

*Statement of Inspector General David Hoffman
To the City Council
October 19, 2007*

This week marks two years since I began as Inspector General. I am proud to report that the Inspector General's Office is a very different and much improved office.

There were essentially two major problems with the IGO. First, the office's investigative efforts needed improvement. The IGO was criticized for focusing too much of its investigative resources on minor misconduct by low-level City employees, and its investigations were criticized for being ineffective – either for failing to find misconduct where it existed, or for presenting cases as successful ones when the investigation had failed to build sufficient evidence to prove a case.

I believe that the IGO has now been transformed into a top-quality investigative agency. We have changed the IGO's priorities, procedures, and methods from top to bottom, and have added substantially more experience to the office. The results from the last year show that the IGO now has the ability to successfully work more advanced types of investigations, and that our investigative product is more reliable and fair. The number of criminal prosecutions produced by the office has jumped exponentially, and we are pleased with the first federal charges resulting from the first-ever federal-IGO joint investigations.

The City can now say with pride that its independent IGO is a strong, modern, effective, professional investigative agency. This is good and important for the City, because it makes it more likely that whatever level of corruption and misconduct may exist in City government, the City can handle its own affairs.

The second problem was that for most of its history, the IGO had ignored a critical component of its legal mandate – to search for waste and inefficiency in City government.

Instead, the IGO focused almost exclusively on the “misconduct” part of its duties, and spent all its resources conducting investigations. There was little effort at searching for waste and inefficiency. The number of auditors in the IGO budget was zero.

We have started to change the IGO into an office that focuses on waste and inefficiency, as well as misconduct. Finding waste and inefficiency requires audits, not investigations. And this is why most IGO’s around the country – including all federal IGO’s – have both an Investigations Unit and an Audit Unit.

Last year, we requested an Audit Unit in the IGO for the first-time in its 17-year history, and were provided with a six-person Audit Unit in the 2007 Budget. Consistent with its duties, the IGO should be a force for identifying wasteful practices and saving money.

Uncovering Waste and Inefficiency

For everyone concerned about achieving a cost-effective government, this new Audit Unit should be a considered a very strong positive for the City. Governments with low corruption, misconduct, and waste are governments that cost less and act efficiently. And in order to achieve this, there must be (among other things) a strong, independent City office that catches misconduct and uncovers waste, and that is visible to City employees and contractors. Having a strong and effective IGO not only reduces misconduct and waste; it also increases deterrence – which means even less risk of future abuse and inefficiency.

The Audit Unit is expected to begin its first audits later this year. Four of the six Audit Unit members were hired this summer and fall. We will hire the remaining members in early 2008, as the IGO was required to shift some of its auditor positions to *Shakman* investigative positions once the May 31, 2007 settlement agreement placed new investigative duties on the IGO. The Audit Unit is developing audit protocols and procedures and is studying City

government to determine where to begin its audits. These audits will represent the first time that an independent part of City government has audited City operations (a common feature in other governments that have IGO audit units).

Judging from the experiences of all other IGO's that have put substantial resources in audit teams, each budgeted auditor is a relatively inexpensive investment that is likely to pay financial dividends. A quick, sample review of audits by other IGO audit units in federal and local government, and equivalent offices (like the Illinois Auditor General's Office), shows that audits of governmental units and programs frequently uncover waste and inefficiencies in the millions of dollars. For instance:

- An audit by the EPA Inspector General's Office identified \$26 million in questionable expenditures by two EPA contractors, and identified \$9 million in Superfund funds that were not being properly used.
- Reviews by the GSA Inspector General's Office of contracts valued at \$4.8 billion identified \$249 million in funds that could be saved or redirected to better use.
- An audit by the USDA Inspector General's Office uncovered \$3.7 million in unnecessary or inappropriate spending by the Forest Service in its use and maintenance of vehicles.
- An audit by the Miami-Dade IGO's Audit Unit of one of the Miami-Dade Housing Agency's programs uncovered well over \$1 million in waste and mismanagement, including \$1.6 million in federal grant funds the Agency unnecessarily spent by giving it to another Miami-Dade department for work already being performed by an Agency consultant who had a multi-million dollar contract with the Agency; \$900,000 paid in salary and benefits to two individuals for "seriously ineffectual oversight and monitoring"; and \$212,000 paid to a consultant for services not received.
- The Illinois Auditor General's most recent comprehensive audit of the Illinois Department of Human Services uncovered, among other things, a loss to State revenue estimated at \$3 million to \$9 million from the failure to bill residents for services; improper inventory controls regarding the \$37.8 million spent by the department on commodities, likely leading to wasteful spending and use of commodities; and violations of contract-bidding rules.

It will be a challenge for an Audit Team of this size to produce meaningful results in a short period of time given the vast size of City government and the time-consuming nature of

each audit. But if the experience of other governments with IGO audit units is any guide, Chicago's IGO Audit Unit will have identified significant cost savings in City government by this time next year. We look forward to sharing the Audit Unit's findings, insights, and cost savings recommendations with the Mayor, the City Council and all other relevant City officials.

Improvements in IGO Investigations

The IGO leadership has worked hard to transform the IGO into top-quality investigative agency. There are at least ten important changes that have been made to the office that have helped lead to better performance.

1. We take our independence seriously and insist on it in all aspects of what we do. This means, among other things, that we make decisions about what to investigate based solely on the seriousness of the alleged misconduct, the significance of any potential misconduct finding, and the feasibility of using our available resources to successfully investigate. We make decisions about what to investigate, or what not to investigate, based solely on what we think is the right thing to do. In addition, we are very strict about keeping investigative information from complainants and others confidential. An IGO cannot be strong and credible without being strict about its independence. We believe that the fact that federal law enforcement authorities have begun working jointly with us on investigations – for the first time in the history of the IGO – shows that others in the law enforcement field have confidence in the integrity and independence of this office.

2. The office previously spent too many investigative resources on investigations involving relatively low-level misconduct. We have changed that. We spend very little time investigating low-level misconduct. We recognize that low-level misconduct is often the result of ineffective supervision and have exhorted departments to ensure that their supervisory

personnel are closely monitoring their subordinates. We have focused our efforts instead on serious misconduct that may be criminal in nature; on situations when people in power are abusing their positions, for their own benefit or to give preferential treatment to others; and other more serious types of misconduct. This is a more appropriate use of limited IGO resources, and is partly responsible for the large jump in criminal cases produced by IGO investigations.

3. The office in the past was almost wholly reactive – rather than proactive – in opening investigations. This means that the office responded to complaints, rather than proactively seeking to determine where the worst misconduct problems were in City government. The best investigative agencies use this proactive approach, conducting a large number of intelligence-based investigations, rather than just complaint-based investigations. This has become the IGO's approach, and it too is partly responsible for some of the larger cases the office has produced recently.

4. The office uses better, more sophisticated investigative techniques commonly used by top-quality investigative agencies, including increased use of authorized undercover recordings in criminal investigations, and a more patient approach that insists on strong corroborating evidence before a case is completed.

5. In the past, the office had little expertise regarding specific parts of City government, primarily because there was no specialization in the office. Given the size of City government, it is impossible to gain expertise without dividing the labor of investigating City government. We organized the Investigations Unit into teams which cover specified departments. Within each team, investigators are expected to build expertise regarding specific parts of City government. This has made the IGO more knowledgeable about City government, which has led to smarter investigations.

6. Investigators in the past were drowning in absurdly high caseloads – as high as 45-50 cases per investigator two years ago. No matter how hard-working the investigator, little progress can be made on investigations in this environment. We are diligent about keeping caseload levels manageable. Given our level of resources and the high number of complaints we receive, this has required that we only open investigations on a relatively small percentage of the complaints we receive. Specifically, in the first nine months of 2007, the IGO received 1,554 complaints. During the same period, 283 investigations were opened (18% of the complaints received).

But as a result, investigators' productivity has vastly increased. Currently, the average caseload is about 16 investigations per investigator – which is still too high. But lower caseloads and better management of investigators' workload has allowed investigators to spend sufficient time on a particular investigation so that they can dig deep enough, and quickly enough, to truly determine whether wrongdoing occurred. So, while our investigations are more complex and thorough, we have now seen the number of investigations over six months old begin to decrease, and the number of investigations pending for longer periods of time has dramatically decreased. As anyone who has conducted investigations before can attest, good investigations take lots of time and are resource-intensive. But the results that come from investigating the right way are worth it.

7. The IGO has moved from an office with little technology to an office that is advanced technologically. This makes our investigators far more efficient and productive, meaning that our investigations are higher-quality and move to completion more quickly. For instance, we have vastly increased our use of Web-based search-engine databases, commonly used by investigative agencies. We have provided our investigators with laptops and wireless

cards so that they may access these resources and do their work from the field. And we have greatly enhanced our computer forensic investigations through experienced personnel and better equipment – an aspect of investigations that is critical for any strong, modern agency.

8. We actively solicit tips through a system that is thoroughly confidential. In contrast, little was done to solicit information from complainants in the past. With a toll-free hotline staffed 12 hours a day and a well-designed website, we encourage tips in the same way that other top-quality IGO's do. In addition, our website provides a completely confidential way of sending us tips at any time of the day. More high-quality tips leads directly to better investigations.

9. The IGO records all subject interviews, unless the subject refuses to have the interview recorded. This policy, announced one year ago, puts the IGO in the forefront of law enforcement agencies, most of which have not yet switched to recording subject interviews. The IGO believes that recording interviews whenever possible is one of the most important ways of ensuring fairness in investigations. This requires additional resources, in the form of recording equipment, and staff, materials, and equipment to create transcripts. But the increase in the reliability and fairness of investigations makes the expense worth it. Some worried that subjects would almost always refuse to be recorded, but in the more than 200 subject interviews conducted by the IGO in 2007 to date, over 50% of the interviews have either been recorded or court-reported.

10. The IGO now has strong internal procedures to ensure that the evidence is sufficient before a case is considered "sustained." The IGO recognizes the seriousness of recommending discipline against an employee and believes it is important that these recommendations not be made arbitrarily. We have two important safeguards against this. First,

all sustained cases must go through our sustained-case committee, which includes our entire top staff and legal staff, who thoroughly examine the evidence in the case. Second, each sustained case is sent out with a detailed summary report that explains the evidence and its strength, and explains the rationale for the IGO disciplinary recommendation. This process of providing a written explanation of our reasoning is critical in making the IGO accountable for its actions.

Performance of Investigations Unit

These reforms and improvements have directly resulted in stronger, more efficient performance by the IGO Investigations Unit – and a very high level of activity. For instance, in the first nine months of 2007, the Inspector General’s Office received approximately 1,050 complaint calls on its 800-number hotline, and received 398 complaints through the office’s confidential on-line reporting system on its independent website. Both the hotline and the website were created by the office in mid-2006, and the IGO has received over 16,000 hits on its website since its creation.

IGO investigators conducted well over 1,000 interviews in the first nine months of 2007. Of these, 209 were subject interviews, and 53% were either tape recorded (86) or court-reported (24).

But investigative activity is obviously not enough. The office must be judged by results, and the office’s results in the last year have been strong.

Criminal Cases

First, the number of criminal prosecutions resulting from IGO investigations has increased dramatically. In the first three quarters of 2007, 15 individuals have been charged criminally from IGO investigations, and 19 have been charged in the last year. All but one of these were felony cases. In contrast, in the two years before the office’s current leadership team

began in October 2005, a total of 5 felony cases were charged from the office's investigations. This represents an approximate 600% increase in the average number of felony cases brought. This is significant because it shows that the office is focusing on more significant cases, and has the ability to satisfy prosecutors – federal and state – that the evidence in the investigation is sufficient to meet the higher criminal burden of proof.

Second, multiple federal charges were brought as a result of joint federal-IGO investigations. The IGO had never conducted a joint investigation with federal law enforcement authorities prior to October 2005. This is highly significant, because it shows that the IGO has the ability to work side-by-side with federal authorities, and that the U.S. Attorney's Office, the FBI, and other federal agencies have confidence in the IGO's integrity and competence. All criminal investigations require strict confidentiality, and the IGO has shown that it can conduct long-term, confidential criminal investigations in the same way that federal law enforcement agencies do.

One of these joint federal-IGO investigations resulted in widespread, significant federal charges against seven individuals – including four Buildings Department employees and one DCAP employee. A parallel IGO investigation resulted in state bribery charges against two additional Buildings Department employees and one additional DCAP employee. Two guilty pleas have already resulted from these ten cases, including the recent guilty plea of a Building Department supervisor who admitted that he took bribes to delete code violations from the department's computer system, among other things. All of the bribery charges in these investigations involve City employees taking payoffs to ignore building safety issues, or to allow builders to bypass City rules designed to ensure building safety. They are therefore highly significant.

Another joint federal-IGO investigation involved a scheme to fraudulently obtain City food handling certificates – which are important to ensure that restaurants and grocery stores handle food appropriately. Two ex-Health Department employees were charged with federal felonies for scheming to provide false State documentation to City restaurant and store owners that would allow them to fraudulently obtain food handling certificates.

Another IGO investigation resulted in state criminal charges being brought against two Department of General Services employees for using a City lumber contract to obtain items for their personal use. One of the employees – a DGS supervisor – is charged with obtaining about \$50,000 in unauthorized items, including custom-made kitchen cabinets and countertops for his home. The contractor – who has not been charged – has already paid \$12,100 in restitution to the City Treasury in an effort to cooperate with the ongoing investigation

Other IGO criminal cases include a bribery case against a Water Department employee, a fraud case against a Planning Department employee, and a theft case against a non-City employee for stealing City “boots.”

Administrative/Disciplinary Cases

One significant problem with the IGO in the past was that it did not track its disciplinary cases after the IGO recommendations were sent. The IGO therefore had no way of knowing whether departments were imposing discipline, whether its disciplinary recommendations were being followed, or whether the Human Resources Board was upholding the disciplinary decisions.

That problem has been corrected and the IGO now tracks all of its sustained cases. As set out below, the results show that when the IGO has recommended discipline in 2006 and 2007 sustained cases, departments have imposed discipline 98-99% of the time. And when there are

appeals, the Human Resources Board has upheld the imposition of some discipline 97% of the time, and upheld the imposition of the IGO's recommended discipline 90% of the time.

Before setting out the details of these statistics, it is worth stating that statistics do not tell the full story, and that it is often overly simplistic to judge an investigative agency by quantitative statistics alone. Judging the quality of investigations – both the significance of the matters investigated, and the quality of the investigative work product – is arguably more important in judging the performance of an investigative agency than quantitative measures. After all, an agency that makes one great case may be a much better performing agency than the office that makes ten mediocre cases.

As set out above, the IGO focuses most of its investigative efforts more substantial types of misconduct. In addition, the statistics below speak not only to the volume of IGO sustained cases, but also (more importantly) to the strength and quality of those investigations.

In 2006, the IGO recommended disciplinary action against 101 City employees. Of these cases, the IGO recommended termination 59% of the time, a suspension 35% of the time, and a reprimand 5% of the time. Five percent of these individuals resigned after the IGO recommendation was issued.

For the remaining cases, departments imposed discipline on the employee 99% of the time (in all cases but one). This statistic shows that (among other things) departments agreed that the IGO investigations were based on strong evidence.

In addition, departments either followed the specific IGO disciplinary recommendation or imposed greater discipline 84% of the time. And 14% of the time, departments deviated from the IGO recommendation by only one level under the IGO's tracking system. This means that 98% of the time, departments either followed or nearly followed the IGO disciplinary

recommendation. We consider this a strong statement of the quality of the disciplinary investigations that the IGO has been sending to the departments.

For 2007 year to date, the total volume of cases in which discipline has been imposed is smaller, as disciplinary cases remain pending with departments. The IGO completed sustained investigations on 119 individuals in the first three months of 2007 (not including the criminal investigations described above), although some of these sustained cases are still waiting the completion of summary reports. Of the cases sent to departments, the IGO recommended termination 62% of the time, a suspension 33% of the time, and a reprimand 5% of the time.

In all but two of the cases, either the department has imposed discipline or the employee resigned following the IGO recommendation. Once again, this statistic shows that departments agreed that the IGO investigations were based on strong evidence.

When the departments imposed discipline, they either followed the specific IGO disciplinary recommendation or imposed greater discipline 85% of the time. And 92% of the time, departments either followed or nearly followed the IGO disciplinary recommendation. These high numbers are similar to the strong numbers in 2006.

Finally, IGO sustained cases completed in 2006 and 2007 have a very good record before the Human Resources Board. A substantial number of sustained cases do not result in HR Board decisions, either because the employee does not appeal or because the employee withdraws the appeal before the case is decided. Of the 31 cases that have resulted in appeals to the HR Board, 22 have been decided and 9 are pending. The Human Resources Board agreed in 21 of the 22 that the evidence presented proved the violations. Further, in those 21 cases, the Board agreed with the discipline imposed 86% of the time (15 upheld terminations, and 3 upheld suspensions). In the remaining three cases, the HR Board agreed that the violations had been proven and that

discipline should be imposed, but disagreed about the type of discipline (imposing lengthy, time-served suspensions instead of terminations). And one of these employees was later terminated as a result of a subsequent IGO investigation – and this termination was upheld by the HR Board.

In sum, IGO investigations have resulted in a high number of sustained cases, and its recommendations have been followed and upheld a very high percentage of the time – a strong indication that the evidence in IGO investigations is strong and reliable, and that IGO disciplinary recommendations are reasonable.

Conclusion

I believe that the Chicago IGO is well on its way to becoming a national model of an independent, professional office that uncovers corruption and fraud, waste and inefficiencies. The year ahead should bring the continuation of strong performance by the Investigations Unit; challenges relating to *Shakman*-related issues; and the beginning of the Audit Unit's work as they search for waste and inefficiencies throughout City government. I expect that the Audit Unit will be producing constructive recommendations to the Mayor and the City Council for improvements in City government in the year to come, as the IGO begins fulfilling the full mandate of its ordinance, and completes its development into an IGO that the City can point to with pride.

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First Deputy
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LEGAL

INVESTIGATIVE

AUDIT

ADMINISTRATIVE

Director of
Investigations and Audit

Chief
Administrative Officer

Team 1

Team 2

Team 3

Team 4

Audit Team

1 Chief Investigator
1 Asst. Chief Investigator
6 Investigators
1 Analyst

1 Chief Investigator
1 Asst. Chief Investigator
6 Investigators
1 Analyst

1 Chief Investigator
2 Asst. Chief Investigators
5 Investigators
1 Analyst

1 Chief Investigator
1 Asst. Chief Investigator
7 Investigators
1 Analyst

1 Chief Auditor
3 Senior Auditors
2 Auditors

Staff Assistant
(Human Resources)

Principal
Programmer/
Analyst

Administrative
Assistant
(Receptionist)

Chief
Administrative
Officer

Administrative
Assistant II
(Receptionist)

Investigative
Assistant
(Distribution)

Computer
Forensic Investigator

Staff Assistant

Assistant
Chief Investigator

Assistant
Chief Investigator

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Assistant
Chief Investigator

Assistant
Chief Investigator

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2008 Budget