



Office of the Inspector General

2010 Annual Report



Inner Harbor - Baltimore City



OFFICE OF THE INSPECTOR GENERAL BALTIMORE CITY

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



09/01/2010

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

It is my privilege and honor to provide you with this 2009/10 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 since being appointed as Baltimore City's third Inspector General on 02/22/2010, 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 build and maintain an increased level of public trust in City government and to assist the City in achieving better results with limited resources. To aid in this endeavor, over the past six months, we have examined our internal operating procedures and developed outcome-based performance criteria designed to help assess our future efforts while laying a foundation that will guide our efforts over the coming years.

We are committed to working toward an open, honest, and accountable government and have begun publicly posting synopses of our investigations and findings. The public postings may be found on the OIG webpage at: <http://www.baltimorecity.gov/Default.aspx?tabid=111> . Additionally, those interested in our actions may follow the OIG (OIG_BALTIMORE) on Twitter; 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 everyday 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 Inspector General's Office faced significant challenges over the past several years. These have included changes in leadership and therefore consistency in internal management practices, substantial staffing reduction, and a 20% reduction in the operating budget.

In March of 2010, we engaged in a comprehensive review of our internal records management and database tracking processes in order to create a baseline from which we can accurately track and report on the activities of the Office. During this assessment and reorganization we were unable to locate complete data on certain complaints and activities of the Office that occurred during the periods covered in this report. New protocols were instituted regarding the tip and case intake process, electronic database management, and the form, format and publication of our written reports. We are currently seeking to upgrade our electronic case management software to both streamline the complaint receipt process and provide more effective investigative and tracking data.

Our service plan was also reviewed and refined in a way that seeks to engage City employees and those who do business with the City on both reactive and proactive terms. Core service areas under the work plan include: 1) Vendor Background Screening (VBS) and contract compliance assessments; 2) the investigative detection and prevention of significant fraud, waste, and abuse; and 3) the advancement of training and awareness for City employees and vendors.

Reporting Period

The OIG's Annual Report is intended to serve three purposes: 1) it sets forth our mission, our focus and explains our currently defined core functions; 2) it summarizes the Office's activities for the past year, and sets forth certain findings and recommendations; and 3) it outlines our objectives for the coming year.

By Executive Order, the OIG Annual Report is due by September 1 of each year. However, the last Annual Report was submitted on 02/23/2009, by the previous Inspector General, and covered the 27-month period from 09/2006 through 12/2008. By way of this Annual Report the OIG adopts a regular reporting period that runs from 08/20 through 08/20 of the respective years henceforth.

In order to cover the previously unreported period we considered the data in two one-year periods: the first running from 08/20/2008 - 08/20/2009 and the second from 08/20/2009 - 08/20/2010. While there is a brief overlap of data in the later half of 2008, it was determined that the ability to assess information on equal terms merited the expansion of the time period.

Legislative Authority

The Baltimore City OIG was created by an Executive Order dated 07/27/2005, signed by Mayor Martin O'Malley.

Office Organization

The OIG currently has four staff members: the Inspector General, two Investigative Agents, and one Special Assistant. The current annual OIG budget for FY11 is \$395,935.

Organization Growth Plan

In order to deliver fully on the intended services, the OIG must have the capacity to perform across the required skill sets of investigation, auditing, and technical support. The current structure only possesses investigative capability. We will continue to work towards responsibly growing the Office to include staffing in all three key skill sets. This is viewed as critical to ensuring effective operations that are both independent and confidential.

The Office has made efforts to address audit needs through a partnership with the Baltimore City Department of Audits (Audits). Audits has been extremely helpful to our efforts in several cases and are currently assisting in a significant vendor review. However, Audits has considerable program requirements set forth by City Charter and must also maintain its independence. Therefore, the time available to assist the OIG is limited and the need to maintain independence rightly prevents the OIG from directing audit efforts, no matter how well intended.

The need for in-house technical support has become increasingly more important with the increasing saturation of electronic media throughout business and communications. Retrieval and assessment of electronic data has become an element in virtually every investigation. We have been totally dependant upon the City's support services. While these services have been very helpful and much appreciated, there are clear independence and confidentiality concerns. In addition, the City's services are not designed to provide in-depth forensic assessment.

Investigations

The OIG has concentrated on developing a system that enables us to accurately report on our efforts across a variety of areas that will reflect efficiency, effectiveness, and outcomes. Efforts to re-engineer our approach began in March of 2010, and involved assessing those areas we desired to measure and building internal mechanisms within the case intake and review process to capture the necessary data. Our intended goal was to create a systems foundation that would allow us to measure our efficiency, effectiveness, and outcome performance over time and across the entire investigative process.

The adjustments and modifications have begun to generate valuable data, some of which will be reflected below. However, the reader should be mindful that to be useful as a true performance measure, data must be viewed over substantial periods of time in order to discern trends and patterns.

General Overview of the OIG 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 an electronic database and assigned a tracking number.¹ 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 involves efforts to properly determine what course of action should be pursued and includes, but is not limited to, securing evidence, conducting limited interviews, reviewing documents, 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 referral of 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, abuse, corruption, or a matter unrelated to public trust.
- Administrative Investigation – The assignment of the case by the Inspector General for formal investigation, agency procedural review, and/or an audit.
- 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 – The designation used when it is determined that there is insufficient evidence to support the complaint. When 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.

Upon culmination of significant investigative work, the OIG Investigator will prepare a draft report of investigation which includes any recommended policy or program changes resulting from the investigation. The draft report is forwarded to the affected department head, if any, for review and response.

This step ensures that the OIG has accurately captured the relevant information and provides the department head an opportunity to present additional factual information that may bear on the findings and comment on any recommendations.

Once the draft response is received and any additional investigation has been conducted the OIG will issue a final report of investigation to the Mayor, City

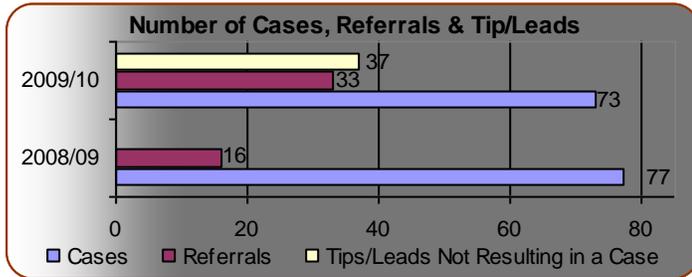
¹ Beginning in 03/2010, we initiated recording incoming tips and leads independently from preliminary inquiries/cases as part of the enhanced tracking process. Prior to this time some were recorded as cases while others were not.

Solicitor, and affected department heads. This report serves as the foundation for the public synopsis which is issued via the Internet and is available in hard copy upon request.

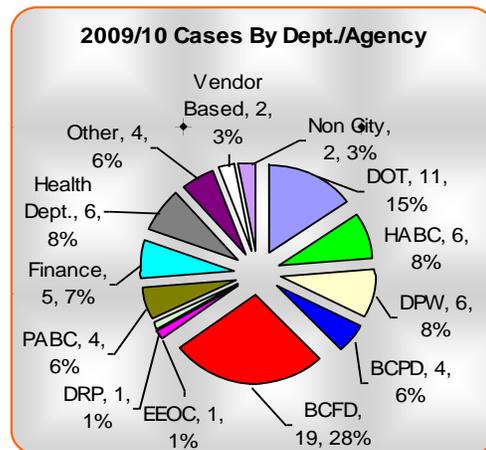
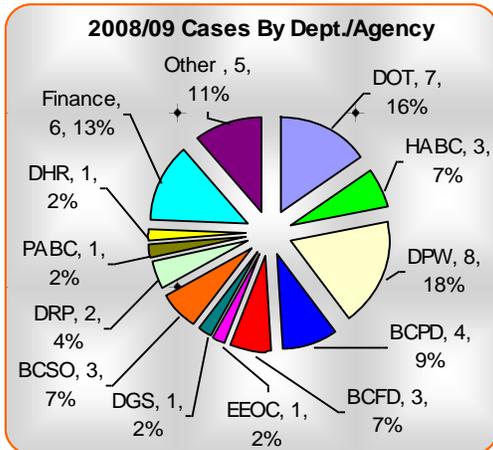
Case Statistics

In order provide meaningful data, information was assessed in two periods, 2008/09 and 2009/10.²

During the 2008/09 period, the Office recorded 77 total cases.³ The 2009/10 period data reflects 73 recorded cases. In addition, 49 tips or leads were recorded since 03/03/2010 with 12 of those being converted to investigations and included in the reported 73. See chart at right.



The charts below reflect the allocation of the cases by source Department, Agency, or Office for the 2008/09 and 2009/10 cycles, respectively. For 2008/09 the DPW, DOT and Finance Dept. combined accounted for 47% of the cases. However, in the 2009/10 cycle the BCFD and the DOT together accounted for 43% of the cases.

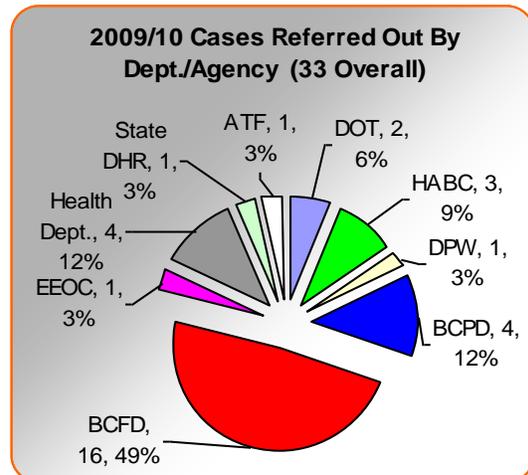
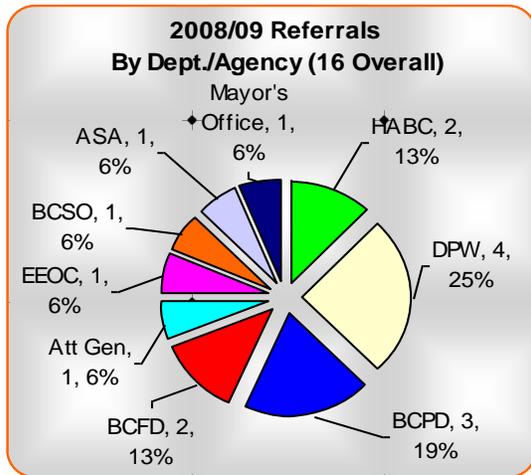


During case processing, the OIG will often determine that the evidence indicates the level of conduct that is best dealt with by the individual department or agency. In these cases, the OIG will refer the complaint to the appropriate entity to be addressed internally. As the chart indicates, we have more than doubled the number of referrals, from 16 to 33, over the most recent cycle. See chart above.

² Both periods run from 08/20 through 08/20 of the respective years.

³ Of the 77 logged cases, we were not able to locate sufficient information on 24 to include them in more thorough assessments. These were all matters addressed by staff that are no longer with the Office.

Using this approach, the OIG has been able to focus resources on higher value investigations and those that support broader program goals, while also ensuring that other actionable information is addressed. The two pie charts below show the distribution of referred cases by department or agency for the 2008/09 and 2009/10 period. The referral data for 2008/09 indicates that DPW and BCPD accounted for 44% of all referrals while representing only 27% of cases.



Considering the data for 2009/10, the referral chart indicates some stark differences from the previous cycle. In this cycle, BCPD and BCFD combined accounted for 61% of all referrals with DPW being limited to only 3%. The increased prevalence of BCFD complaints and referrals was due to a concerted effort to work with the OIG to address a series of concerns.

Both cycles reflected referrals to a core group of five recipients while the two year combination reflects 13 separate recipient entities. It was also noted that five of the referral recipients were outside of Baltimore City government. The OIG will continue to expand its use of referrals and believes they can be an effective tool for addressing many of the issues presented.

Select Cases and Information

IG 091255-103

A Department of Public Works employee, responsible for pickup and delivery of diesel fuel, had been pilfering fuel at off-site locations then altering fuel logs to account for the theft.

A joint investigation by the OIG and the Baltimore City and Baltimore County Police departments revealed that the scheme had been ongoing since at least 1997 and that the employee had stolen over 101,000 gallons of fuel during that time. The employee would then sell the fuel, which peaked at the historic high of \$4.76 per gallon during the scheme, for \$1.00/gallon.

The case was referred to the Baltimore City States' Attorney's Office who agreed to proceed. Prosecution resulted in a suspended eight-year sentence, five years' probation, and an order to pay the City \$187,000 in restitution.

IG 101376-103

A Department of Public Works employee was found to have received \$12,700 in sick leave, vacation and holiday pay by the City while serving an eight-month sentence for criminal charges surrounding his sexual abuse of a minor. The conviction, which also resulted in his placement on the Maryland Sex Offender Registry, stemmed from events that were unrelated to his position with the City.

Investigation revealed that the employee, with the help of at least one other, had submitted false medical documentation indicating that he was out of work for medical reasons. The ruse initially worked and he was able to serve his eight-month sentence without senior management becoming aware of his incarceration. The employee then reported back to the yard after incarceration and resumed his position. A series of events resulted in co-workers becoming aware of his status as a sex offender and his incarceration during the time he was purportedly sick.

At the conclusion of the investigation, the matter was referred to the Baltimore City States' Attorney's Office. After an extensive review of the case and the unique legal aspects it presented, they declined to proceed. The matter was then referred to the Baltimore City Department of Law. As of this writing, litigation to recover funds that were obtained under fraudulent documentation is ongoing.

In addition, the OIG made significant recommendations concerning internal rules and regulations designed to provide more effective accountability systems and prevent future occurrences of this nature. Working to strengthen City policy Mayor Rawlings-Blake signed an Executive Order requiring employees to report when they are arrested for any crime, excluding minor traffic offenses, within 24 hours.

IG 101390-106

Information was received that a Housing Authority Housing Inspector was taking money from city residents in exchange for either certain official actions or inactions of required duties. The OIG initiated a joint investigation with the Baltimore City Police and the Baltimore City States' Attorney's Office that resulted in the arrest of the housing inspector for bribery.

As of the writing of this report, the case is ongoing. Pending those results, the normal reporting process will follow, to include a public synopsis.

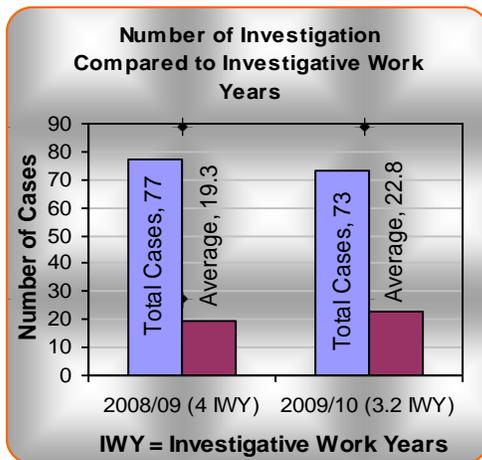
How We Measure Success

The OIG embraces the Outcome Budgeting process used by the City to assess performance and guide budgetary expenditures. Outcome Budgeting is founded on the use of performance measures in the area 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. In some areas we were able to locate sufficient historical data to permit reporting under the two reporting cycles addressed in this report.

Efficiency

Some of the efficiency measures selected by the OIG are:

1. Number of Formal Investigations and Audits per Investigator and
2. Number of Vendor Background Screening hours per Investigator.



Number of Formal Investigations and Audits per Investigator

This measure is designed as a broad efficiency assessment comparing work years with total cases processed. The chart at left indicates that the average number of cases processed per investigative work year rose 3.5 hours from the 2008/09 cycle to the 2009/10 cycle. The reduction in work years seen in the 2009/10 cycle was caused by the loss of two investigators in 2010, one in January and another in March. Additionally, other

adjustments to the tracking system will likely result in certain matters that would previously have been termed as investigations that are now being addressed through the referral process. The result being that future investigative case numbers may be reduced; however, the average complexity is expected to rise.

Number of Hours per Vendor Background Screening

The Vendor Background Screening (VBS) Program is 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, we have developed program guidelines and secured access to a significant, fee-based electronic database. Over the next reporting cycle, we intend to work with the Law Department to develop additional guidelines to be used for bringing the information to the Board of Estimates and addressing contractor and vendor due process. This

advancement of this program in earnest will be related to funding and staff availability.

Effectiveness

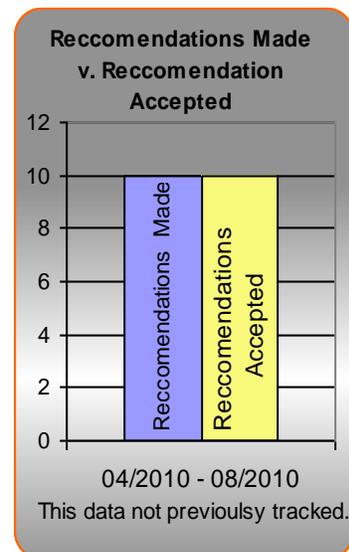
Some of the effectiveness measures selected by the OIG are:

1. Percent of Recommendations considered as adding Value to subject Department, Agency, or Office;
2. Percent of Tips and Leads Assessed within 7 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 the OIG will make program-based recommendations to the departments or agencies reviewed. The OIG will not make recommendations on specific personnel actions or disciplinary decisions.

Once the final report is issued, it is customary for the effected entities to provide written comments and either accept, modify, or reject any recommendations that were made. This information serves as the foundation for the performance measure. The recommendation process is among the most significant tools the OIG possesses. Current data indicates 100% of our recommendations have been accepted. While this is most welcome, the OIG recognizes that the trend is unlikely to continue.



Percent of Tips and Leads Assessed Within Seven Business Days.

Perhaps one of the most common criticisms of an OIG is the perceived pace of the process. While investigations can become very involved and legitimately span many months and, on rare occasion, longer, we are cognizant of the need to focus on efficiency of process wherever possible.

One such area is that of the initial assessment. Our goal is to assess the preliminary information received within five (5) business days. Tracking this data was not completed prior to 03/2010. As such, there is not sufficient information to permit any comparative analysis across time. However, of the 49 tips and leads received since tracking began, we have been able to assess and determine future action within seven business days in 29 cases, which equates to 69%.

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.

This data was not tracked prior to 03/2010. As such, insufficient data exists to report on this measure.

Outcome

Some of the outcome measures selected by the OIG are:

1. OIG Savings and Recoveries;
2. Number of accepted referrals to other civil or criminal authorities; and.
3. Number of tips or leads developed via all sources.

OIG Savings and Recoveries

This measure is designed to capture the fiscal impact of the OIG's investigations. We have begun to track data on savings and recoveries. This measure was not resolutely tracked prior to 03/2010. Again, data is available only since that time. This period reflects recoveries of \$187,000 in ordered restitution from IG 09-1255-103.

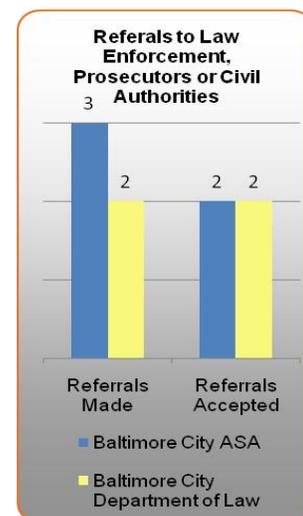
Savings will be defined under this measure as expenditures the City was incurring that were the result of activity or conduct that was in violation of State law and/or City rules and regulations. Further, that the conduct has been stopped or prevented as a result of an OIG investigation or audit.

Recoveries will be defined as monetary funds directed to be repaid to the City as a result of an OIG investigation or audit and will typically result from court ordered fines, restitution, and reimbursement for demonstrable loss.

Number of Accepted Referrals to Other Civil or Criminal Authorities

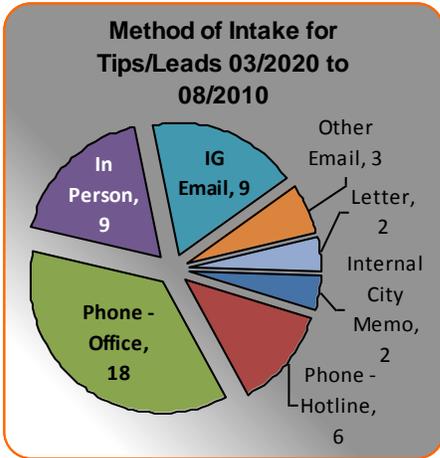
On occasion the OIG develops information that is more properly addressed through the pursuit of civil remedies or criminal prosecution. In those matters, the OIG may refer cases to the appropriate entity for further action. This may include law enforcement, State prosecutors, or the Baltimore City Department of Law.

As with many of the other measures, this area was not previously tracked. However, the information available for the 2009/10 reporting period shown in the adjacent chart reflects that five referrals were made: three to the Baltimore City States' Attorney's Office and two to the



Baltimore City Department of Law. Of the five referrals, four were accepted and resulted in efforts to recover funds.

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 new process of logging all tips and leads provides useful data across several areas including the source of the information. This chart indicates the dominant method of intake is the office phone with 18 tips received, followed by the Inspector General’s common email and

in-person complaints, with nine each.

Output

Some of the outcome measures selected by the OIG are:

1. Number of Vendor Background Screenings and
2. Number of Employees briefed or trained by OIG staff.

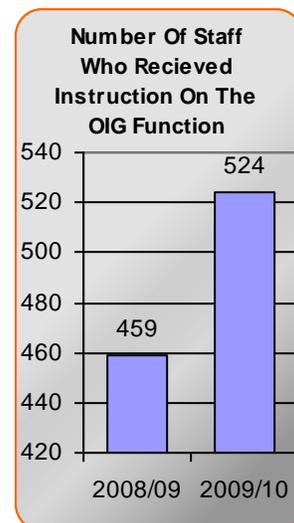
Number of Vendor Background Screenings

In addition to efficiency performance measure 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

The chart at right demonstrates the number of staff the OIG has had the opportunity to instruct regarding our Office. These blocks of instruction have been provided during New Employee Training Orientation, New Supervisory Training, and in specialized blocks of instruction upon request.

The number of staff receiving instruction rose by 14% from the 2008/09 to the 2009/10 reporting cycle. This is an area that we hope to expand upon as staffing and opportunity allow.



Goals and Recommendations for 2010/11 Reporting Period

Over the next reporting period, the OIG will continue to shift focus away from cases that are predominately personnel matters, focusing more on systemic issues, vendors, building a structure that encourages information being brought forward, and developing audit and technical capability within the Office.

While perhaps not as flashy as other areas of operation, the OIG believes strongly that the root cause of most fraud, waste and abuse is the failure to institute and follow effective policy and procedure. Whether no policy exists or existing policy is not followed, the effect is that daily operations are conducted in a manner that does not produce necessary audit trails to ensure accountability.

The OIG's focus on vendor interaction with the City will be directed toward both pre-award Vendor Background Screening as well as reviews of bids, invoicing, and billing practices. In addition to the VBS process outlined above, the OIG has initiated the review of two separate contracts to assess contract compliance. These ongoing efforts have involved working with Finance, Purchasing, Law and Audits to examine the processes in place used to develop Requests for Proposals (RFPs) and to establish the procedures within the CitiBuy and City Dynamics systems. Purchasing has been especially receptive and has initiated several adjustments to the process of setting up Blanket Purchase Orders to more accurately reflect contract requirements. We look forward to helping create a more effective and accountable process for contract management.

The OIG has submitted proposals to establish two new proposals designed to provide incentive for bringing information forward. The first is a unique Self-Reporting Program that would provide businesses with valuable incentives for self-disclosing fraudulent practices. The second initiative would create a mechanism for providing a monetary reward to individuals who bring previously unknown and actionable information to the OIG resulting in the City making a monetary recovery. Both proposals are currently under review by the Mayor's Office.

Lastly, the OIG will continue to work toward developing an internal audit capability and technical skill sets within the Office. These areas of expertise are required components of an effective OIG. 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.

Office of Inspector General Staff
(as of 08/20/2010)

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Open, Honest, and Accountable Government

2010 Annual Report

❖ *Reporting period 09/01/2009 through 08/20/2010*

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