative actions while also engaging in matters meriting criminal consideration will present the City with the most effective and complete outcomes.

We look forward to working with the Mayor and City Council toward the development of an Inspector General's Office that provides an outstanding return on investment through saving and recoveries, as well as serving to reinforce the public's faith in government.

(as of 08/20/2011)

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Russell Conelley, Agent  
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***Open, Honest, and Accountable Government***

# 2011/12 Annual Report

❖ *Reporting period 08/20/2011 through 08/20/2012*

***Office of the Inspector General***

City Hall

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David N. McClintock - Inspector General





Office of the Inspector General



# 2012 Annual Report



*Baltimore City - Council Chamber*