Office of the Inspector General

2013 Annual Report

Baltimore City – City Hall Rotunda

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

It is my privilege and honor to provide you with this 2013 Annual Report for the Office of the Inspector General (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 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 efficiency, accountability, and integrity;
• detect and deter fraud, waste, and abuse; and
• promote a strong code of ethics.

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.

OIG 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,

Robert H. Pearre, Jr.

Overview

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

1) To set forth our mission, focus and explain our currently defined core functions;

2) To summarize the OIG's activities of the past reporting period and present certain findings and recommendations; and

3) Outline our objectives for the coming year.

During this reporting cycle, the OIG focus was largely dedicated to transition. This reporting period saw the departure of the former IG and the search and recruitment of a replacement. Upon arrival, near the close of this reporting period, the new IG was faced with a diminished staff struggling to address an overwhelming caseload. Also, a number of well-conceived initiatives were being held in abeyance pending new direction. Notwithstanding adversity, the OIG accomplished several non-case related goals and initiatives during this reporting period.

The "Legal Files" case management software, implemented during the third quarter of Fiscal Year (FY) 2012, performed well during the reporting period. The system provides a robust platform for tracking cases from receipt through closure; capturing data for reporting metrics; and providing staff accountability. In addition, the database permits searches across multiple file formats, permitting an enhanced intelligence capability. Since its implementation, the Legal Files system has helped OIG staff successfully document, track, and refer over 166 cases.

Beginning in FY 2012, the OIG entered into a Memorandum of Understanding (MOU) with the Department of Public Works (DPW), to fund an agent dedicated to DPW matters. Based on the success of the relationship, the MOU has been extended through FY 2015. During FY 2013, this concept was expanded and similar partnerships were initiated with the Department of Transportation (DOT), and the Department of General Services (DGS). The DOT agreement was completed in the second quarter of FY 2013 but the position was not filled during the reporting period. The DGS agreement was initiated in FY 2013 but was later modified to include the Department of Recreation and Parks (DRP) as a co-sponsor of the position. As of the date of this report, the DGS/DRP MOU is close to completion. The OIG anticipates filling the three MOU positions before the end of the second quarter of FY 2014. We hope to expand on this concept in future years to acquire additional funding sources from other departments that may benefit from enhanced oversight efforts.

In the past, additional support has been derived by a temporarily assigned Detective from the Baltimore Police Department (BPD) to assist in addressing issues of mutual interest. The initiative demonstrated the value of pursuing parallel administrative and criminal investigations to arrive at the best outcomes for the City at large. As a priority going forward, this aspect of OIG operations must be solidified and include Local, State, and Federal cooperative efforts.
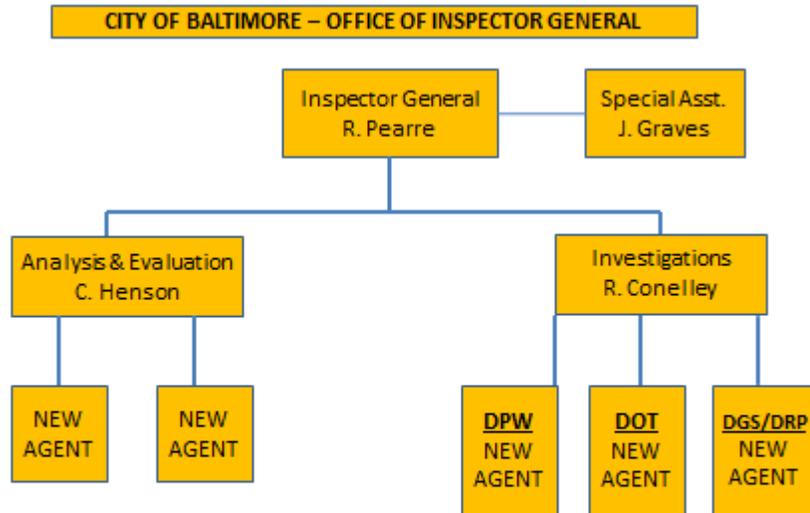
Reporting Period

By Executive Order, the OIG Annual Report is due by September 1 of each year. Previous reports adhered to the reporting period of August 21 through August 20, which was adopted in 2010. During 2013, the Inspector General position was vacant for three months with the new Inspector General arriving on June 17th. Also, there were two vacancies at the Agent position for the entire reporting period and a third vacancy for over half of the reporting period. Although these vacancies diminish the year-over-year comparability of most metrics, a good opportunity is thereby presented to shift the reporting period for this and future annual reports to June 30 to coincide with the City fiscal year and align with Outcome Budgeting.

Institutional Authority

The Baltimore OIG was created by an Executive Order dated July 27, 2005, signed by then Mayor Martin O'Malley. The Executive Order lays out specific responsibilities, duties, processes, and authorities for the OIG as well as duties of city employees and persons doing business with the City.

Office Organization

The OIG currently has six funded positions: the Inspector General, a Manager of Forensic Evaluation, three Investigative Agents, and one Special Assistant. Three additional positions are derived from the current and anticipated MOUs for a total of nine positions. The OIG will continue to pursue opportunities to partner with other departments and agencies to increase staff and capabilities as well as entertain temporary assignments from other investigative agencies such as the BPD. Once staffing is complete, the office will be organized according to the following chart.

CITY OF BALTIMORE – OFFICE OF INSPECTOR GENERAL

Inspector General
R. Pearre

Special Asst.
J. Graves

Analysis & Evaluation
C. Henson

Investigations
R. Conelley

NEW AGENT

NEW AGENT

DPW NEW AGENT

DOT NEW AGENT

DGS/DRP NEW AGENT

Office Budget

The OIG Budget during FY 2013, which covered this reporting period, was $674,667, which included $50,000 in encumbered funds for paying rewards and $75,000 targeted to begin moving into data analytics. Largely due to vacancies, actual expenditures for FY 2013 were $475,024. The $75,000 for data analytics was not executed in FY 2013 and has been carried forward into FY 2014.

OIG Budget by Fiscal Year					
	2010	**2011**	**2012**	**2013**	**2014**
Salaries	$394,281	$297,197	$394,657	$358,401	$453,140
Other Personnel Costs	59,373	37,615	39,954	127,512	164,742
Contractual Services	42,165	45,537	95,970	95,451	88,409
Materials and Supplies	9,164	9,164	9,247	9,716	7,051
Grants, Subsidies, and Contributions	163	4,346	4,263	8,587	26,656
Equipment - $5,000 and Over	-	-	-	75,000	-
OIG Funded Positions	6	3	4	5	6
Total	**$505,143**	**$393,859**	**$544,091**	**$674,667**	**$739,998**

Office Development

To deliver as fully as possible on the intended responsibilities, the OIG focuses on building a team that has the collective capacity to perform across various skill sets to include investigation, auditing, program evaluation, and technical support. Traditionally, the OIG's role has been one that was founded on investigative efforts. Incorporating additional disciplines will provide the capability to fully address the intended duties and responsibilities as outlined by the executive order.

Despite the severe fiscal restraints faced by the City, the OIG looks forward to working with Mayor Rawlings-Blake and the various offices, departments and boards, to further build our staffing to levels more properly able to address the range of issues presented. The issue of scope as it 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 questions of independence and confidentiality.

It continues to be 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 increase the probability of detection and thereby reducing the duration of illicit activity. This function will be developed and overseen by the OIG Evaluator(s). As previously discussed, the OIG received a $75,000 one-time funding initiative for this capability in the FY 2013 budget. This funding remains unencumbered and has carried forward into FY 2014.

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. 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 a case merits further action, it will be assigned for a preliminary inquiry designed to determine whether a formal investigation is warranted. 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 occasionally, the issuance of subpoenas.

Once the preliminary inquiry is complete, 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; significant or institutional fraud, waste or abuse; or corruption; or it is a matter unrelated to the 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 relevant department head may also present additional factual information that may have bearing on the findings and comment on any recommendations.

When the draft phase and any additional investigation are completed, 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. 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. Table 1, found below shows commonly used acronyms that will be used throughout the data comparisons in this report.
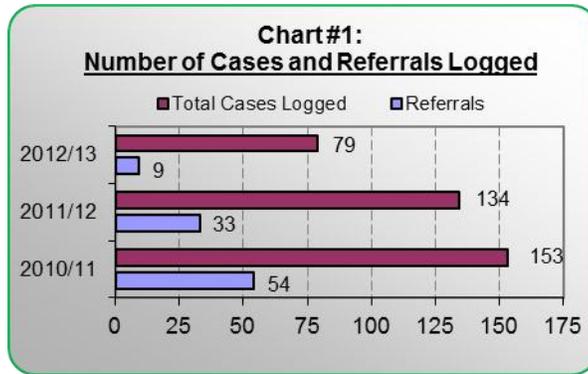
Table 1. List of Common Acronyms Used

DOT	Dept. of Transportation	**DHCD**	Dept. of Housing and Community Development
HABC	Housing Authority of Baltimore City	**DHR**	Dept. of Human Resources
DPW	Dept. of Public Works	**DRP**	Dept. of Recreation and Parks
BPD	Baltimore Police Dept.	**MOIT**	Mayor's Office of Information Technology
BCFD	Baltimore City Fire Dept.	**FIN**	Dept. of Finance
DGS	Dept. of General Services	**OIG**	Office of Inspector General
MTE	Municipal Telephone Exchange	**PABC**	Parking Authority of Baltimore City

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.

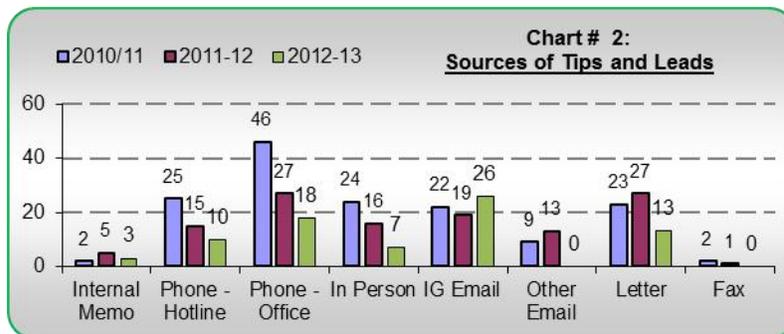### Number of Cases and Referrals Logged

Chart #1 reflects a decrease in both cases logged and referrals during the reporting period. New cases received decreased by 41 percent and referrals dropped by 73 percent. The shortened reporting period reduced the time over which new complaints were received while the reduced staff likely decreased OIG visibility across City agencies. The significant reduction in referrals reflects the trend of the increasing quality of cases taken in but may also have been due to a decision-making void resulting from the departure of the previous IG during the period.

Chart #1:
Number of Cases and Referrals Logged

Legend: ■ Total Cases Logged □ Referrals

- 2012/13: Total Cases Logged 79, Referrals 9
- 2011/12: Total Cases Logged 134, Referrals 33
- 2010/11: Total Cases Logged 153, Referrals 54

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. The process of logging all incoming tips is useful data across several areas, including the source of the information.

Chart #2 reflects declines in phone and letter intakes and an increase in e-mail during the reporting period.

Chart # 2:
Sources of Tips and Leads

Legend: ■ 2010/11 ■ 2011-12 ■ 2012-13

Source	2010/11	2011-12	2012-13
Internal Memo	2	5	3
Phone - Hotline	25	15	10
Phone - Office	46	27	18
In Person	24	16	7
IG Email	22	19	26
Other Email	9	13	0
Letter	23	27	13
Fax	2	1	0

The OIG Hotline consists of both a toll-free phone number and a local phone number. Both numbers are manned by OIG staff Monday through Friday from 8:30am to 4:30pm with phone calls going to a voicemail box after-hours and on weekends. Near the end of this reporting cycle, it was discovered that the toll-free OIG hotline had been out-of-service for an unknown period of time. The toll-free number has since been fixed. In the coming year, the OIG plans to assess its available lines of communication and will make any necessary changes to better ensure that employees, citizens, and others are able to contact the OIG when needed.

New Cases by Source Department or Agency

Chart #3 reflects the allocation of cases by source department, agency or office for the three most recent reporting cycles. The data reflects that most departments' representation among OIG cases decreased during the current reporting period. The DPW and DOT continued to represent a significant presence among OIG cases, together representing 53 percent of overall cases. DHCD had the largest reduction with 12 fewer cases, a 67 percent reduction.
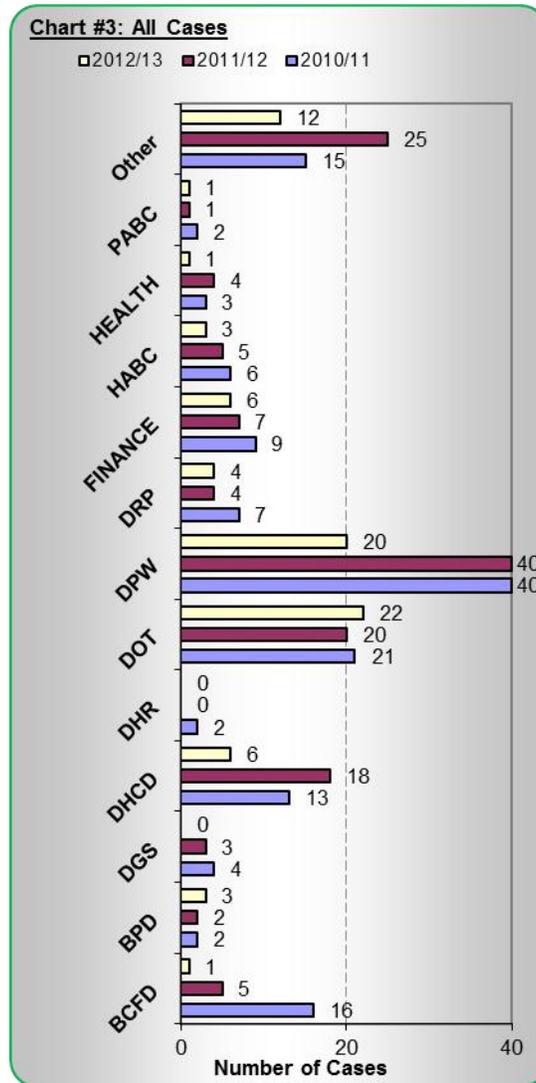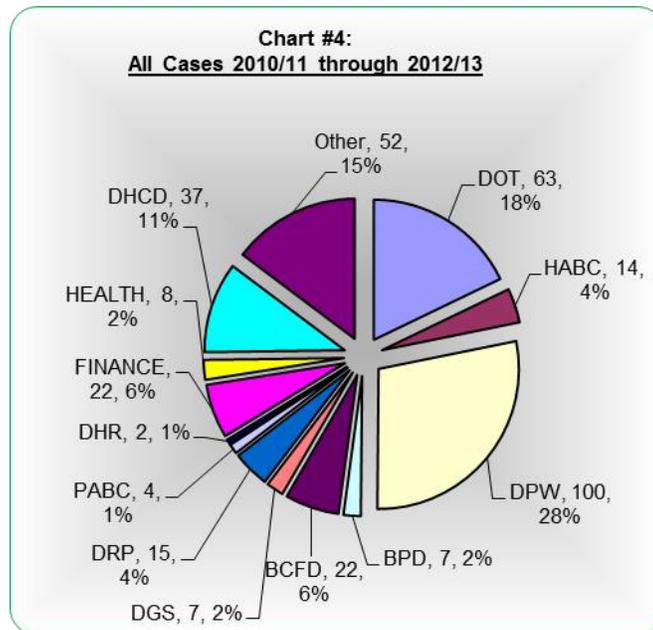

Chart #4 examines the percentage of cases by department across the full three-year reporting cycle. This metric softens short-term spikes in activity and provides a more reliable data set. DPW remains the largest source of cases at 28 percent

with DOT second at 18 percent. DHCD is third with 11 percent of cases. Those three departments made up 57 percent of all OIG cases over the three-year period.

Chart #4:
All Cases 2010/11 through 2012/13

Other, 52, 15%
DHCD, 37, 11%
HEALTH, 8, 2%
FINANCE, 22, 6%
DHR, 2, 1%
PABC, 4, 1%
DRP, 15, 4%
DGS, 7, 2%
BCFD, 22, 6%
BPD, 7, 2%
DPW, 100, 28%
HABC, 14, 4%
DOT, 63, 18%

The OIG recognizes that outside factors can influence the number of cases and referrals related to a specific agency. In the case of the DPW, which has funded one of the OIG positions, significant effort is focused on their operations and the OIG has initiated some measured proactive efforts. This increased level of engagement could be expected to lead to increased case statistics. It could be anticipated that as the DOT and DGS/DRP MOU positions are filled during FY 2014, those agency's statistics will also increase.

Select Cases and Information

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

111425-110

This investigation, which was first reported in the 2011 annual report, reached its prosecutorial resolution during the current reporting period. It involved a DPW employee who submitted inflated overtime hours from September 2009 to April 2011. The investigation revealed that the employee who was responsible for payroll administration had identified and exploited weaknesses in the payroll process to receive an additional $33,742 in overtime and compensatory time that

was not earned. The employee ultimately pled guilty to one count of continuing theft. The employee received a one-year suspended sentence, three years of probation, and an order to pay full restitution.

111430-110

This investigation revealed that DOT employees assigned to the Conduit Division had engaged in the sale of valuable scrap metals that were either the property of BGE or Baltimore City, during paid working hours and while utilizing City-owned vehicles. The OIG found that Conduit employees received a total of $58,857 over 42 transactions from 02/01/2011 through 06/30/2011. Additionally, the OIG calculated that the loss to the City between wages and gas consumed for a three month period (03/01/2011 – 05/31/2011) was $5,208. If annualized, the loss in City wages and fuel consumption is estimated at $21,718. As a result of this investigation, 11 Conduit Division employees were terminated and three supervisors were suspended for varying amounts of time. Additionally, to improve internal controls, DOT has made changes to the standard operating procedures governing the cleaning of conduit ducts.

2012-0023

This investigation began when the OIG was notified that a BCFD employee, who was a Maryland National Guard Reservist, had been listed as on military leave continuously for almost eight years while erroneously receiving his full City salary. This underlying issue was rooted in the City policies addressing military leave that outline the circumstances in which City employees can receive full pay, differential pay, or leave without pay during military service. The OIG was requested to assist in determining if these payments were out of compliance with City polices that governed military leave for employees and to identify how much in payments/benefits had been disbursed in error.

The OIG's investigation determined that the employee's Military Orders were erroneously processed by the City. The employee should not have received full pay from the City for his military service as the employee voluntarily applied for the military position, and it was not a temporary deployment. Essentially he had accepted full-time permanent employment with the Maryland National Guard and was not deployed in any qualifying manner. These errors placed the employee in a full-pay status during his leave starting from 11/23/2004 and continuing through 02/15/2012 when the City stopped issuing him paychecks. Ultimately, the City erroneously paid the employee a total of $478,711 between his City salary and benefits. Additionally, potential Fire and Police Pension payouts that could occur as a result of accruals during the erroneous pay period could range between $84,128 and $560,000. The matter is currently being litigated by the City of Baltimore Law Department in Circuit Court.

2012-0032

This investigation, which was reported in the 2012 Annual Report, reached its prosecutorial resolution during the current reporting period. The investigation involved two City managers who engaged in a conspiracy to sell City-owned scrap metal for personal gain. The investigation revealed that there had been at least 17 transactions, encompassing over 300,000 lbs. of scrap metal and approximately $30,000 in payments. The two managers were each charged with:

•   Theft scheme between $10,000 and $100,000;

•   Conspiracy to commit theft between $10,000 and $100,000;

•   Attempted theft between $1,000 and $10,000.

Ultimately, both City managers pled guilty to conspiracy to commit theft between $10,000 and $100,000. Both individuals received a 10-year suspended sentence, a 3-year term of probation, and were ordered to pay restitution.

2012-0056

The purpose of this program review was to examine the management oversight and financial impacts of the Wright Express Fuel Credit Card Program. The OIG's review determined that the fuel card program had not been effectively managed by its City users. Further, the City failed to utilize many of the oversight and control tools provided by the vendor in a significant or meaningful manner.

The OIG determined that each gallon of fuel purchased through Wright Express cost approximately $.89 more than fuel pumped at City fueling stations. Failure to instill effective control and oversight measures has cost the City as much as $147,029 additionally on an annual basis. The additional expenditures resulted from significant and largely unnecessary Wright Express transactions occurring within the City limits where the lower cost City fuel is available. The cumulative effect of these expenditures amounted to $918,400 over the full six-year period of the contract that ended 12/31/2012.

2012-0070

This investigation considered allegations that improper or illegal procurement action may have occurred and/or that the somewhat divergent efforts of MOIT and the Municipal Telephone Exchange (MTE) resulted in government waste. The investigation revealed procurement irregularities that were compounded by the lack of procedural clarity in the procurement process and the questionable actions of a subcontractor who was acting in the capacity of a senior manager within MOIT. The OIG found that hardware purchases in the amount of $674,543 were completed without competitive quotes. Further, there was a lack of resource coordination resulting in a less than desirable return on the $955,074 expended for hardware and consultants for Voice Over Internet Protocol (VOIP) efforts.

Additionally, MOIT expended $415,000 for an information technology infrastructure assessment of questionable utility.

Hurricane Sandy Procurement Monitoring

In the days and hours leading up to the arrival of Hurricane Sandy, the City undertook significant efforts to minimize the risk to people and property and prepare organized responses to emergencies and property damage. One of the many actions taken included the activation of the City' emergency procurement procedures. These procedures authorize the Director of Finance, upon request by the head of an involved municipal agency, to obtain the supplies, materials, equipment, services, or public works required without reference to the procurement procedures outlined in the City Charter. The OIG recognizes that emergency situations greatly increase the risk of fraud, waste, and abuse by combining high pressure to achieve with limited knowledge, reduced staff, and reduced internal controls. The OIG took steps to proactively monitor these emergency procurements as they occurred. The OIG focused on ensuring that commodities purchased were received, inventoried, and secured. One of the key efforts was the verification that 200 portable generator sets purchased at a total cost of $143,880 were properly inventoried and secured by the City. The OIG believes that this monitoring was a success and will engage in monitoring other emergency procurements in the future.

Self-Reporting Program & Rewards Policy

The OIG Self-Reporting Program provides meaningful incentives to those that do business with the City to self-report illegal conduct and preserve their positive business relationship. The OIG did not record any cases pursuant to the Self Reporting Policy during this reporting period.

During the reporting period, the OIG paid its first complainant reward. This payment amounted to 10 percent of funds recovered in the subject case. Additionally, there are cases pending that will likely result in future rewards. Frequently, there are timing differences between case resolution and reward payout that can span multiple reporting periods.

It should be noted that per City policy, complainants bringing new information forward that results in a monetary recovery may be eligible for rewards up to 10 percent of all funds recovered, with no cap. Please contact the OIG for further details.
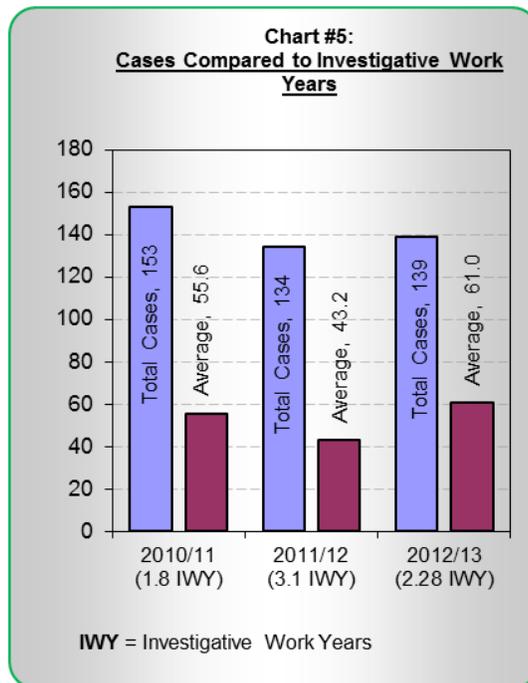
How We Measure Performance

The OIG embraces the measurement of performance through the use of metrics and the City of 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. The shift in the OIG annual reporting period enables it to better align with Outcome Budgeting.

As part of the FY2011 process, the OIG developed performance measures in several areas and instituted internal systems to capture the data necessary to track information. These performance measures have been continued through the current reporting period and include:

1. Number of Cases per Investigative Work Year.
2. Number of Vendor Background Screenings completed.
3. Percent of Recommendations Accepted.
4. OIG Savings and Recoveries.
5. Number of Employees Briefed or Trained by OIG Staff

Number of Cases per Investigative Work Year

This measure is designed as a broad efficiency assessment comparing the available Investigative Work Years (IWY) to the total cases processed. Chart #5 reflects the average number of cases processed per IWY across the most recent three reporting periods.

Chart #5:
Cases Compared to Investigative Work Years

IWY = Investigative Work Years

Note: The 2012/2013 reporting period comprised 314 days or 86 percent of a full work year. The reduced work year is factored into the calculation of IWY.

<u>Chart #5</u> reflects a 22 percent dip in average case load per IWY from 2010/2011 to the 2011/2012 reporting period. The average case load per IWY then increased 41 percent from 43.2 cases per IWY during the 2011/2012 reporting period to 61 cases per IWY during the 2012/13 reporting period.

The OIG caseload remains unacceptably high. The current IG concurs with the outgoing IG that case loads in excess of 25 per IWY are an unhealthy level. 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. 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 some 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.

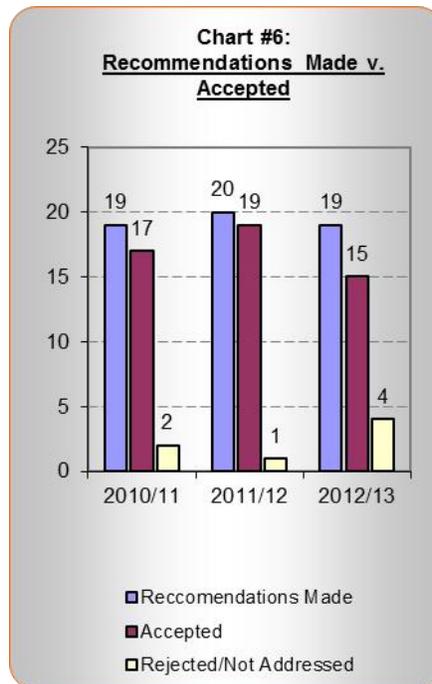<u>Number of Vendor Background Screenings Completed</u>

The Vendor Background Screening 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 FY 2010, 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. The 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.

<u>Percent of Recommendations Accepted</u>

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 memoranda 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 #6 reflects that OIG recommendations have continued to experience a high degree of acceptance with a rate of 79 percent over the current reporting period.

Chart #6:
Recommendations Made v.
Accepted
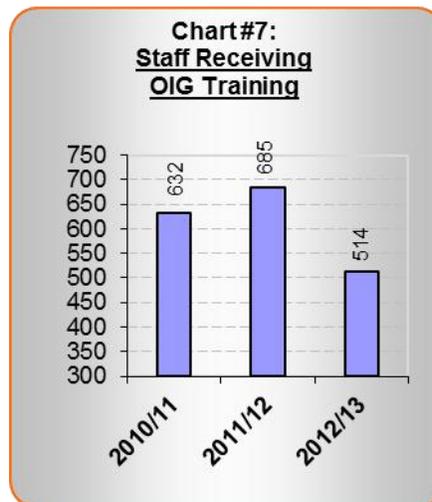
Reccomendations Made
Accepted
Rejected/Not Addressed

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 polices to substantially address the area of concern.

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. During the reporting period, savings and recoveries aggregated $65,141, down significantly from the $538,592 reported during the FY 2011/12 reporting period. This metric will vary from year to year and the more complex multi-year cases could result in significant timing differences between the investigative phase and final resolution.

Number of Employees Briefed or Trained by OIG Staff

In partnership with the City's Human Resources Department, the OIG provides training and guidance on fraud, waste and abuse of resources as well as the underlying ethics needed to report such behaviors. Instruction is given to all new employees upon hire, and existing employees that have been promoted to supervisory positions. The goal is to help employees identify possible violations within City Government, and be comfortable with reporting it to the OIG (either openly or confidentially). Chart #7 reflects the number of staff receiving OIG training over the most recent three reporting periods.

During the 2012/13 reporting period, the OIG trained 514 employees, in various formats. The 25 percent decrease in the number trained from the previous year, is purely the result of decreased OIG staffing levels and availability. We anticipate full participation as additional staff is hired during the FY 2014 reporting year.

Goals for the FY 2014 Reporting Period

Over the next reporting period, which will coincide with the City's fiscal year, 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 Program Evaluation function under the Evaluator Manager, retained during the previous cycle, will continue to look at broader systems and program issues for potential management enhancements. The prevalence of repeat incidences of fraud, waste, and abuse has been an indicator of the presence of internal control weaknesses. Potentially vulnerable operations will be selected for intense review of processes and procedures with an emphasis on strengthening internal controls.

The OIG will move forward with 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.

A key ingredient for OIG success is public and employee awareness. The OIG will step up efforts to increase its profile to further its duty to promote efficiency, accountability, and integrity in City government. A number of outreach and awareness efforts are planned including the distribution of fraud hotline posters across City offices and work spaces.

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.

(June 30, 2013)

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Open, Honest, and Accountable Government

2013 Annual Report

❖ *Reporting period 06/21/2012 through 06/30/2013*

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Robert H. Pearre, Jr. - Inspector General