

*Statement of Inspector General David Hoffman
To the City Council
October 24, 2006*

The Inspector General's Office has undergone a transformation in the last year.

First, I have brought in an experienced leadership team of law enforcement professionals to lead our investigations. Together they have over 150 years of investigative experience. All of them are either former FBI agents or former CPD officers who spent a substantial portion of their career at the FBI. There is no substitute for experience in investigations. Their combined resume includes some of the most successful cases in Chicago in the last several decades. Bringing their experience to bear, they have improved the office's investigations in countless ways. The quality of the investigative work product is better. The investigations are deeper and more substantial. And most importantly, they train and guide our young investigators to make sure their hard work leads them in the right direction.

I took this job with the goal of making the office more proactive and less reactive, and of focusing the office on larger, more meaningful investigations. This infusion of experience will help to make these goals a reality.

Second, we have moved aggressively to convert the office from an empty one to a full one. When I started, nearly half the office's positions were vacant. By June, we had most of the positions filled. We will be down to one vacancy next month. And more than half our hires have been minorities, including some of the top positions in the office, which has helped increase diversity in the office.

Merely by filling vacancies, we have roughly doubled the number of investigators, from 19 to 36. Having only 19 investigators to cover tens of thousands of City employees and hundreds of millions of dollars in contracts meant that the investigators were drowning in cases.

As a result, little was getting done. There were many productivity drags on the office, but the huge number of vacancies was chief among them. When I started, the average caseload for non-supervisory investigators was 50. Such a huge caseload makes it nearly impossible to spend substantial, quality time on an investigation. And when investigators run from case to case, very few cases will produce substantial results. The average caseload is now down to 21. Getting fully staffed and keeping our caseloads manageable has been a critical step on the path toward being more proactive, and focusing on larger, more meaningful investigations.

Third, the way our office hires has been transformed in a way that strengthens our independence. In February of this year, the judge in the *Shakman* case issued an order authorizing the Inspector General's Office to hire through our own independent hiring process. The process is fully open to the Shakman Monitor and has allowed our office to move quickly to hire non-partisan, conflict-free investigators without reliance on any other part of City government.

If the City is to have a strong and effective Inspector General's Office, nothing is more important than a strict insistence on the office's independence. My leadership team and I understand the central importance of independence to the future success of the Inspector General's Office. We are personally committed to running the office in a completely independent manner.

Fourth, we reorganized the office from top to bottom with an eye toward increasing specialization and expertise. When I became Inspector General one year ago, cases relating to a particular department, or even a small sub-part of a department, were assigned scattershot throughout the office without recognizing the possible connections between the cases. Little to no expertise had been built up because investigators flitted between different parts of the

mammoth city government. Without expertise and intelligence, rooting out corruption and misconduct in city government is a hopeless endeavor.

To solve this problem we created a new organizational structure that will, over time, necessarily build expertise. We formed an Investigations Section that is split into four teams, with each team handling certain city departments. The teams are expected to know their departments and to regularly consult and use the departments' organizational charts – charts that were largely absent from the office before. Thanks to this division of labor and budding expertise, connections between cases are caught earlier and patterns of corruption and misconduct will be seen more quickly. In moving toward an office that is more proactive and that focuses on larger, more meaningful investigations, this change will make a huge difference.

Fifth, I created a Legal Section, with four attorneys to act as a type of internal prosecutor for our investigations. The idea was that by pairing up attorneys with investigators early in the investigations, the quality of the investigation would improve because the attorneys would focus the investigators on what needed to be proved to establish a particular criminal offense or disciplinary violation. I believe this is working. When I started, the office only had one other attorney. I have added three smart and experienced attorneys who now work as partners with investigators in our most substantial investigations. In addition, every week we hold “sustained case meetings” to determine whether completed investigations have sufficient evidence to prove the case. The investigator and her supervisor must defend the case before a board consisting of the Legal Section and our top staff. If the case passes this intense scrutiny, one of our attorneys writes a “summary report” explaining the evidence and our disciplinary recommendation. This process improves the quality of our cases and increases the accountability of our office by requiring us to explain and defend the case in writing.

Sixth, we also have greatly improved accountability within our office by holding weekly performance management sessions with the leaders of the four investigative teams. My top staff and I hold these meetings, with a different team on the agenda each week. We discuss the team's cases and caseload and ensure that its most important investigations are progressing in the right direction; that the team is not using too many resources on smaller, less important cases; that old cases are not stagnating; and that the team's caseload is not drowning its investigators. Meetings are no substitute for strong investigative work, but these weekly discussions increase accountability, flush out difficulties, and make sure that problems do not remain hidden.

Finally, modern technology has been brought to the office, adding quality and efficiency to our investigations. An email system was introduced and access to computer databases was vastly increased. And because of our new computer system, we were able to build an independent website that, along with our new 800-number hotline, encourages City employees and citizens to confidentially report corruption, fraud, and waste.

The Inspector General's Office needed improvement in a great number of areas, and I believe that in a short time, it has dramatically improved. Although it will take time before the full impact of these changes is visible, I believe that they are already starting to bear fruit. One example is the area of contract fraud. Last month, an eight-month investigation by our office led to felony charges against the Executive Director and the Chief Operating Officer of Genesis House, a not-for-profit organization that entered into grant contracts with the City for over \$300,000 to provide services to prostitutes in need of shelter, protection, and drug-abuse treatment. As alleged in court papers, the two executives stole almost double this amount of money from Genesis House, using it for, among other things, extravagant trips to the Bahamas. The Executive Director was charged with a Class X offense and, if convicted, faces up to 30

years in prison and a mandatory minimum sentence of 6 years. We are also going after the Executive Director's assets aggressively, in an attempt to return as much of the stolen money to the City Treasury as possible.

This case was the result of a lengthy, in-depth investigation that included the execution of a search warrant for documents and computerized evidence – only the second such search warrant in the Inspector General's Office's history. We executed the first such search warrant last year, shortly after I started, at the offices of U.S. Occupational Health. USOH was a City contractor that received over \$3 million in City funds yet, according to the allegations in the search warrant, defrauded the City by falsely claiming that specialist doctors had conducted critical examinations of Chicago police officers and firefighters.

These large fraud cases not only help bring fraudulent executives to justice but they also have great potential for returning to the City Treasury fraudulently-obtained City funds. And these cases are made possible by combining experience with a smart, efficient use of investigative resources that focuses on more significant investigations.

We also have seen substantial improvement in our number of successful disciplinary investigations, despite the fact that our new supervisors and investigators were not fully in place until June. In 2004 and the first three quarters of 2005, the Inspector General's Office averaged 21 sustained cases per quarter. After our restructuring, we have averaged 36 sustained cases per quarter, a 71% increase. And our sustained cases as a percentage of closed cases have risen from 2.7% during the 2004-2005 period to 10.4% in the last three quarters. This number rises to 16.7% when calculated as a percentage of those closed cases that the office actually investigates (as opposed to cases that the office refers out).

And these cases appear to be achieving disciplinary results. This year, when our office recommended discipline, the City imposed discipline on all but one occasion (98% of the time). The City departments followed our office's disciplinary recommendation 79% of the time, and either followed it or deviated by one level of discipline 96% of the time.

There are many more improvements to make in our effort to build the Inspector General's Office into a national model. Here are some of our plans for the future.

First, we are announcing today that beginning November 1, we will record all subject interviews, dependent on the subject's consent. When a subject makes incriminating statements during an interview, the subject sometimes disputes later that he made the statements, even if he signed a handwritten statement. A recording of the entire interview should end that dispute. Although some traditionalists in law enforcement oppose the recording of interviews, this is the wave of the future and there is no reason to oppose it. Recording preserves the truth, and therefore is the best protection for an investigation that follows the law and is based on the truth. Investigative bodies around the country that have switched to a system of recording seem to be enthusiastically supportive of it. For the subjects of our interviews, it will be up to them whether to consent to the recording, since we will not be able to record without their consent. But we hope that most of them consent, and that they understand that recording protects everyone involved. By adopting this policy, we believe that we are heightening transparency and accountability in the Inspector General's Office, two values that are important to us.

Second, part of transparency and accountability involves providing more information to the public. Even though we are an investigative body that conducts confidential investigations, we have moved in that direction with our website, which provides detailed information about our office and its organization, background, and legal framework. We expect to provide more

information on the website in the future and plan to begin publishing annual reports that provide statistics and other information about the office's operations in the prior year.

The core component of the Inspector General's Office is its disciplinary investigations. Yet because of the restrictive ordinance, the public rarely learns about the results of any of these investigations, including completed, successful investigations that result in an employee's termination. We believe that this is detrimental in a number of respects. For one, it makes it more difficult to achieve deterrence among City employees, since few learn the results of successful investigations. Deterrence is the key ingredient in any attempt to minimize corruption and misconduct and achieve a culture of honesty and integrity. And achieving deterrence requires a sustained effort to send a message about those employees who engage in wrongdoing and get caught. In addition, publicizing this information would increase public confidence in City government. The public already receives a great deal of information about others who catch wrongdoing by City employees. When it is the City's investigative arm that catches wrongdoing by City employees, it would be helpful to City government for the public to know that the City does not need to rely on others to uncover corruption and misconduct. Finally, publicizing this information would add accountability to the Inspector General's Office by allowing the public to judge and scrutinize its work. Extra care will always be taken when your work is going to be made public, which is why transparency and accountability go hand in hand.

I hope to work with the City Council in the future to consider appropriate changes to the ordinance that would achieve these goals.

Third, we will increasingly focus on the issue of supervisory accountability in City government. Misconduct flourishes where supervision is lax. Our view is that supervisors do not supervise frequently enough, and are not held accountable enough when those they supervise

commit misconduct. When we conduct investigations about an employee falsifying his time or engaging in other types of on-the-job misconduct, we also begin scrutinizing the role of his supervisor – and sometimes of his supervisor in turn. Part of being a supervisor – and earning the extra pay – is conducting oversight of those you supervise. When an employee engages in misconduct, we always ask, “Should the supervisor have known about it, or taken steps to prevent it, if he was doing a good job?” Supervisors should know that we will attempt to hold them accountable when those they supervise commit misconduct, and when they could have prevented it, in whole or in part. If supervisors get the message and begin to act in a more responsible fashion as supervisor, the amount of employee misconduct will decrease significantly.

Fourth, we will also increase our efforts to achieve deterrence in ways other than recommending discipline for employees – by seeking prosecution more frequently from the State’s Attorney’s Office or the U.S. Attorney’s Office, and by seeking cost recovery more frequently from the Law Department. State and federal criminal statutes are broad, and employees and contractors who commit substantial misconduct or make significant false statements will often fall within one of those statutes. We plan on being more aggressive than the Inspector General's Office was in the past in making criminal cases. Acting in a more proactive fashion will help achieve this goal. In the past three months alone, our investigations have resulted in four defendants being charged with felony offenses in three separate cases. And we believe there is more coming. In addition, when employees or contractors make false statements or claims or steal from the City (whether money, time, or something else of value), we will increase our coordination with the Law Department to help them pursue successful cost recovery actions against wrongdoers.

Last, we are very pleased that this year's recommended budget includes our proposal for the addition of an audit team to the Inspector General's Office. Every federal Inspector General's Office – and the best local Inspector General's Offices around the country – have both an investigations unit and an audit unit in order to fulfill the traditional, dual Inspector General mission of both catching corruption and fraud and uncovering waste and inefficiencies. Those offices recognize that governmental units need an independent audit function in order to uncover the maximum amount of waste and inefficiency. Before Sarbanes-Oxley, the best corporations recognized that it was wise to have auditors that were independent of management and reported to an independent entity. Federal law now requires it for publicly-traded corporations.

Our office's ordinance commands the same dual mission. Yet throughout its history, the Inspector General's Office has done little to nothing on the topic of waste and inefficiencies, and as far as we can tell has never requested audit resources. Public examples abound of situations where an independent audit might have uncovered waste or abuse before the problem mushroomed into a larger, more costly problem. And just as in the federal Inspector General's Offices, combining investigative and audit units in one independent office has complementary benefits, since investigations will suggest ideas for audits, and audits will suggest ideas for investigations.

We are very enthusiastic about the value we can add to the City as a result of this new audit unit. The creation of an independent audit unit allows the Inspector General's Office to expand from its historically limited role as an investigator into the role envisioned by the 1989 ordinance – as both independent investigator that seeks to catch wrongdoing, and independent auditor that seeks to uncover waste and inefficiencies in a way that helps prevent future wrongdoing.

I look forward to working with the City Council on developing ideas for this new independent audit unit, and on continuing to transform our office into a world-class Inspector General's Office.