

OFFICE OF INSPECTOR GENERAL ANNUAL REPORT

2006



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**2006 Annual Report of the Inspector General, City of Baltimore
reporting year ending September 1, 2006**

From the Inspector General

September 1, 2006



To the Citizens and Honorable Leaders of Baltimore:

It is my privilege to present the first Annual Report of the Office of Inspector General (OIG). This report highlights significant accomplishments and activities of the OIG from August 2005 through August 2006, and outlines our goals and objectives going forward.

When the OIG was created through executive order one year ago, the City of Baltimore formally recognized a new voice for the values of accountability, efficiency, and integrity within City government. Inspectors General have a longstanding tradition of upholding these values, most notably since the Inspector General Act of 1978, which created a system of independent and objective OIGs in the federal government. Today, OIGs have proliferated through state and local governments across the nation, and Baltimore is one of the newest beneficiaries of this important tradition. Like our sister OIGs, the City of Baltimore OIG adheres to the highest standards in order to independently and objectively investigate or review fraud, waste, or abuse in City activities.

This was a busy and interesting first year. In addition to receiving many allegations of fraud, waste, or abuse, and conducting several investigations, much of the year was spent procuring the basic necessities to run the office. I acquired space and equipment, and hired several dedicated and experienced professionals after interviewing an encouraging number of qualified applicants. While the OIG has much to do to achieve full capacity, over the coming year we are well positioned to expand our outreach, expand our investigations and reviews, and begin establishing our office as a national leader.

Since my appointment, I have gained an appreciation for the many and diverse complexities surrounding City agencies and operations in Baltimore. I believe the City's leaders are focused on making improvements that are in the best interest of the citizens. I look forward to not only working with the Mayor and his staff, but also the City Council, Comptroller, City agencies, State Senators and Delegates, and community groups to help ensure Baltimore remains one of the greatest cities in America.

A handwritten signature in cursive script that reads "Andrew S. Clemmons".

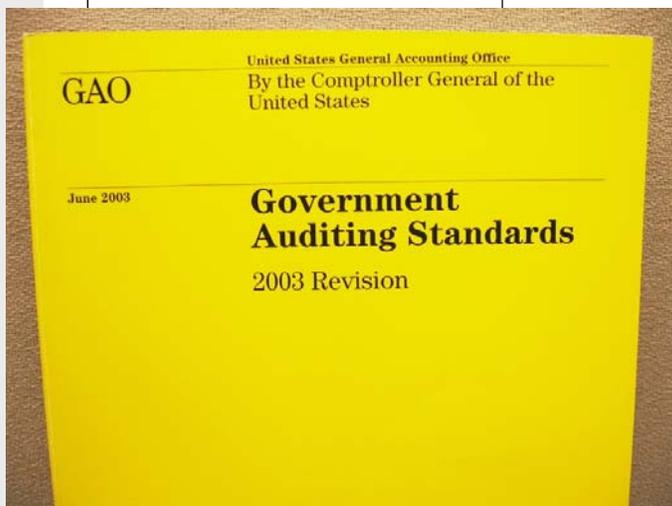
Andrew S. Clemmons
Inspector General



Association of Inspectors GeneralSM
Historic Carpenters' Hall
320 Chestnut Street
Philadelphia, PA 19106

PRINCIPLES AND STANDARDS FOR OFFICES OF INSPECTOR GENERAL

- ◆ Statement of Principles
- ◆ Quality Standards for Offices
- ◆ Quality Standards for Investigations
- ◆ Quality Standards for Inspections, Evaluations, and Reviews
- ◆ Quality Standards for Audits



May 2004

The City of Baltimore OIG adheres to the highest standards in order to independently and objectively investigate or review fraud, waste, or abuse in City activities.

Source: Association of Inspectors General and OIG photo of GAO *Government Auditing Standards*.

Mission & Core Values

The Office of Inspector General exists to improve City government for the benefit of the citizens of Baltimore. We actively seek cases of fraud, waste, and abuse in order to prevent their recurrence, help the City achieve better results from limited resources, and promote public trust in City government. The values of *accountability*, *efficiency*, and *integrity* govern our work, and our expectations for the work of other City agencies and public servants.

Accountability

We will investigate and review City operations, hold public servants to account for their activities, and help assure City resources are used toward the best interest of the citizens of Baltimore.

Efficiency

We seek to promote economy, efficiency, and effectiveness in the management of City activities and programs in order to help the City achieve better results from limited resources.

Integrity

We set high standards for our professional conduct and are committed to remaining fact-based and objective when conducting investigations or reviews. The results of our work - our findings, conclusions, and recommendations- reflect our commitment.

Responsibilities & Duties

Investigation and Review Coverage

The City of Baltimore's Office of Inspector General was penned into existence July 27, 2005 by Executive Order.¹ We were given the responsibility to promote the values of accountability, efficiency, and integrity in all aspects of City government, and to investigate cases of fraud, waste, and abuse in City activities. To carry out these responsibilities, the OIG may conduct informal and formal investigations or reviews involving:

- Any City employee;
- Any municipal officer, including all heads of City departments, agencies, bureaus and authorities and all persons exercising comparable authority;
- Any member of a City board or commission;
- Any individual, organization, or business receiving City-granted funds or other benefits, including, but not limited to, loans, grants, tax credits, below market rate property transfers, tax increment financing, payment in lieu of taxes, or other City subsidies of any kind;
- Any individual, organization, or business providing goods or services to the City pursuant to a City contract; or
- Any individual, organization, or business seeking certification of eligibility to provide goods or services to the City pursuant to a contract.

Partnering with Other City Entities

Successful investigations and reviews can be facilitated with timely access to documents or other evidence, and constructive relationships with other City agencies. The Executive Order establishing the OIG states that all municipal officers and City employees have a duty to promptly provide to the OIG all requested documentation in connection with a formal investigation. Likewise, the OIG is committed to reaching out and building public awareness of the role of the office, and appropriate ways to work with the OIG. Providing information to City employees about the identification and prevention of fraud, waste, and abuse of City resources can help the OIG to expand the base from which to compile complaints, collect evidence, and carry out our mission.

Recommendations, Reporting, and Referrals

Recommendations flowing from the findings and conclusions of our investigations or reviews provide the cornerstone of our ability to affect change in City government. It is our responsibility to make recommendations to appropriate officials if the

¹ For more information, see www.ci.baltimore.md.us/government/inspectorgeneral.

implementation of the recommendations would promote accountability, efficiency, and integrity in City government.

Reporting on the activities and results of the OIG helps the citizens and elected leaders of Baltimore hold the OIG and other City agencies accountable. The OIG is committed to reporting to the public in two key ways. First, we will publish, or make publicly available, summaries of reviews and selected investigations. Second, we are committed to transmitting annually - by September 1 - an annual report discussing in detail the activities and accomplishments of the OIG over the reporting year. Our annual report will include a foresight-related section outlining our strategies for the upcoming year.

In some cases the OIG will refer complaints of fraud, waste, or abuse to federal, state, or local agencies having jurisdiction to investigate the complaint. In these instances, the OIG will monitor the complaint for appropriate follow-up and resolution.

Accomplishments

This year marked the first year of existence for the City of Baltimore OIG. Accordingly, we put considerable effort toward developing the infrastructure necessary for us to carry out our mission. We developed a website to begin our outreach efforts with the citizens and public servants of Baltimore. We hired several qualified staff with diverse backgrounds. And, we began a tracking system to help us manage our workload. Importantly, we also put considerable effort toward executing our mission of detecting fraud, waste, and abuse in City government. We worked over 70 allegations, many of which have already provided tangible results for the City.

Developing the Infrastructure to Carry Out our Mission

Communicating our Role and Responsibilities

Early on we partnered with the Mayor's Office of Information Technology (MOIT) to develop our website in order to communicate our role and responsibilities, and how to contact the OIG. The website is one of the quickest ways to reach the greatest number of citizens and public servants in Baltimore, and one of the quickest ways to reach the OIG. We provide information about the intent and duties of the OIG, and frequently asked questions about the OIG. In addition, we detail the reasons for and the various means to contact the OIG, including phone, fax, and e-mail. Visit us at: www.ci.baltimore.md.us/government/inspectorgeneral

Hired Qualified Staff with Diverse Backgrounds

Adding qualified, competent staff is critical to carrying out the mission of the OIG. In July of this year we were able to add a Special Assistant, an Agent, and an Evaluator to the OIG, bringing the total staff to four persons, including the Inspector General. By maximizing the depth and breadth of experience brought to the OIG, we will be able to maximize the OIG's value to the City of Baltimore. Combined, we added over 100 years of governmental experience, including over 60 years in professional investigations and reviews. We also added a range of knowledge and skills to our talent base, from graduate education in public financial administration to certification in firearms instruction. Our collective expertise ranges from investigating electronic crimes to performance reviews of resources and results linkages. In short, the people we acquired will prove to be a valuable asset to the OIG and the City.

Developing an Allegation Tracking System

We also partnered with MOIT to develop the OIG's allegation tracking system. This system allows us to track and manage the reports of fraud, waste, and abuse we receive through phone, fax, e-mail, and office visit. We can record and store allegations uniformly, track the progress of our investigations, and report on the status of each of our

investigations using a single information system. Going forward, we will be seeking substantial enhancements, improvements, and additional benefits from this system (see Going Forward below).

Investigative Results, Referrals, and Resolutions

Reports of Fraud, Waste, or Abuse

We received 73 allegations of fraud, waste, or abuse over the course of the year (see Table 1 below). Allegations from City employees outnumbered allegations from citizens, businesses, and contractors by nearly 2 to 1. Overall, we consider this a positive sign of the many dedicated public servants concerned about fraud, waste, or abuse within City government. The majority of allegations, from all sources, concerned the misuse of public position or resources, including favoritism, hostile work environments, conflicts of interest, or even service delivery issues. We received numerous allegations concerning false claims, including falsified credentials and false overtime claims. We also received allegations of theft of public property, and even drug dealing in City vehicles. For this reporting year we received no allegations of whistleblower reprisal or Workers' Compensation fraud, and we conducted no special investigations.

Table 1: Summary of Allegations Received (August 2005 through August 2006)

Allegation type:	Allegations received from:	
	City employee	Citizen / Business / Contractor
Public corruption	4	5
False claims	11	3
Misuse of position or resources	19	12
Theft	8	1
Threats of violence or assault	2	0
Other violations of laws or rules	3	2
Whistleblower reprisal	0	0
Workers' Compensation fraud	0	0
Special investigations	0	0
Other	1	2
<i>Total</i>	48	25

Source: Office of Inspector General, City of Baltimore

Once the OIG receives an allegation, we can pursue several courses of action. For this reporting year, we referred 26 allegations directly to other City agencies, and 6 to either the state or federal government or to our ongoing risk assessment for a potential systematic review or performance audit (see Table 2 below). We closed 4 allegations for lack of information. We opened 36 investigations from the remaining 37 allegations.² 22 investigations are ongoing, 14 have been completed, and 11 of these resulted in findings of fraud, waste, or abuse. One completed investigation has been referred to the Board of Ethics and is currently under review.

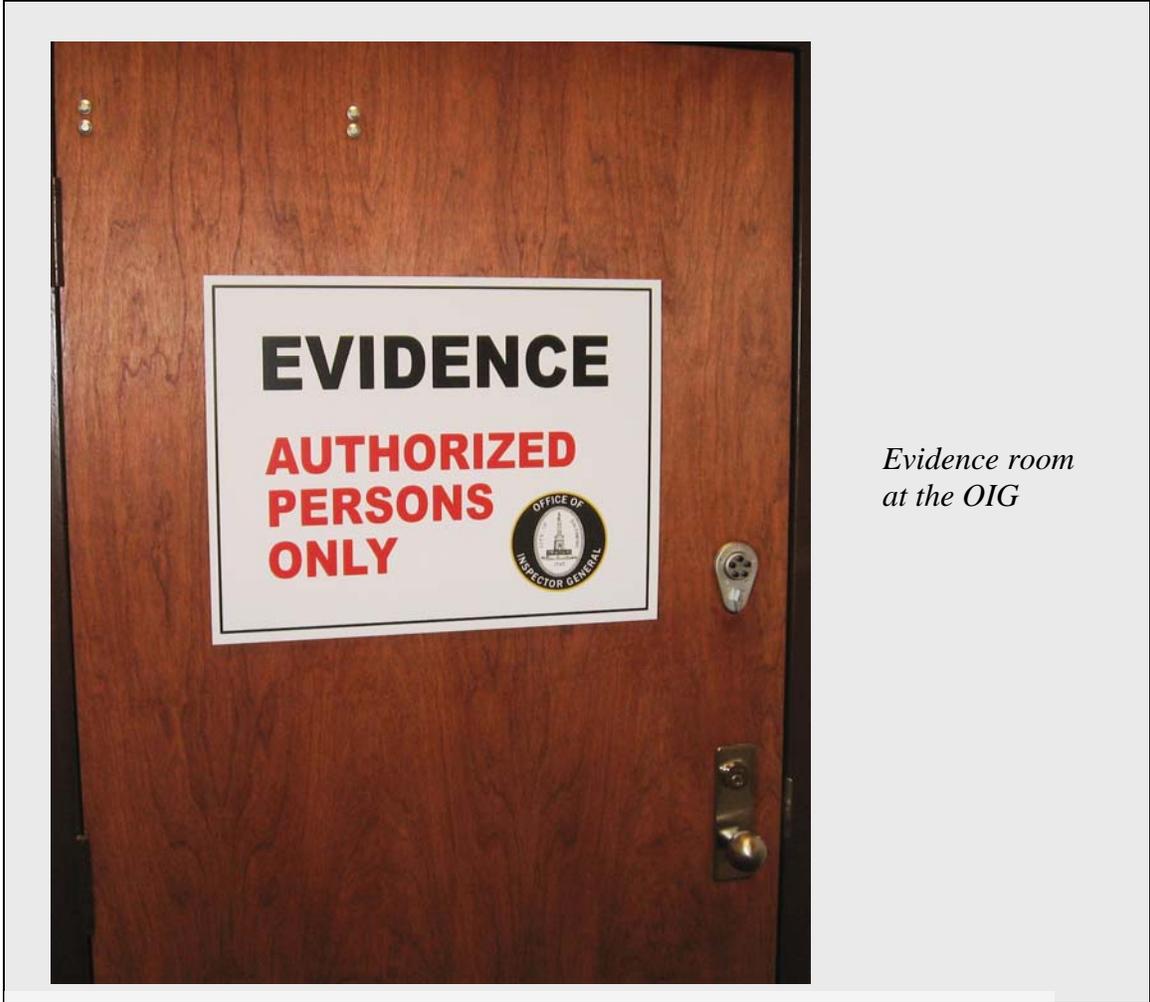
Table 2: Status of Allegations and Investigations (August 2005 through August 2006)

Status:	Number:
<hr/>	
<i>Allegations</i>	73
Allegations referred to City agencies	26
Allegations referred for investigation	37
Allegations referred elsewhere	6
Allegations closed (lack of information)	4
Referred allegations resulting in agency action	13
Referred allegations awaiting action	17
<hr/>	
<i>Investigations</i>	36
Investigations ongoing	22
Investigations completed	14
Completed investigations resulting in agency action	6
Completed investigations awaiting action	5

Source: Office of Inspector General, City of Baltimore

OIG investigative findings and referrals have resulted in numerous agency actions, with additional actions pending. Agency actions taken as a result of referrals ranged from addressing citizen concerns with direct agency-citizen correspondence, to investigating the appropriateness of issued parking citations, to opening police investigations of drug activity.

² 37 allegations resulted in 36 investigations because we combined two independent allegations of the same misconduct into a single investigation.



*Evidence room
at the OIG*

Source: Office of Inspector General, City of Baltimore

Going Forward

To accomplish our mission going forward, the OIG has outlined several strategic goals and objectives designed to guide our management and resource decisions. These strategic goals and objectives support the next phase in the development of the OIG. Our first phase focused on assembling our assets; our human and physical infrastructure. The next - and perhaps more important phase - is to turn our human and physical assets into a performance-oriented organization.

Strategic goals are longer-term in nature; they represent tenets to guide OIG decision-making. Our first goal is intended to focus our decisions on establishing the OIG as a known, accessible, responsive agent for positive change in City government. Our second goal is intended to focus our decisions on targeting our limited resources toward those investigations and reviews of City activities that can provide maximum benefits to a City agency or across agencies, potentially over a number of years. Our third goal is intended to focus our decisions toward ensuring that the way the OIG conducts business helps establish us as an independent, quality, fruitful, even leading office of professional investigations and reviews.

The objectives outlined along with these goals are shorter-term in nature. They represent the strategies we intend to employ in order to achieve our strategic goals; they are defined and measurable so that we can account for our progress. Our objectives are intended to support our transition to a performance-oriented organization and generally fit into three categories: First, complete key information system improvements that support the other activities of the office; second, use the systems we develop to target our resources; and third, use the systems we developed to collect and analyze resources and results data in order to measure our performance. Each of these objectives supports one another.

Strategic Goal 1: **Improve OIG accessibility and responsiveness to all allegations of fraud, waste, or abuse**

Objective 1: Continuously improve our outreach

The OIG is committed to improving our outreach to the citizens and public servants of Baltimore. Our website provides instant access to the latest information on the roles, responsibilities, and contact information for the OIG, as well as OIG reports. But many citizens and public servants in Baltimore remain uninformed or even unaware of the OIG. We intend to explore the reasonableness and cost-effectiveness of additional forms of outreach, such as flyers in City employees' pay stubs or advertisements in local media. Expanding our outreach can help the OIG to expand the

base from which to compile complaints, collect evidence, and carry out our mission.

Performance: Track the number of people visiting or contacting the OIG

Over the coming year we will track the number of persons visiting our website, as well as persons reporting allegations via web, e-mail, phone, fax, or office visit. We will implement strategies to communicate our mission and contact information to citizens and public servants in Baltimore. Once we acquire baseline data we can set targets for the future.

Objective 2: Establish procedures to improve timely follow-up and resolution of referred cases

In some cases the OIG will refer allegations of fraud, waste, or abuse to federal, state, or local agencies having jurisdiction to investigate or resolve the complaint. When we refer allegations to City agencies, the OIG will monitor the complaint for appropriate follow-up and resolution. In some instances, agencies we refer a case to do not address the case or do not respond to us in a timely manner. Slow or absent follow-up undermines the City's ability to hold people or agencies accountable for their actions. The OIG is committed to exploring new ways to prompt timely follow-up, including reporting slow City agency responses to CitiStat, and establishing follow-up procedures with federal and state entities.

Performance: Track timeliness of agency responses and resolutions

Over the coming year we will track the timeliness of agency responses to OIG referred cases. We will implement strategies to prompt timely follow-up from City agencies, and continue to track response times. Once we acquire baseline data we will set timeliness targets for the future.

Strategic Goal 2: Target our resource investments to produce maximum tangible results for the citizens and City of Baltimore.

Objective 1: Better link our resources with results

Like all City agencies, we have a responsibility to put taxpayer monies toward activities that yield the best results. One of our primary objectives over the next year is to adopt practices better linking our resources with results. To do this we will develop (1) practices to link and track our budgetary and staff resources with

OIG activities, and (2) practices to track the results and benefits from OIG activities. OIG resources are used for four primary activities:

- Investigations of fraud, waste, or abuse
- Systematic reviews of City functions and activities
- Mission-related activities, such as training or strategic planning
- Administrative duties to keep the OIG compliant with City regulations

Tracking our budgetary and staff resources devoted to the four primary activities above will help us determine our true resource commitment to each of these activities, but is only half the equation. Our concurrent task is to track the results and benefits of these OIG activities in several key ways:

- Number of recommendations to agencies or City leaders
- Benefits of implemented recommendations, such as agency actions resulting from our work
- Financial benefits of OIG investigations or reviews, such as identifying stolen funds, or funds that could be put to better use
- Qualitative benefits of mission-related or administrative activities, such as new investigative techniques or management efficiencies

Performance: Establish resource and accomplishment tracking systems

Foremost, tracking our resources and results helps focus our resource decisions toward those activities that provide the maximum results, accomplishments, and benefits for the citizens of Baltimore.

Our performance for better linking resources with results is two-fold. First, we will establish systems to track our resources and accomplishments early on in the upcoming year. Establishing these systems early will allow us to track our resources and results for an entire year, and use the results of our first year as a baseline. Second, once the baseline is set, we will be able to systematically examine resource decisions that have provided the best results, set future targets, and plan resources accordingly.

Objective 2: Identify major internal and external risk factors for fraud, waste, or abuse in the City, and plan resources accordingly

Like other governments - federal, state, or local - certain City of Baltimore programs or operations may be more vulnerable to fraud, waste, abuse, or mismanagement than other City programs

or operations for a variety of reasons. Targeting OIG resources toward the most vulnerable City programs and operations may provide the greatest financial or other benefits to the City by providing more lasting solutions. The OIG must consider whether an investigation or other review, such as a performance audit, is warranted. Performance audits provide the benefit of an independent, comprehensive, and systematic look at a City or agency function against objective criteria in order to assess performance and provide information to improve program operations and public accountability.

Key considerations and internal and external risk factors for fraud, waste, abuse, or mismanagement in City government include:

- Concentrations of allegations within City agencies
- Concentrations of types of allegations
- Large dollar projects or contracts
- Federal or state actions affecting the City
- Inherent risks, such as using third-party providers
- Risks potentially adversely affecting the health or safety of citizens
- Risks potentially resulting in program failure, non-compliance, or serious misconduct

Performance: Use identified risk factors to plan and execute investigations and reviews

Use the information gained from our risk assessment as key criteria for targeting resources toward investigations or reviews. Targeting our resources to vulnerable, higher-risk City activities provides greater potential to prevent fraud, waste, or abuse, provide financial benefits to the City, and improve public integrity.

Strategic Goal 3: Continuously strive to implement better or best practices in OIG business and conduct

Objective 1: Comprehensive enhancement to our information management systems

In order to better manage our allegations, investigations, and reviews, we have partnered with MOIT for enhancements to our current allegation tracking system. Developing a more comprehensive Investigation and Review Information System (IRIS) will streamline the current paper intensive process and allow OIG users to create electronic allegation and case files, to document evidence and interviews, and to store and retrieve the

data with an array of processing, searching, and reporting capabilities. Real-time analysis of multi-year investigation and review files will provide an efficient way for the OIG to store data, manage our workload, and track and cross-reference prior year evidence and recommendations.

Performance: Complete the first IRIS enhancements within the first three quarters of FY 2007

Our near-term performance under this objective is measured by the implementation of our system redesign in two ways. First, we expect to have the first phase of system requirements implemented in the second quarter of FY 2007. This first phase will greatly expand our ability to capture accurate and useful information regarding all allegations received and the manner in which they were resolved. A second phase of the redesign will allow our web-based allegation form, available on the OIG website, to download reports of fraud, waste, and abuse directly into the IRIS system. This feature will replace the current labor intensive paper process and facilitate more accurate and timely allegation processing.

Objective 2: Adopt innovative OIG techniques, knowledge, skills, and abilities

Monitor current and leading practices for the conduct of OIGs, as well as leading practices for specific investigation and review methods. Whenever possible we will seek opportunities to adopt the state-of-the art into City OIG practices. Additionally, whenever possible, we will target training to improve skills and abilities that will directly benefit planned work.

Performance: Report on value-added training and methods established at OIG

We will report annually on those knowledge, skills, and abilities we've acquired over the course of the year that add value to the OIG, such as:

- Reporting on and meeting our continuing professional education requirements, as outlined in the *Principles and Standards for Offices of Inspector General*, published by the Association for Inspectors General.
- Reporting on new investigation or review methods adopted from other OIGs or associations.
- Reporting on new technologies or resources we've acquired allowing us to conduct new investigations or reviews.

Providing Comments on This Report

To provide comments for improving this report, please e-mail the Office of Inspector General at OIG@baltimorecity.gov, or write to:

Office of Inspector General
640 City Hall
100 North Holliday Street
Baltimore, MD 21202

Notes

To Report Fraud, Waste, or Abuse

There are several ways to report fraud, waste, or abuse to the City of Baltimore OIG:

Visit us at: www.ci.baltimore.md.us/government/inspectorgeneral

E-mail us at: OIG@baltimorecity.gov

Write us at: Office of Inspector General
640 City Hall
100 North Holliday Street
Baltimore, MD 21202

Fax us at: (410) 837-1033

Phone us at: 1-800-417-0430

“What to Report” to the OIG

Violations of laws, regulations, or rules

Contract or procurement irregularities, such as product substitution or bid rigging

Bribery or kickbacks

Intentional deception by or of City officials, including submitting false claims

Theft or embezzlement of City funds or property

Significant cases of mismanagement

Misuse of rank, authority, or position

Misuse of City resources, such as vehicles or other equipment

Extravagant, needless, or careless expenditure of City funds

Reprisal after disclosing fraud, waste, or abuse

Travel fraud

Workers Compensation fraud

www.ci.baltimore.md.us/government/inspectorgeneral



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