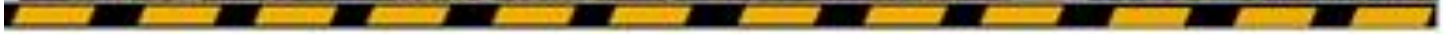




**Office of Inspector General**



# **FY 2016 Annual Report**



*Baltimore City Skyline*



## OFFICE OF INSPECTOR GENERAL CITY OF BALTIMORE

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



September 1, 2016

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

It is my privilege and honor to provide you with this Fiscal Year (FY) 2016 Annual Report for the Office of the Inspector General (OIG).

The OIG was created in 2005 as an oversight authority that could evaluate internal controls and investigate complaints of fraud, waste, and abuse at all levels of City government, while remaining autonomous, independent, and insulated from political influences. Mayor Stephanie Rawlings-Blake and her leadership team have fully respected the independence of the office and provided the necessary support to continue to grow its capabilities. The City Council has also been very supportive of the operations of the OIG during this reporting period.

The scope of authority and powers of inquiry vested in the OIG include conducting objective and independent evaluations 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 serves 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. Public synopses of our investigations and findings may be found on the [OIG Web Page](#). Additionally, those interested in OIG news may follow us 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 Office of Inspector General's (OIG's) Annual Report is intended to serve three purposes:

- 1) To set forth the OIG's mission and focus, and to explain its currently defined core functions;
- 2) To summarize the OIG's activities during the past reporting period including summaries of significant findings and recommendations; and
- 3) To outline the OIG's focus of activities for the coming year.

During Fiscal Year (FY) 2016, the OIG was authorized for nine staff and continued to grow and increase its capabilities. The OIG is organized along its two key lines of responsibility. The first responsibility is the promotion of efficiency accountability, and integrity in City government. In fulfillment of this responsibility, the Program Evaluation side conducts proactive reviews to strengthen policies, procedures, and internal controls. This side is headed by the Manager of Program Evaluation. The second responsibility is the investigation of complaints of fraud, waste, and abuse. The Investigations side, headed by the Lead Agent for Investigations, conducts reactive inquiries which can result in criminal prosecution, civil recovery by the City, administrative action by agency or department heads, or a combination of the above. The OIG has five Agents that are each responsible for both proactive evaluations and reactive investigations.

During the second quarter of FY 2014, the OIG identified Police and Fire Worker's Compensation and Pension Disability fraud as an area of risk warranting increased investigative attention. Memoranda of Understanding (MOUs) were drafted with the Baltimore Police Department (BPD) and the Baltimore City Fire Department (BCFD) to obtain funding for one agent position to investigate this area of "Uniform Fraud." The terms of the MOU's were negotiated and secured with both departments beginning in FY 2015. To facilitate coordination and data collection, an MOU was executed with the City's Office of Risk Management, its worker's compensation legal representative, and its worker's compensation administration firm. This emerging area became increasingly productive in FY 2016 and due to the large volume of new cases, the OIG identified a need to increase staff. An enhancement of one agent has been approved for FY 2017. This position is funded by, and will work closely with, the Fire and Police Employee Retirement System (F&PERS) to combat fraud in disability retirement applications. With this new position beginning July 1, 2016, the OIG authorized staff increased to ten. This increase is indicative of the ongoing support of the Mayor and City Council.

Of key importance in managing the sizeable OIG caseload is the "Legal Files" case management system, implemented in FY 2012. The Legal Files system continued to perform well during FY 2016. The system provides the means to enter case data, manage workflow across multiple Agents, and generate reports and statistical data when needed. The Legal Files system automatically assigns

a case number to each complaint with the first four digits representing the calendar year of receipt followed by a sequential case number. For example, case 2016-0600 was received in 2016 and was the 600<sup>th</sup> case received since the inception of Legal Files. Since its implementation, the Legal Files system has helped OIG staff successfully document, track, and refer over 660 cases.

### **Reporting Period**

By Executive Order, the OIG Annual Report is due by September 1<sup>st</sup> of each year. The reporting period coincides with the City fiscal year ending June 30<sup>th</sup> for both OIG accomplishments and for Outcome Budgeting purposes.

### **Institutional Authority**

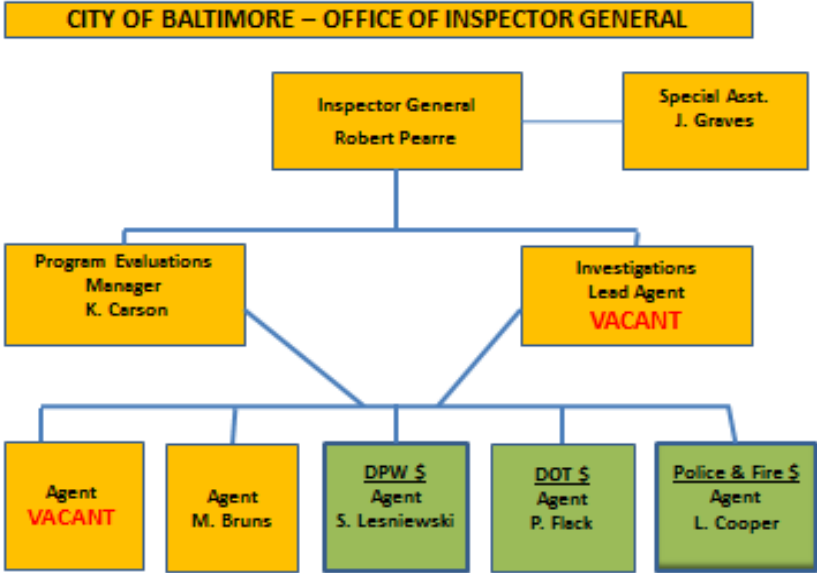
The Baltimore City OIG was created by an Executive Order dated July 27, 2005. The Executive Order established specific responsibilities, duties, processes, and authorities for the OIG as well as the duties of City employees and persons doing business with the City with respect to providing information to the OIG. The Executive Order also requires the OIG to take appropriate steps to build public awareness of the OIG and of all the procedures established for receiving complaints. This OIG annual report is one of the key steps used in building public awareness.

### **Office Organization**

As of June 30, 2016, the OIG had a total of nine funded positions to include: (1) the Inspector General, (2) Manager of Program Evaluation, (3) Lead Agent for Investigation, (4) five Investigative Agents, and (5) Special Assistant. Two Agent positions were funded directly from the OIG budget while three Agent positions were funded by other City departments, through MOUs. The three Agents funded through MOUs primarily conduct investigations and evaluations dedicated to the sponsoring City departments. The policy of funding agents under MOUs started in FY 2012 when the OIG entered into an MOU with the Department of Public Works (DPW). Based on the success of that relationship, the OIG's MOU with DPW to fund one Agent position has been extended through FY 2017. During FY 2013, this funding concept was expanded and a similar partnership was initiated with the Department of Transportation (DOT). The MOU with DOT to fund one Agent position has also been extended through FY 2017. Finally, an MOU with Police and Fire was executed for a 50/50, split-funded agent position. The OIG hopes to further expand on the MOU concept in future years to fund additional agents dedicated to other departments that may benefit from focused oversight efforts.

The OIG will continue to pursue opportunities to partner with other City departments and agencies to increase staff and capabilities as well as entertain

temporary assignments of personnel from other investigative agencies such as the BPD. The following organization chart depicts the OIG as of June 30, 2016.



One of the biggest challenges the OIG faces is retention. The District of Columbia (DC) metro area, a short distance to the south, is headquarters for dozens of law enforcement agencies and offices of Inspectors General. During FY 2016, the OIG lost its Lead Agent for Investigations as well as three agents to well-paying federal and District agencies. The OIG hopes to be back to full staff by the end of the first quarter of FY 2017.

**Office Budget**

The OIG budget and staffing has continued to grow from year to year commensurate with the strong support of the Mayor and City Council. The OIG budget authority for FY 2016 was \$741,280, a 9.9 percent increase over the three year period from FY 2013. The OIG has been able to further grow its budget through transfers from other agencies to which it has dedicated agent personnel. As a result of these relationships, total OIG budget authority for FY 2016 grew to \$1,069,748, a 9.4 percent increase over FY 2015 and 58.6 percent over the three year period from FY 2013. For the four year period from FY 2013 to FY 2017, total OIG budget authority has grown by 81 percent for an average of over 16 percent per year calculated on a compounded basis. The OIG FY 2017



budget represents approximately forty six thousandths of one percent of the City's \$2.6 billion Operating Plan.

The overwhelming majority of the OIG budget, or approximately 93 percent for FY 2016, is personnel costs. The remaining costs are investigative support costs to include items such as software licenses, usage fees, and training as well as support equipment such as desktop computers, cameras and mobile phones.

<b>OIG Budget by Fiscal Year</b>					
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Transfers	0	0	(\$155,878)	(\$328,468)	(\$439,425)
Salaries	\$358,401	\$453,140	\$657,349	\$727,191	\$843,705
Other Personnel Costs	127,512	164,742	\$224,696	\$268,763	\$295,785
Contractual Services	95,451	88,409	\$85,062	\$60,390	\$67,199
Materials and Supplies	9,716	7,051	\$7,123	\$4,943	\$8,644
Grants, Subsidies, and Contributions	8,587	26,656	0	\$1,953	\$3,654
Equipment - \$4,999 or Less	0	0	\$3,288	\$6,508	\$5,103
Equipment - \$5,000 and Over	75,000	0	0	0	0
OIG Funded Positions	5	6	9	9	10
Total Request	\$674,667	\$739,998	\$821,640	\$741,280	\$784,665
<b>Total Budget Authority *</b>	<b>\$674,667</b>	<b>\$739,998</b>	<b>\$977,518</b>	<b>\$1,069,748</b>	<b>\$1,224,090</b>

\* includes reimbursements from DPW, DOT, BCFD, BPD, and F&PERS under MOUs

### **Office Development**

The OIG is focused on building a team that has the collective capacity to perform across various skill sets. These include not only investigation, but auditing, program evaluation, and technical support. Incorporating additional disciplines provides the capability to fully address the intended duties and responsibilities as outlined by the Executive Order. As of June 30, 2016, current staff credentials included three Certified Public Accountants (CPAs), three Certified Fraud Examiners (CFEs), and one attorney.

Despite the fiscal restraints faced by the City, the OIG continues to work with Mayor Rawlings-Blake and the various offices, departments and boards, to

further build staffing to levels appropriate for addressing the range of issues presented. The issue of scope as it pertains to staffing involves building a team of professionals that possesses the requisite core skill sets and equipment to independently address the diversity of issues presented across City operations.

One core area that remains a significant unaddressed priority for the OIG is the development of in-house technical support. The OIG 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. The OIG currently remains dependent upon the City's technology support services to provide this capability. The OIG has developed a good working relationship with the Mayor's Office of Information Technology, and specifically, its critically important Chief Information Security Officer (CISO). During FY 2016, the CISO referred two cases to the OIG and provided digital forensic support.

Forensic data analytics remains an area where the OIG intends to develop greater capability. Capitalizing on technology, this technique will afford the OIG the opportunity to leverage information from across various City databases and identify indicators of fraud, waste, and abuse. This proactive effort will be overseen by the OIG Program Evaluation line of the organization.

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

Matters alleging fraud, waste, abuse, and corruption within or impacting the City are considered tips or leads. Incoming tips or leads, regardless of source, are logged into the Legal Files case management system and assigned a case tracking number. Our goal is to review each tip or lead within seven days. During this initial review period, important factors such as jurisdiction, sufficiency of information, and potential impact on the City are assessed.

If a case merits further action after initial review, it will be assigned for a preliminary inquiry designed to determine whether a formal investigation is warranted. This period typically should not exceed 30 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, and monitoring electronic data.

Once the preliminary inquiry is complete, one or more of the following actions may be taken:

- Referral or Informal Resolution – If it is determined that a case does not indicate criminal activity; significant or institutional fraud, waste, or abuse; corruption; or is a matter unrelated to the public trust, it may be referred to another agency for internal processing.

- Administrative Investigation – When the IG determines that a formal agency investigation, 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 law enforcement authority and/or referred to prosecutorial authorities for an initial opinion and eventual prosecution.
- 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 responsible OIG Agent 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 published on the OIG webpage and is available in hard copy upon request. During FY 2016, five final reports were completed with associated public synopses published on the OIG website. In addition, 28 memorandum reports and other products were disseminated to agency heads, the Mayor and the City Council.

### **Case Prioritization**

To maximize staff utilization and productivity, the OIG tries to direct its focus to the highest priority matters. The OIG utilizes an alphabetic index to designate cases with “A” being the highest priority and “B” or “C” designating lesser priority cases.

### **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 multi-year cycles. For OIG annual reports, a three-year cycle is utilized for comparison purposes. Table #1, below shows commonly used acronyms that will be used throughout the data comparisons in this report.



<b>Table #1. List of Common Acronyms Used</b>	
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	PABC - Parking Authority of Baltimore City
MTE - Municipal Telephone Exchange	BCCC – Baltimore City Convention Center
BLLC – Board of Liquor License Commissioners	MOHS – Mayor's Office of Human Services

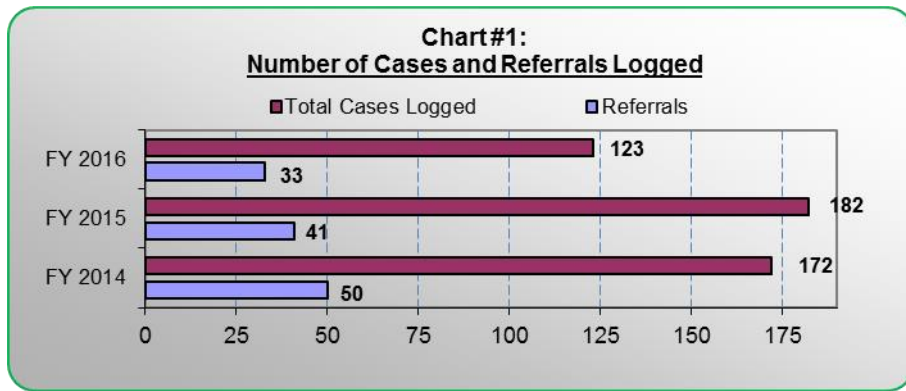
Also relevant to getting the most from the data below is recognizing the difference between a “case,” a “referral” and an “investigation.”

- 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 represents the majority of the OIG staff's time and effort.

#### Number of Cases and Referrals Logged

Chart #1 reflects a 32 percent decrease in new cases logged from 182 in FY 2015 to 123 in FY 2016. The OIG has undertaken a conscious effort to accelerate case throughput and focus limited resources on higher priority matters. During FY 2016, the OIG also stopped logging new worker's compensation and disability cases pending the receipt of additional staffing. Fifty of these cases were open as of the end of FY 2016. A new hire will be entering duty toward the end of the first quarter of FY 2017, doubling the staff dedicated to worker's compensation and disability matters.

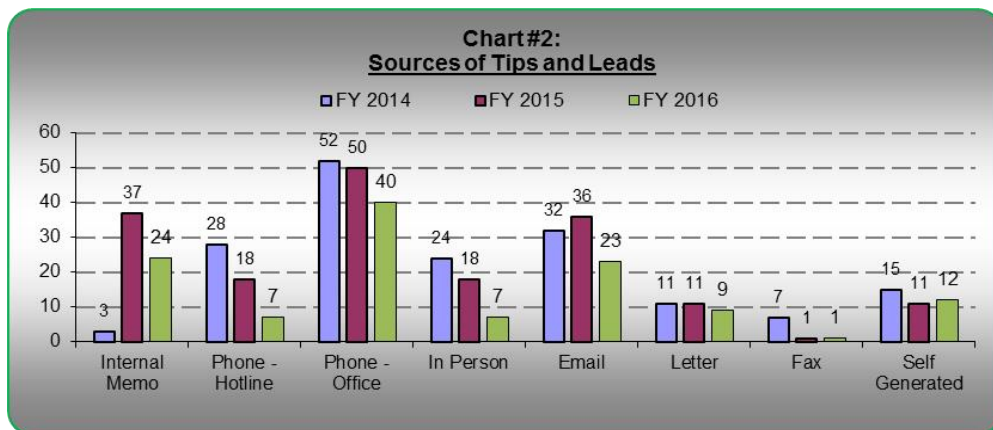
Referrals were down by 20 percent from 41 to 33. The decrease in referrals could be an indication of an increase in quality and relativity of incoming complaints. The OIG has traditionally received a large percentage of complaints of a Human Resources (HR) nature. Rather than logging these as case intakes and subsequently referring them to various HR elements, the OIG is now urging callers to contact their HR offices directly.



Number of Tips or Leads Developed From all Sources

The OIG understands that the ability to be effective is directly tied to the ability to generate information. The OIG has increased outreach efforts to City employees, vendors, and the public. The process of logging all incoming tips from these sources allows the OIG to track the information across several areas, including the method of communication.

Chart #2 shows that most categories were down in proportion to the overall decrease in new tips and leads. Letter complaints remained relatively constant and self-generated work was up slightly. Direct office phone complaints continue to be the primary source of new cases.



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 7:30am to 5:00pm with phone calls going to voicemail after-hours and on weekends. In the coming year, the OIG will continue efforts to increase awareness 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 new cases by source department, agency or office for the three most recent reporting cycles. DPW and DOT continued to represent a significant presence among OIG cases, with steady increases over the 3-year period. DPW and DOT combined represented 39 percent of new cases received during FY 2016. There were marked increases in BPD and BCFD cases for FY 2015 due to the new emphasis on worker's compensation and disability fraud. The OIG cut back on logging new worker's compensation and disability fraud cases during FY 2016 due to a large unaddressed backlog. With an additional agent position working these matters in FY 2017, progress should begin in addressing the backlog.

The "Other" category includes Environmental Control Board, Sheriff's Department, Baltimore City Public Schools System, Office of Comptroller, Municipal Telephone Exchange, City Council, the Courts, and city-wide matters.

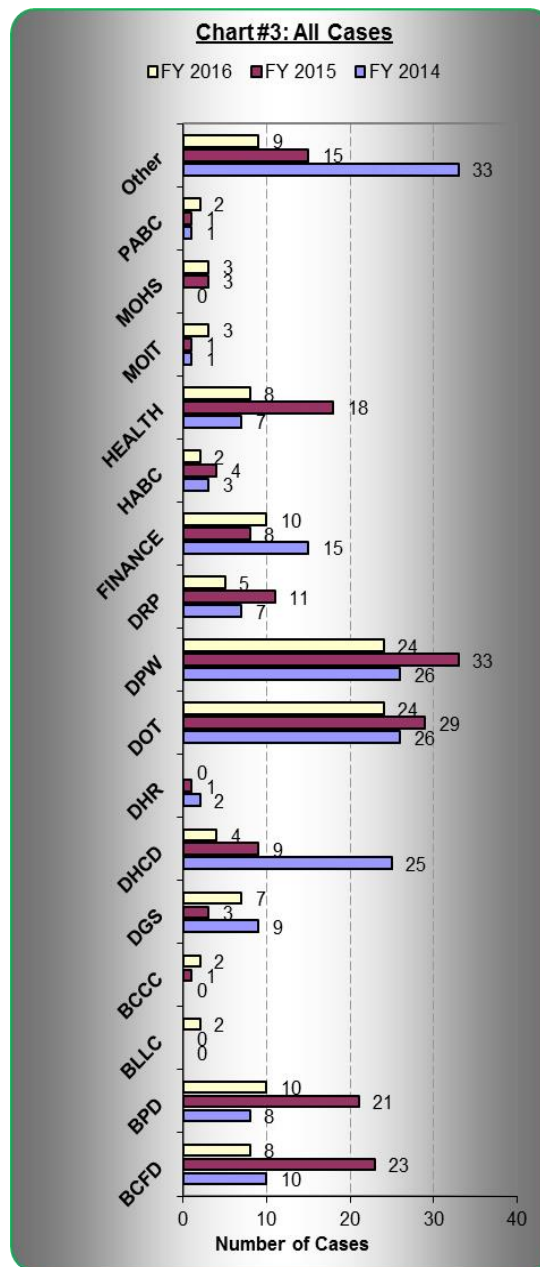
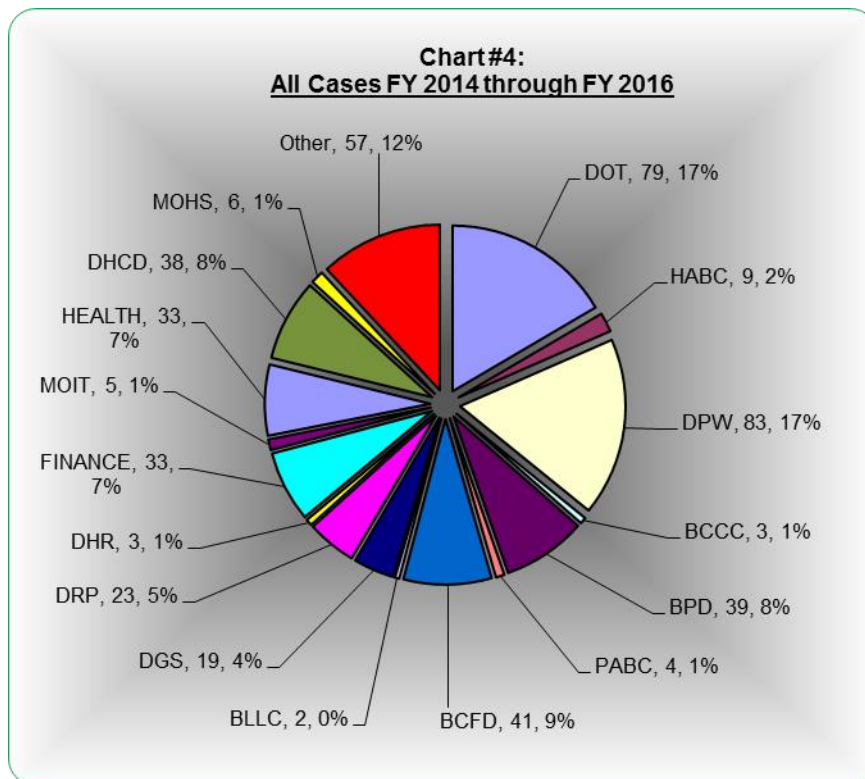


Chart #4 examines the percentage of cases by department across the combined three-year reporting cycle. This metric softens short-term spikes in activity and provides a more comparable data set. DPW and DOT are the largest source of cases at approximately 17 percent each. BCFD is third with nine percent of cases and BPD fourth with eight percent. Those four departments made up over half of all OIG cases over the three-year period.



The OIG recognizes that outside factors can influence the number of cases and referrals related to a specific agency. DPW, DOT, and BPD/BCFD have each funded one OIG position, so significant effort is dedicated to their operations and some proactive efforts have been initiated. This increased level of engagement is expected to lead to increased case statistics. It is anticipated that, as additional MOU positions are filled, those participating agencies' statistics will also increase.

### **Selected Case Summaries**

The following synopses reflect examples of the most significant work the OIG has completed during this reporting cycle.

#### **2012-X001**

This investigation, originally reported in the 2015 Annual Report, was worked jointly with the U.S. Attorney's Office, Federal Bureau of Investigation, Internal Revenue Service, and the Maryland State Police. The investigation involved six DPW employees and six commercial trash haulers who allegedly conspired to defraud the City through two schemes involving the operations of DPW waste management services. The first scheme involved trash haulers that allegedly paid bribes to landfill employees in exchange for not being charged dumping fees over a period of fourteen years. This scheme resulted in a loss to the City of

approximately \$6,000,000. The second scheme involved four DPW employees who over a period of nine years, allegedly used their positions to engage in a private enterprise for personal gain by selling scrap metal dumped at Baltimore City trash collection sites which the City of Baltimore would have sold, at a profit. This scheme resulted in a loss to the City of approximately \$1,000,000.

As of the end of FY 2016, five of the six DPW employees had pled guilty. Three of the five had been sentenced to prison terms between 24 months and 78 months with some followed by up to three years of probation. The three were also ordered to make restitution in amounts ranging from \$400,000 to \$6 Million.

All of the six trash haulers had either pled or been found guilty. All but two had received sentences consisting of imprisonment of between 12 and 36 months, some followed with up to three years of probation. In addition, the four trash haulers sentenced to date were also been ordered to make restitution in the amounts of between \$180,000 and \$900,000.

#### 2013-0141

This investigation, worked jointly with the Baltimore City State's Attorney's Office, was based on a tip regarding contract management issues within the Mayor's Office of Information Technology (MOIT). The OIG determined that Investment Management Enterprise (IME), an information technology contractor, submitted fraudulent timesheets to the City of Baltimore for the purpose of receiving additional payment for fictitious hours attributed to two IME subcontractors. By inflating the two subcontractor's hours worked, IME improperly benefitted by receiving overpayments totaling approximately \$165,520 during the period of January 1, 2013 through January 15, 2014. In February 2016, IME as a corporate entity, pled guilty to one count of theft greater than \$100,000. IME was sentenced to three months of probation and ordered to pay restitution of \$165,520 to the City of Baltimore. The investigation did not result in criminal charges against any City personnel.

#### 2014-0338

This evaluation reviewed the preservation, protection and maintenance of public art located on campuses and within buildings of various Baltimore City Public Schools. Since 1964, the City of Baltimore has added almost 400 artworks to its permanent collection. Of these 400 artworks, approximately 200, including 50 sculptures, were commissioned for Baltimore's public school campuses or adjoining recreation centers pursuant to legislation setting aside at least one percent of capital construction costs for artwork.

The OIG initiated this evaluation after being informed that several surveys had identified a significant number of pieces of art at various public schools that were either missing, discarded, or in various stages of disrepair. The OIG evaluation focused primarily on 12 pieces of missing or discarded artwork (primarily



sculptures) that were originally commissioned for approximately \$258,000. Subsequent to completion of this evaluation, an inventory of all public art commissioned for Baltimore City Public Schools identified a significant number of additional missing or discarded artworks.

The OIG made recommendations to help ensure that accountability for identifying, protecting and properly maintaining all public art displayed at city schools is assigned to the appropriate city agency/personnel, and that procedures are put in place clearly identifying the steps to be taken to promptly report missing artworks to the proper authorities. Prompt action by city officials to fully identify and protect the artwork located at schools is particularly important in light of the 10-year plan to modernize the school system's buildings through new construction, renovations, relocations and closures. Management at the responsible City agencies agreed with the recommendations and has planned responsive corrective actions.

#### 2014-0349

The Office of Inspector General (OIG) conducted an evaluation of accountability over parking passes issued to city departments and agencies by the Parking Authority of Baltimore City (PABC). The evaluation was initiated after information obtained as part of an investigation indicated that controls over parking passes could be strengthened.

The OIG found that accountability over parking passes issued to city departments and agencies by the PABC needs strengthening. We identified several weaknesses and inconsistencies with respect to control over the assignment, termination and use of parking passes. In addition, parking account records for individuals did not always reflect current information such as the parking pass holder's name, agency, and parking location. These inconsistencies and subsequent inquiries by the OIG to improve controls resulted in a total of 49 parking passes being cancelled or deactivated at a total potential annual savings of up to \$80,000. Further, we identified that 29 additional parking passes assigned to either un-named or unknown individuals at one city agency could provide additional annual savings of up to \$44,000. The evaluation also resulted in the PABC updating parking records for 144 individual accounts.

The OIG made recommendations to further strengthen accountability over parking passes issued to city departments and agencies by the PABC. Management agreed with the recommendations and has taken responsive corrective actions.

#### 2014-0417

An OIG investigation revealed that a BPD officer falsified injuries associated with a questionable line-of-duty injury. Based on information from a witness, the

Suspect stated they would “get injured” if not assigned to their preferred duty position. The officer was not assigned to that position and was subsequently “injured” on duty. They sought lifetime disability pension benefits with the Fire & Police Employees’ Retirement System. Soon after the OIG’s successes in OIG case numbers 2013-0212 and 2014-0328, the Suspect in 2014-0417 withdrew their application for disability pension benefits. By withdrawing the application, the suspect cannot re-file for disability benefits and has waived any ability to do so. The estimated savings associated with this denial over their expected lifespan has a present value of approximately \$989,660.

#### 2015-0445

This investigation stemmed from a complaint advising that a window air conditioner was stolen from a porch in the back of a home by a city DPW Solid Waste employee. The home owner had a surveillance camera system on the property in operation 24/7 with numerous signs providing notice that the property was under surveillance. The camera system captured footage of a DPW employee entering the yard, removing the air conditioner and placing it in the rear of a DPW Rear Load Packer truck. The OIG, in concert with BPD, conducted an investigation and all three employees on the crew were charged criminally. The employee who took the air conditioner eventually pled guilty and received probation before judgment; 18 months supervised probation; a \$250 fine plus court costs and was ordered to make restitution to the victim in the amount of \$200. In addition, this employee was terminated from city employment. The other two employees on the crew were not prosecuted and have returned to work.

#### 2015-0492

This investigation began with information provided by Department of Transportation (DOT) management and concerned an unauthorized \$10 processing fee per vehicle that was being charged by the auctioneer at the City’s Unclaimed Vehicle Auctions, which take place at 6700 Pulaski Highway. The OIG determined that the Auctioneer had been charging processing fees from January 2015 to September 2015 during which time 5,039 vehicles were sold at the City’s Auction resulting in a total of \$50,390 in unauthorized fees charged to auction participants. The results were referred to the Bureau of Purchases (BOP), which issued a letter to the auctioneer notifying them that they were in default of a material term of the contract. Currently, the City and the auctioneer are working to reach a resolution regarding the repayment of unauthorized fees to auction participants.

#### 2015-0513

An OIG investigation revealed that Psychology Consultants Associated, P.A. (PCA) did not comply with its contract which required that pre-employment

mental examinations of prospective police officers last a minimum of one hour. In total, the OIG interviewed 92 BPD Officers and Trainees, or approximately 32 percent of the 286 candidates entering BPD employment between April 2013 and June 2015. Of the sample of 92 Officers and Trainees interviewed, a total of 68 (74 percent) had pre-employment mental examinations that lasted from zero to 30 minutes, or significantly less than the contract-required one hour. As a result of not complying with contractual requirements, PCA has caused the City an estimated loss in excess of \$29,000. The OIG recommended that the Baltimore City Law Department consider a potential breach of contract for which the City may be entitled to file for civil recovery against PCA. The OIG also recommended that the BPD consult with a recognized independent law enforcement expert to determine the appropriate duration for pre-hire mental examinations. The OIG additionally recommended that the BPD ensure that adequate contract administration policies and procedures are in place to enforce all contract terms. Management agreed with the OIG's recommendations.

#### 2015-0534

An OIG investigation revealed that a BPD officer pursued a claim with the Workers' Compensation Commission (WCC) against the city for a permanent disability subsequent to an alleged line-of-duty knee injury. At the WCC hearing on this matter, the Suspect testified under oath that they could not play baseball in any capacity. Counsel for the City submitted video evidence of the Suspect playing baseball during the relevant time period. The WCC entered an order disallowing the Suspect's claim to permanency. The Suspect also sought lifetime disability pension benefits with the Fire & Police Employees' Retirement System. Soon after the OIG's successes in OIG case numbers 2013-0212 and 2014-0328, the Suspect in 2015-0534 withdrew their application for disability pension benefits. By withdrawing the application, the Suspect cannot re-file for disability benefits in this matter and has waived any ability to do so. The estimated savings associated with this denial over their expected lifespan has a present value of approximately \$1,096,298.

#### 2015-0552

This investigation stemmed from notification from the City's Chief Information Security Officer (CISO) that a DPW employee was discovered to have an excessive amount of webpage blocks popping up on their city computer. The OIG investigation determined this employee was continually viewing pornographic material on their city computer. The employee's computer was monitored for a two week period. It was revealed that the employee documented his time worked as a normal 73.20 hours but in actuality spent 94 hours and 18 minutes signed into his computer. The investigation determined that during this 94 hour and 18 minute monitored work period, the employee spent 75 hours and 57 minutes surfing pornographic sites, viewing pornographic photos, saving explicit photos to their City computer and then subsequently categorizing and

saving each photo to an external disk. During the two week period, the employee spent only 4 hours and 31 minutes conducting City business. At the employee's hourly rate of \$31.50, the employee received an overpayment in the amount of \$2,162.17. By annualizing the data this activity would have cost the City approximately \$56,216.42 during the year. The employee was immediately suspended without pay and was ultimately terminated from City employment.

#### 2015-0599

This investigation, worked jointly with the Baltimore City Police Department, began with information provided from DOT management and involved concerns of inappropriate actions taken by an employee at the City Tow Yard located at 6700 Pulaski Highway. The OIG determined that the city employee deceived a citizen into signing over the title to the citizen's vehicle and subsequently sold the vehicle to a local scrap yard for cash proceeds. In January 2016, the employee was terminated by DOT following an administrative investigation. In June 2016, the former employee was indicted on one count of theft between \$1,000 and \$10,000. It should be noted that an individual charged by indictment is presumed innocent unless and until proven guilty at some later criminal proceedings.

#### 2016-0640

This investigation stemmed from an internal referral that a Department of Finance employee was viewing pornographic material on their City-owned computer. The employee's computer was monitored for a four week period. During the 144 hours of work monitored, the employee viewed approximately 16 hours of pornographic material on their City-owned computer. At an hourly rate of \$27.94, the employee was paid \$447 for which no work was performed. By annualizing the data gathered during the four week monitoring period, pornographic material could have been visible on the employee's computer for 208 hours which would have cost the City approximately \$5,811 during the year, an estimate the OIG considers conservative based on other information gathered. The employee was terminated in May 2016.

#### 2016-0653

This investigation stemmed from an anonymous tip from a City resident who reported seeing a box truck backed up to the rear of, and unloading into, a DPW Solid Waste truck. This activity took place at the end of a residential street out of the sight of normal traffic or pedestrians. The caller provided the City truck number and stated this same activity had taken place numerous times in the past. The caller agreed to contact the OIG immediately upon seeing additional activity. The next day the anonymous caller contacted the OIG and Agents quickly responded to catch the activity in progress. Photos and video of the activity were taken. OIG Agents obtained the identity of the two City employees

on the Rear Load Packer, but the box truck fled the scene immediately. Examination of the trash that was offloaded to the Rear Load Packer revealed that it originated from Prince George's County and appeared to have been from a home or storage cleanout. Further investigation determined that the Rear Load Packer had visited the same unauthorized location 13 times during the month of June 2016. Based on the 8.5 ton capacity of the Rear Load Packer, times the city's landfill tipping fee of \$67.50 per ton, times 13 loads; the scheme cost the city to lose revenue in the amount of \$7,458.75 for the month of June, 2016. Both City employees were ultimately terminated from City employment.

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

The OIG Self-Reporting Program provides meaningful incentives to those who 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 FY 2016.

The Rewards Program is designed to encourage the reporting of actionable information with monetary rewards to those who are willing to come forward. Pursuant to City policy, complainants bringing new information forward that results in a monetary recovery and/or prosecution may be eligible for rewards up to 10 percent of all funds recovered, with no cap. In the event of a successful prosecution where there is no associated recovery, any reward assessed is limited to no more than \$5,000.

During FY 2016, no rewards were paid. However, at least two new cases were opened which may result in the payment of rewards during FY 2017. Frequently, there are timing differences between case resolution and reward payout that can span multiple reporting periods.

### **Investigative Caseload**

This workload assessment compares the available Investigative Work Years (IWY) to the total cases processed. Chart #5 reflects the average number of cases processed per IWY annually across the three most recent reporting periods.

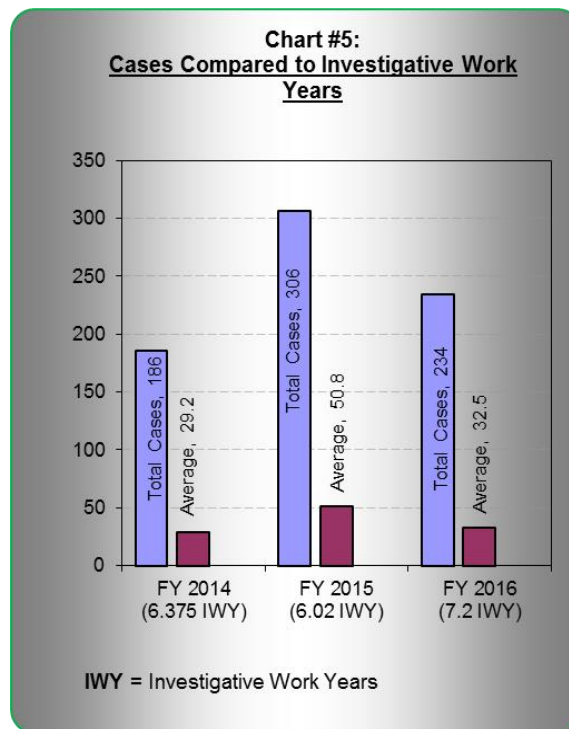


Chart #5 reflects that cases processed declined from 306 cases in FY 2015 to 234 cases in FY 2016, a 24 percent decrease. This decrease was due primarily to ceasing the entering of new worker's compensation cases and by directly referring human resources matters as previously discussed. Because of position vacancies, a total of 7.2 IWY was available in FY 2016 out of the eight authorized investigative positions. The result was an average caseload of 32.5 cases per IWY. It should be noted that the Inspector General, Lead Agent, and Evaluations Manager also work cases and their positions are included in the calculation of IWY. The OIG continues to hold that caseloads in excess of 25 per IWY are at an unhealthy level. Many of the cases the OIG investigates are complex matters involving multiple interviews, the review of numerous documents, and time consuming analysis. If the case is of a criminal nature and prosecution is pursued, these cases can frequently take more than a year to complete. Excessive case load may result in either a reduction in thoroughness or an inordinate investigative time period.

During FY 2016, significant Agent time was dedicated to two notable cases that involved criminal prosecution. The first case, 2012-X001, involving corruption at the Quarantine Road Landfill, was worked jointly with federal and state law enforcement agencies and the United States Attorney's office. Five city employees, and six trash haulers were indicted in June 2015. An additional city employee has been indicted and is scheduled for sentencing in FY 2017. During FY 2016, several agent-months were spent supporting the prosecutions with data analysis and witness preparation.



The second case, 2013-0141, involved fraudulent timesheets submitted to the Mayor's Office of Information Technology by Investment Management Enterprise (IME). This case required subpoenas of bank records and the tracking of transactions through multiple entities. Several agent-months were spent supporting the State's Attorney's Office with this successful prosecution and recovery of funds.

Worker's compensation and disability fraud cases remain a high priority within the OIG. Although they are document-intensive, the potential payoff in savings and recoveries is substantial. Each disability pension denied as a result of discovered fraud can save as much as \$1 million in future year's payouts. One agent was dedicated to this initiative during FY 2016 but an additional agent was approved in the FY 2017 budget.

Notwithstanding the large caseload, the OIG is appreciative of the staffing increases it has received thanks to support from the Mayor and her leadership team as well as the City Council.

### **Performance Measures**

The City is now in its fifth 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 FY 2011 process, the OIG developed performance measures in several areas and instituted internal systems to capture the data necessary to track information. The OIG performance measures have evolved over the past few years in an attempt to provide meaningful outcomes rather than outputs. These performance measures include:

- 1) Number of prosecutorial actions by State and Federal authorities;
- 2) Percent of recommendations accepted;
- 3) Amount of annual waste identified and reported on in dollars;
- 4) Amount saved and recovered due to investigations.

### **Number of Prosecutorial Actions**

Many OIG cases involve criminal activity that is brought to the Office of State's Attorney or United States Attorney for prosecution. Successful prosecutions act as a deterrent to other city employees or contractors who may have considered similar behavior. Prosecution can also result in recovery of funds when court-ordered restitution is included at sentencing. During FY 2016, a number of cases

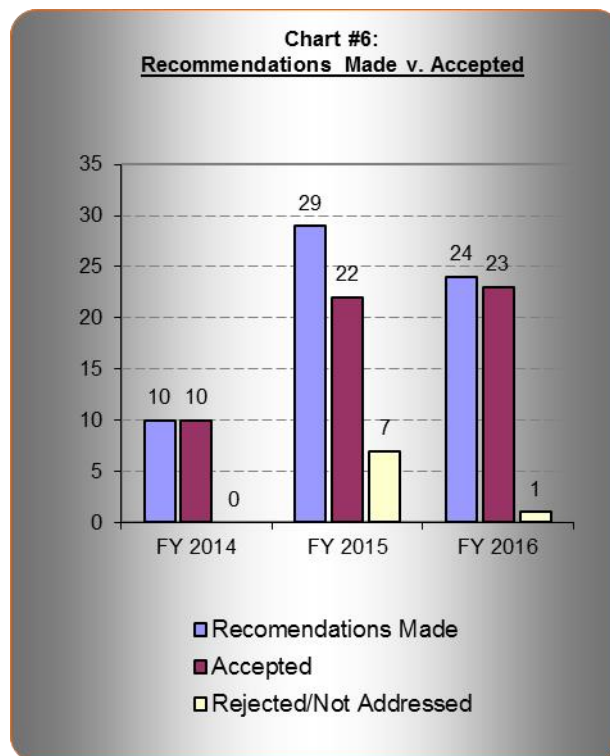
came to resolution with prosecutorial actions. The Quarantine Road Landfill case, 2012-X001, was a multi-year, multi-agency cooperative effort. Ten prosecutorial actions occurred during FY 2016 on this case. A number of actions were pending at year end including three sentencing hearings and one trial which will come to fruition during FY 2017. The Investment Management Enterprise (IME) case, 2013-0141, concluded with IME pleading guilty to one count of theft greater than \$10,000 in connection with contract overbilling to the Mayor's Office of Information Technology. The corporation was sentenced to 3 months of probation and ordered to pay \$165,520 in restitution. Both of these cases are examples of the multi-year span of major criminal cases, resulting in year-over-year spikes in case statistics.

<b>FY 2016 Prosecutorial Actions</b>					
<b>CASE</b>	<b>SUBJECT</b>	<b>TITLE</b>	<b>DATE</b>	<b>SENTENCE</b>	<b>RESTITUTION</b>
2012-X001	William Nemece, Sr.	DPW Supervisor	Pled Guilty 2/3/16	78 months in Prison	\$6,000,000
2012-X001	Jarrold Terrell Hazelton	DPW employee	Pled Guilty 11/25/15	2 years in Prison 3 yrs. Probation	\$400,000
2012-X001	Michael Theodore Bennett	DPW employee	Pled Guilty 8/3/15	48 months in Prison	\$400,000
2012-X001	Latonya Drinkard	DPW employee	Guilty	To Be Determined	TBD
2012-X001	Adam Williams, Jr.	Trash Hauler	Pled Guilty 7/17/15	12 months in Prison 2 yrs. Community Confinement	\$900,000
2012-X001	Mustafa Sharif	Trash Hauler	Pled Guilty 7/21/15	To Be Determined	TBD
2012-X001	Larry Lowry	Trash Hauler	Pled Guilty 9/18/15	30 months in Prison	\$180,000
2012-X001	Quentin Turgot Glenn	Trash Hauler	Pled Guilty 11/2/15	3 years in Prison 3 yrs. Probation	\$306,000
2012-X001	Jessie Lee Wilson	Truck Driver	Pled Guilty 10/30/15	3 yrs. Probation 1 yr. Community Confinement	none
2012-X001	John Howard Brady	Trash Hauler	Convicted at trial 11/19/15	To Be Determined	TBD
2013-0141	Investment Management Enterprise	Corporation	Pled Guilty 2/3/15	3 month Probation Before Judgement	\$165,520
					\$8,351,520.00

## Percent of Recommendations Accepted

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 direct recommendations on personnel actions or disciplinary decisions but makes sure to provide sufficient basis upon which agency management can make those decisions. The OIG target for Percent of Recommendations Accepted was 90 percent for FY 2016.

Chart #6 reflects that OIG recommendations have continued to experience a high degree of acceptance with a rate of 96 percent over FY 2016. Although the number of recommendations was slightly down from FY 2015, the number and percentage of recommendations accepted was up. The OIG continues to receive good feedback from agencies and departments working to strengthen internal controls.



Departments and agencies receiving recommendations 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 tools 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.

Amount of Waste Identified

Waste is usually identified as a result of OIG Evaluations that assess City policies and procedures. However, reactive investigations also frequently identify losses due to misfeasance that are not recoverable. For FY 2016, the OIG target for Waste Identified was \$1,500,000. The OIG was unable to meet this target as two major evaluations were unable to be concluded during the fiscal year.

Total waste identified during FY 2016 was \$531,506.00. FY 2016 waste identified is displayed in the following table:

<b>Waste Identified During FY 2016</b>		
Case Number	Description	Amount of Waste
2014-0349	Unused parking passes	\$124,000
2014-0338	Unaccountable Artworks	\$258,000
2015-0492	Unauthorized Auction Fees	\$50,390
2015-0513	Contract Non-performance	\$29,630
2015-0552	Misuse of City Computer	\$56,216
2015-0640	Misuse of City Computer	\$5,811
2016-0653	Lost Landfill Fees	\$7,459
<b>Total Waste</b>		<b>\$531,506.00</b>

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, the OIG will also note those matters where efforts are ongoing to make recoveries from individuals who have been identified.

For FY 2016, the OIG savings and recoveries target was \$750,000. The OIG exceeded this target by over 1000 percent with a total of \$8,351,520. Compared to its total budget with reimbursements of \$1,069,748, the OIG provided the City with a significant return on investment of 681 percent. 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. The following table details the individual cases representing the savings and recoveries achieved during this reporting period. The OIG is not claiming

savings for two disability retirement applications that were withdrawn subsequent to other disability investigations because a direct link cannot be demonstrated.

<b>FY 2016 Savings and Recoveries</b>			
<b>CASE</b>	<b>TITLE</b>	<b>DESCRIPTION</b>	<b>AMOUNT</b>
2012-X001	Quarantine Road Landfill	Court-Ordered Restitution	\$8,240,000
2013-0141	Investment Management Enterprise	Court-Ordered Restitution	\$165,520
2014-0349	Parking Pass Matchup	Canceled Parking Passes	\$124,000
<b>TOTAL</b>			<b>\$8,529,520.00</b>

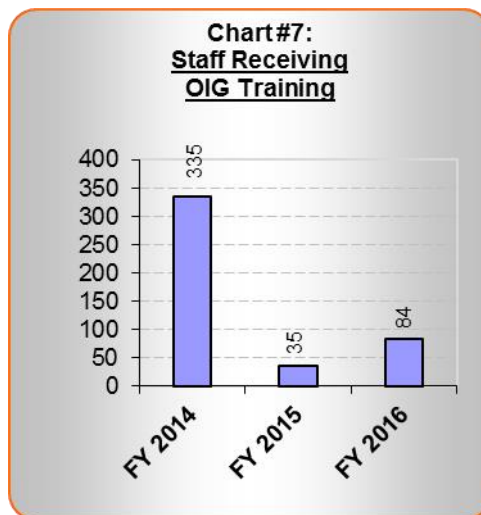
It should be noted that the worker's compensation and disability pension area has the potential to reap substantial savings and recoveries going forward and the OIG will seek to increase its investment in this area.

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

Pursuant to the 2005 Executive Order, the OIG is tasked with "providing information to City employees about the identification and prevention of fraud, waste and abuse of office in City government." In past years, in partnership with the City's Department of Human Resources, the OIG provided training and guidance to City employees on fraud, waste and abuse of resources as well as the underlying ethics needed to report such behaviors. Instruction was given to all new employees upon hire, and existing employees that had been promoted to supervisory positions. The goal was to help employees identify possible violations within City Government, and be comfortable with reporting it to the OIG (either openly or confidentially).

Although regularly scheduled training talks ceased in 2013, the intent is to work to restore these efforts. In the interim, the OIG has conducted *ad hoc* talks and briefings to staff when the opportunity has arisen. Additionally, OIG Agents with a particular department or subject-matter focus, have presented to management and staff during a number of meetings and visits to facilities.

Chart #7 reflects the number of staff receiving OIG training over the three most recent reporting periods.



During FY 2016, the OIG provided training/orientation, in various formats, to a total of 84 employees. This increase over FY 2015 reflects an increased emphasis on outreach. The OIG hopes to increase these opportunities in FY 2017 and beyond.

### **Goals for the FY 2017 Reporting Period**

During FY 2017, the Program Evaluation function will continue to look at broader systems and program issues to identify waste and implement management enhancements. The prevalence of repeat incidents of fraud, waste, and abuse has been an indicator of the presence of significant internal control weaknesses. Potentially vulnerable operations will be selected for intense review of processes and procedures with an emphasis on strengthening internal controls.

Staffing issues are the most significant element in the OIG's ability to advance its 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 staffing and provide increased levels of review where desired.

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 increased efforts to visit, and distribute fraud Hotline posters to City offices and work spaces.

The OIG looks forward to working with the Mayor, the City Council, and the Law Department 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, 2016)

Robert H. Pearre, Jr., Inspector General  
VACANT, Lead Agent  
Kevin Carson, Manager of Program Evaluation  
Michael Bruns, Agent  
Lindsay Cooper, Agent  
Peter Flack, Agent  
Stephen Lesniewski, Agent  
Joyce Graves, Special Assistant

**Mailing Address**

Office of the Inspector General  
City Hall  
100 N. Holliday Street, Suite 640  
Baltimore, Maryland 21202

**Contact us at:**

Hotline: 1-800-417-0430  
Office Phone: 443-984-3690  
Fax: 410-837-1033  
Email: [OIG@baltimorecity.gov](mailto:OIG@baltimorecity.gov)  
Twitter: [Twitter@OIG\\_Baltimore](https://twitter.com/OIG_Baltimore)

<http://www.baltimorecity.gov/Government/AgenciesDepartments/InspectorGeneral.aspx>