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Opening Statement of the Inspector General Budget Hearings October 22, 2014

Madam Chair and members of the City Council:

Thank you for the opportunity to be here today before the Committee on the Budget & Government Operations. I look forward to answering your questions and discussing the Office of Inspector General's (OIG) 2015 budget request. Thank you all for your time.

Our office's 2015 budget responds to the call for zero-based budgeting and constitutes another year of holding the line on spending. For 2015, as in recent years, our year over year flat request has been achieved by identifying savings and operational efficiencies to offset annual increases in personnel-related costs. Over the last year we identified over \$30,000 in operational savings. We re-invested these savings in order to modernize our technology infrastructure so that OIG can conduct our audits and investigations more efficiently in the years to come.

We will enter 2015 having assumed exclusive responsibility for oversight of the City's employment system after the dismissal of the City of Chicago as a defendant in the 45 year old *Shakman* case. Critical components of the City's achievement of substantial compliance included significant enhancements to the hiring plans of the Police and Fire Departments as well as technical and operational advances that provided OIG with the ability to monitor these new areas. In 2015, OIG will focus on ensuring rigorous compliance oversight with the long-term objective of affecting a full paradigm shift in City employment practices.

Our Audit and Program Review section took on major audits and reviews of several critical City services, including public safety, sanitation, and transportation. This work affirmed the positive contributions of City programs in some areas while bringing to light problems and identifying paths to improvement in others. We are encouraged by the trend of increasing departmental cooperation and, most importantly, responsiveness to our findings and recommendations as well as their expressed desire to improve their operations as soon as possible.

Of course, where wrongdoing or corruption exist, we continue to investigate. In the last year, six OIG cases led to charges or convictions of 13 individuals for bribery, theft, and fraud, among other criminal acts, impacting millions in taxpayer dollars. In particular, the year brought the successful conclusion of OIG's court-ordered role as investigative agency supporting a court appointed special prosecutor in the criminal investigation of the death of David Koschman. The investigation resulted in a charge and guilty plea of Richard J. Vanecko to involuntary manslaughter.

Most of our investigations, however, do not involve criminal behavior and do not end up in court. Instead, we issue recommendations to department heads who independently determine their ultimate course of disciplinary or administrative action. While oftentimes these cases do not get much public attention, they are critical to ensuring the accountability of all employees, officials, and contractors.

2014 Accomplishments

To fulfill our mission of deterring and detecting waste, fraud, abuse, and inefficiency, OIG conducts timely, professional, and relevant investigations, performance audits, reviews, and hiring monitoring.

In the past year, OIG,

- Completed more than 131 investigations of misconduct, some contributing to judgments and collections totaling over \$6 million.
- Issued 12 Advisories, Audit Follow-ups, and Notifications providing transparency and efficiency recommendations for more than a dozen City programs. The proposed 2015 budget implements actions suggested in one OIG Advisory that the Administration estimates will help achieve over \$10 million in revenue and savings.
- Published 7 audits and reviews identifying critical data inconsistencies and inaccuracies, programmatic risks, ineffective ordinance enforcement, and over \$ 3 million in potential savings for the City;
- Helped the City achieve the final dissolution of the long, costly *Shakman* court oversight of the City's employment system as well as 374 reviews, monitoring actions, and audits of hiring activity, including two major audits of Citywide hiring compliance infrastructure;

Further highlights from our work this year include:

- An audit of the Chicago Fire Department's (CFD) response time that found CFD was not meeting the response times for National Fire Protection Association Standard 1710 that it had historically claimed to meet or exceed. It also found that CFD's own internal reports lacked the elements necessary to accurately assess whether it was in fact meeting or exceeding the national standards as it claimed.
- An audit of the City's garbage ordinance enforcement which prompted the Department of Streets and Sanitation (DSS) to review its list of grandfathered properties and identified 794 buildings as potentially ineligible to receive City collection. DSS and Department of Law have committed to work together to develop a self-certification process for these properties, which cost the City an estimated \$3.3 million to serve in 2014.
- Following OIG's investigation, a retired city official, a former chief executive officer of Reflex Traffic Systems, Inc., and the company's customer liaison with the city, were

indicted on federal corruption charges. The grand jury's 23-count indictment alleges that Reflex officials gave the retired city official approximately \$570,000 cash and other personal benefits in exchange for his inside information and assistance in obtaining, keeping, and expanding its Chicago contracts to \$124 million in value.

- Following OIG's investigation, a clerk for the City was indicted for a years-long scheme to embezzle money from the Chicago Department of Transportation (CDOT). The arrest and subsequent OIG investigation led to the employee's resignation as well as CDOT's tightening of permit program protocols and the fast-tracking of improved controls for cash-handling Citywide.

Looking Ahead

The Office of Inspector General enters 2015 confident in our people, our processes, and in the future of oversight in Chicago. The growth of our Hiring Oversight team brings new insight to our work and creates valuable synergies across our department. In addition, our Draft Annual Audit Plan for 2015 proposes audits that will provide opportunities to work with new departments and programs across the City. We encourage your comments and suggestions on this draft plan which was distributed to City Council and is available on our website. The active participation of the City Council and the public is critical to the success of our work.

OIG is proud to continue our work serving the City of Chicago by identifying, eliminating, and guarding against waste, fraud, abuse, and inefficiency.