



Office of Inspector General



FY 2017 Annual Report



Baltimore City - Inner Harbor



OFFICE OF INSPECTOR GENERAL CITY OF BALTIMORE

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



October 1, 2017

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) 2017 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 Catherine Pugh 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 persevered throughout FY17 despite vacancies of the Inspector General position, Program Evaluator position, and three Agent positions for the majority of the reporting period. As a result, this report is a condensed version as compared to previous Annual Reports. We would like to thank 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,

Stephen J. Lesniewski, Jr.
Deputy (Acting) Inspector General

Overview

The OIG 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 upcoming fiscal year.

Reporting Period

The reporting period for the annual report coincides with the City fiscal year ending June 30th for both OIG accomplishments and for Outcome Budgeting purposes.

Institutional Authority

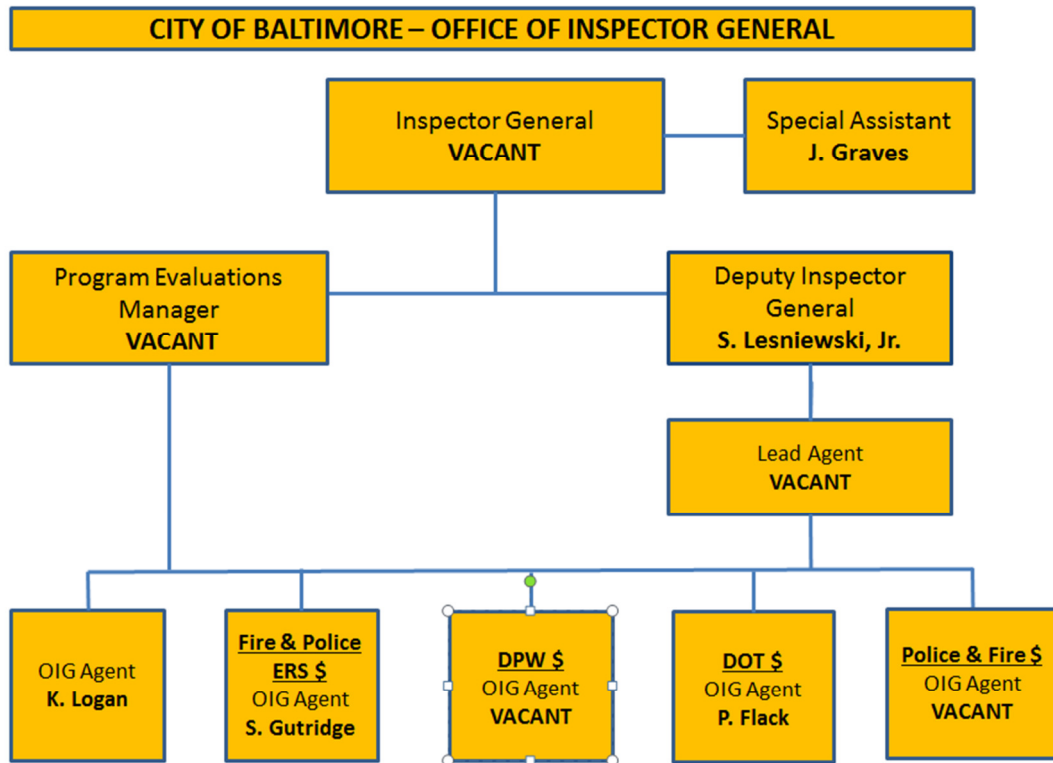
The City of Baltimore OIG was created by an Executive Order dated July 27, 2005. The Executive Order established specific responsibilities, duties, processes, and authorities for the OIG as well as the duties of City employees and persons doing business with the City with respect to providing information 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, 2017, the OIG had a total of ten (10) funded positions to include:

- One (1) Inspector General;
- One (1) Deputy Inspector General;
- One (1) Lead Agent;
- One (1) Special Assistant.
- One (1) Program Evaluations Manager; and,
- Five (5) Agents

The following organization chart depicts the OIG as of June 30, 2017.



* Deputy Inspector General Lesniewski assumed the responsibility of Acting Inspector General for the majority of FY17.

Two Agent positions are funded directly from the OIG budget while four Agent positions are funded by other City departments through Memoranda of Understanding (MOUs). The four Agents whose positions are funded through MOUs primarily conduct investigations and evaluations dedicated to the sponsoring City Departments.

The policy of entering into MOUs with City departments and agencies to dedicate Agents to cases related to the funding entity was 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 2019.

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 been extended through FY 2018.

During FY 2014, the OIG identified Police and Fire Fighter Workers' Compensation and Pension Disability fraud as an area of risk warranting increased investigative attention. 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.

During FY 2017, the OIG negotiated and secured an MOU with the Fire and Police Employee Retirement System (F&PERS) to fund one Agent position through FY2018.

The OIG hopes to further expand on the MOU concept in future years to acquire additional funding sources from 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.

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 2017 was \$784,665. The OIG has been able to further grow its budget through transfers from other agencies to which it has dedicated Agent personnel. The OIG FY17 budget represents a fraction of the City's Operating Plan.

The overwhelming majority of the OIG budget 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.

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, 2017, OIG staff possessed critical professional credentials including Certified Fraud Examiner (CFE) and Certified Public Accountant (CPA) along with a significant amount of professional experience spanning Local, State, and Federal government as well as the private sector. Despite the fiscal restraints faced by the City, the OIG continues to work

with Mayor Pugh 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 (MOIT), and specifically, its critically important Chief Information Security Officer (CISO). During FY 2017, the CISO continued to provide digital forensic support to the OIG.

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 affected department heads and, when circumstances warrant, to the Mayor and City Solicitor. During FY 2017, 11 memorandum reports and other products were disseminated to agency heads.

Case Statistics

The OIG has continued to track data in a consistent fashion since the FY 2010 reporting cycle.

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

During FY 2017, the OIG received and logged a total of 103 new cases. This is a decrease from a total of 123 new cases logged in FY 2016. Due to persistent turnover, the OIG made a conscious effort to focus on higher priority matters.

During FY 2017, the OIG referred a total of 13 cases. This is a decrease from a total of 33 referrals in FY 2016. 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 Sources

The OIG understands that the ability to be effective is directly tied to the ability to generate information. 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.

For reporting purposes, the OIG has identified the top three methods of communication utilized by complainants to provide tips or leads in FY 2017. Those methods of communication are as follow:

1. OIG Office Phone (29 new cases logged)
2. E-mail (22 new cases logged)
3. OIG Hotline Phone (21 new cases logged)

Other less popular methods utilized in FY 2017 included internal referrals, external mail, OIG self-generated, and walk-in complainants.

In the upcoming 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

The allocation of new cases by source department, agency, or office is an important metric which allows the OIG to identify and monitor potential trends across City government and apply resources efficiently and effectively.

For reporting purposes, the OIG identified the top five City agencies, departments, and offices that were sources of new cases in FY 2017. Those departments are as follow:

1. Department of Public Works (31 new cases logged)
2. Department of Transportation (26 new cases logged)
3. Department of Housing and Community Development (6 new cases logged)
4. Baltimore City Fire Department (5 new cases logged)
5. Department of Finance (4 new cases logged)
5. Department of Health (4 new cases logged)

In the upcoming year, the OIG will continue to identify and monitor potential trends across City government in order to best apply resources to combat fraud, waste, and abuse.

Selected Case Summaries

The following synopses reflect examples of significant work the OIG has completed during the FY 2017 reporting cycle.

OIG Case #2015-0534

On July 7, 2015, an attorney from the City of Baltimore's Workers' Compensation Defense Law Firm alerted the OIG that a Baltimore police detective possibly committed workers' compensation fraud and perjury at the Maryland Workers' Compensation Commission hearing on June 30, 2015 by testifying that he could not play baseball due to a left knee injury prior to video footage being shown of him playing on three separate days. On July 1, 2015, the Maryland Workers' Compensation Commission gave the employee an award of 0% permanent disability to his knee. The award stated that he lacked credibility due to the video surveillance presented as evidence. On July 29, 2016, criminal charges for perjury and fraud: giving false/misleading information in order to obtain \$300+ were filed in Circuit Court for Baltimore City. On February 27, 2017, the former police detective pled to one count of fraud. He received probation before judgment, including one year of probation and court-ordered restitution of \$1,200 to the City of Baltimore. The former police detective also rescinded his application for a line-of-duty disability pension, which was based on the same left knee injury.

OIG Case #2016-0646

This investigation was based on information provided by a citizen regarding concerns that a Department of Public Works employee was misusing City equipment and stealing City time. Specifically, the complainant observed and photographed the DPW employee unloading a lawn mower from a City vehicle and mowing the lawn at a private residence during work hours. The OIG conducted an investigation and determined that a DPW supervisory employee did utilize a City vehicle and City time to conduct personal business at the residence of a recently retired City employee. Based on the findings of the OIG investigation, DPW took personnel action against the supervisory employee.

OIG Case #2016-0654

This investigation was based on information provided by a citizen regarding concerns that a DPW employee was soliciting private plumbing work and stealing City time. The OIG conducted an investigation and determined that a DPW employee did solicit and partially perform a private plumbing job while using City time. Based on the findings of the OIG investigation, DPW took personnel action against the employee. The personnel action was subsequently grieved by the employee and upheld by the Labor Commissioner.

OIG Case #2016-0661

On May 5, 2016 an attorney from the City of Baltimore's workers' compensation defense law firm alerted the OIG that a former special education teacher with Baltimore City Public School System committed workers compensation fraud and perjury as she obtained lost time benefits for approximately 9 months while she was working at a similar job and then lied about it at a hearing before the Maryland Workers Compensation Commission on May 4, 2016. On February 14, 2017, the former special education teacher was indicted on charges of perjury and theft between \$10,000 and \$100,000 in the Circuit Court for Baltimore City. On July 17, 2017, she pled to one count of theft over \$10,000. The former special education teacher received three years of supervised probation and was ordered to pay back \$14,282 in restitution to the City of Baltimore.

OIG Case #2017-0739

This investigation was based on information provided by a DPW employee regarding concerns that a fellow employee was stealing City property and scrapping the items for personal gain. The OIG, in close coordination with the BPD and State's Attorney's Office for Baltimore City, conducted an investigation into the allegations. After the close of the reporting period, an arrest warrant was issued and served on the DPW employee for theft of City property between \$10,000 and \$100,000. The employee was indicted by a grand jury on the same charges and is currently incarcerated pending trial. It should be noted that an individual charged by indictment is presumed innocent until proven guilty at a later criminal proceeding.

OIG Case #2017-0745

This investigation was based on information provided by an anonymous complainant regarding concerns that a DPW supervisory employee was misusing a City vehicle and stealing City time. The OIG conducted an analysis of the Global Positioning System (GPS) data for the City vehicle used by the employee. OIG Agents also conducted physical surveillance to corroborate the GPS data. Based on the OIG investigation, it was determined that the employee operated a City vehicle to and from the vicinity of the employee's home address and stopped the vehicle during the course of the workday for periods ranging from 64 to 224 minutes on 32 occasions since January 1, 2017. For the five-month period reviewed, the employee was paid for 35.55 hours of City time at an hourly rate of \$30.6827 for a loss to the City of approximately \$1,090.77. Based on the findings of the OIG investigation, DPW took personnel action against the supervisory employee.

OIG Case #2017-0747

On April 27, 2017, an employee of the City of Baltimore's Workers' Compensation insurance company informed the OIG that a Baltimore City School police officer may have committed workers' compensation fraud as he was allegedly receiving workers compensation benefits and paychecks from the Baltimore City Public Schools concurrently. On May 10, 2017, the school police officer had a hearing before the Maryland Workers' Compensation Commission. He testified when he first returned to work from his workers' compensation injury in November 2016, he continued to receive lost time benefits instead of paychecks from the Baltimore City Public School System as there was not an open spot on the payroll however there came a time in February through March 2017 when he was receiving both paychecks and workers' compensation benefits. On May 24, 2017, the Maryland Workers' Compensation Commission ordered \$6,604 was due back to the City of Baltimore as an overpayment made to the school police officer but declined to refer the case to the Fraud Division of the Maryland Insurance Administration.

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 2017.

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 2017, no rewards were paid. Frequently, there are timing differences between case resolution and reward payout that can span multiple reporting periods.

Performance Measures

The City is now in its sixth 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) 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 2017, a limited number of cases came to resolution with prosecutorial actions. A number of actions were pending at year end which will come to fruition during FY 2018.

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.

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.

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 2017, the OIG target for Waste Identified was \$1,500,000. The OIG was unable to meet this target due to an ongoing vacancy in the Program Evaluator position.

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 2017, the OIG savings and recoveries target was \$750,000. 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. It should be noted that court-ordered restitution continues to be received as a result of the prosecutions in the Quarantine Landfill Case in 2016. The OIG was unable to meet this total target due in part to ongoing vacancies. However, the OIG anticipates significant savings and recoveries in FY 2018 with the conclusion of several criminal matters.

It should be noted that the workers' 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.

Goals for the FY 2018 Reporting Period

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 in FY 2018 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 OIG 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, 2017)

VACANT, Inspector General
Stephen J. Lesniewski, Jr., Deputy (Acting) Inspector General
VACANT, Manager of Program Evaluation
VACANT, Lead Agent
Peter Flack, Agent
Stacey Gutridge, Agent
Kevin Logan, Agent
VACANT, Agent
VACANT, Agent
Joyce Graves, Special Assistant

Mailing Address

Office of 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
Twitter: [Twitter@OIG_Baltimore](https://twitter.com/OIG_Baltimore)

Website:

<https://inspector-general.baltimorecity.gov/>

Open, Honest, and Accountable Government

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❖ *Reporting period 07/01/2016 through 06/30/2017*

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Stephen J. Lesniewski, Jr. – Deputy Inspector General