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Opening Statement of the Inspector General Budget Hearings September 30, 2015

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) 2016 budget request.

This year, as in recent years, OIG submitted a flat budget. To do so, we offset the majority of City-directed cost-of-living adjustment and annual merit increases by relinquishing two positions and identifying operational efficiencies, together totaling \$159,632.

OIG is charged by ordinance with promoting economy, effectiveness, efficiency, and integrity in the administration of programs and operation of City government. City Council is a critical partner in our work. Increasing numbers of members of this body contribute to our ordinance mission, coming to us with your ideas for audits and concerns about activities in your wards. I hope you will continue to view OIG as a resource as you work to deliver critical services to Chicagoans, improve the fiscal health of the City and tackle the many other challenges of governing.

City departments and programs also continue to look to and draw upon OIG as a source of reliable, objective, independent analyses. Many of our audits have prompted departments to engage in meaningful self-examination which, in some cases, has resulted in immediate improvement to operations either through reduction in waste or improvements in efficiency and effectiveness. However, long standing programs, policies, and procedures take time to change, often in incremental forward marching steps. A few weeks ago, citing OIG's 2014 advisory, the Administration announced the sale of City property currently used as employee parking, for \$12 million. This sale was what I hope is the first step in an analytical and holistic approach to managing the City's real property assets. Recently, the Mayor also announced that the Police Department (CPD) will civilianize positions, bringing 319 sworn officers into the field. While we cannot comment on the specific positions, we credit the Department and the City for taking seriously the commitments made in response to OIG's 2013 report on police civilianization opportunities. Lessons learned in one area of the City can be applied to other programs, which is why OIG is currently conducting an audit of civilianization opportunities at the Fire Department (CFD).

A succession of OIG audits and reports in recent years have examined and analyzed a number of aspects of the City's garbage collection program that identified multiple efficiency, effectiveness, and savings reforms. This summer the Department of Streets and Sanitation (DSS) worked with City Council to pass an amendment repealing the "grandfather clause," addressing OIG's 2014 finding that the City was not efficiently enforcing the City's ordinance while spending, according to DSS, over \$3.2 million a year. In addition, in recently announced adjustments to the garbage grid and collection crew deployments that will reportedly free up personnel resources for tree trimming, DSS referenced OIG's Spring 2015 audit of garbage collection efficiency, which found that the Department's performance standards were not aligned with actual field operations. I hope that OIG's audit findings, past and future, continue to be used to inform further needed rounds of reforms and savings.

Risk management and insights relevant to operational controls also arise from OIG investigations. This summer, following an OIG investigation, a former Department of Transportation (CDOT) employee pleaded guilty to embezzling hundreds of thousands of dollars from the City's coffers and received a sentence of 30 months imprisonment. In addition, the City was able to recover \$741,000. While OIG's investigation was ongoing, CDOT and the Department of Finance (DOF) acted promptly on OIG's identification of cash-handling and operational control issues. The departments tightened permit program protocols and fast-tracked an initiative to improve controls for cash handling Citywide to prevent such fraud from occurring in the future.

OIG plays an important role in fostering government accountability and public trust. Both the public and their elected officials need to know that taxpayer dollars are being spent in the most effective way possible and in accordance with the law; and, when they are not, the public needs to know that the appropriate corrective action will be taken.

Looking Ahead

Later this year, the Procurement Reform Task Force, co-chaired by OIG, will present recommendations on how the City and sister agencies can collectively improve procurement processes through enhanced coordination, and the implementation of best practices with the ultimate goal of generating more value for taxpayers. In addition, OIG is conducting audits of critical program components throughout the City including street paving management and CPD overtime management. Over the next month, OIG will be accepting comments on our recently published Draft Annual Audit Plan, which provides an overview of which programs and issues OIG will likely examine through audits in 2016. Finally, in the coming year, OIG's reorganized information technology team will enhance our capability to deliver audits and investigations informed by state-of-the-art data analysis.

OIG enters 2016 knowing that our work directly addresses the risk of fraud and abuse that all governments must constantly guard against, and confident that our work will support efforts to improve the City of Chicago. The fiscal crisis does not end with this budget, and cannot be resolved principally through revenue-based solutions. Unrelenting focus and steadfast partnership in the search for waste, savings, and efficiencies must continue. Indeed, the new burdens likely to be placed on the taxpayers compel us to take a long-term perspective on

expenditure control, examining budgets as well as programs throughout the year, and refocusing our efforts on finding more ways to root out waste and inefficiency.

Moving forward, the City's ability to deliver the world-class services that its residents and visitors expect and deserve with available resources can only be achieved through paradigm-shifting reforms. And, this kind of innovation is impossible without the full and unbridled engagement of all of the City's stakeholders including you, the legislators, the Administration, the public, City employees, and organized labor. A major theme emerging from our recent work is that many historical employment principles that are no longer workable remain firmly entrenched in organizational structures and labor agreements. We must all come to the table with the courage to challenge past constraints and the willingness to accept change in the best interests of Chicago.

We look forward to continuing our work, in partnership with you and all those invested in Chicago's future, to identify opportunities for the City to run in ways that are aligned with its ambitions and its obligations.

Highlights From Previously Reported Activities

- **OIG published six program audits and reviews that identified inefficiencies, programmatic risks, and ineffective ordinance enforcement. OIG program audits also identified over \$7 million in either missed revenue or potential savings for the City.¹**
 - An audit of the process for loading zone signs found significant inefficiencies and procedural errors. CDOT is currently working towards making the current loading zone process more efficient with such changes as introducing standardized forms. Further efficiencies and savings may be found by examining changes to aspects of this and many other programs that require the structural and operational cooperation of the Administration and the City Council itself.
 - An audit of garbage collection performance measurement found that DSS did not measure all garbage collection operations, did not know the number of City garbage carts in each division, and did not optimally plan routes or staff resources. In response, DSS reviewed garbage collection activity, leading it to adjust collection routes for waste pick-up and allocation of crew resources. According to the Department it also revised its time-per-alley performance standard to reflect current performance levels, part of reforms to the grid system which the Administration has estimated will save \$7 million annually.
 - An audit of water service account inventory and revenue found that the Department of Water Management (DWM) allowed an estimated \$3.9 million in free water use at private construction sites from June 2008 through December 2014. DWM quickly addressed this loophole and now requires that meters are installed at the time of a new water installation.
 - An audit of Business Affairs and Consumer Protection Taxicab Regulatory Compliance found that the Department did not employ sufficient quality

¹ Summary based on time period beginning 10/01/2014 and ending 09/29/2015.

assurance procedures, such as covert and overt audits, to ensure that all inspections were conducted in accordance with the Department's inspection standards. In response the Department committed to augmenting its current system of supervisory oversight with overt audits and by updating protocols.

- **OIG issued 10 advisories, audit follow-ups, and department notifications providing recommendations regarding the transparency, management risks, and efficiency of more than a dozen City programs.²**
 - **OIG followed up on an April 2014 audit of DSS's enforcement of the garbage ordinance finding that the collection service given to some not-for-profits was not legally authorized and enforcement of the grandfather clause was inefficient. At the time of the follow-up report DSS had not responded to OIG's findings. However, in July of 2015 City Council addressed OIG's second finding by repealing the "grandfather clause."**
 - **OIG followed up on a December 2014 audit of the Department of Buildings's (DOB) compliance with the annual elevator inspection requirements set forth in the municipal code. OIG found that the Department had addressed some of the audit's findings but OIG urged DOB to strive towards its stated goal of 100% inspection completion rate for elevators citywide, and to that end to continue its expansion of the Annual Inspection Certification program and its upgrade of its electronic inspection database with the Department asserting that savings, efficiencies and effectiveness will directly ensue.**
- **OIG completed more than 77 investigations of misconduct, many of which resulted in judgments and collections for the City totaling over \$1.1 million.³**
 - **An individual pleaded guilty to an interstate vehicle title-washing and mail/wire fraud scheme to falsely and fraudulently generate clean car titles for approximately 180 salvaged and rebuilt cars which were put to use as taxicabs in the City, in violation of City, state, and municipal law respecting the use of such vehicles.**
 - **A former CDOT employee pleaded guilty to embezzling hundreds of thousands of dollars from the City's coffers. The former employee was sentenced to 30 months' imprisonment and ordered to pay restitution of over \$741,000, an amount the City already has recovered through insurance as a direct result of OIG's work.**
 - **Two individuals pleaded guilty in the continuing prosecution of the almost decade-long kickback scheme involving, among others, a since retired senior City official and the CFO/CEO of the City's former Red Light Camera program vendor. Restitution to the City is mandatory and will be determined at sentencing.**

² Summary based on reports published or department notifications summarized in quarterly reports during the time period beginning 10/01/2014 and ending 09/29/2015.

³ Summary based on time period beginning 07/01/2014 and ending 06/30/2015.

- OIG conducted 355 reviews, monitoring actions, and audits of hiring activity including monitoring 77 hiring sequences and auditing 74 test administrations. OIG also responded to 55 complaints about the City’s hiring practices.⁴
 - OIG Hiring Oversight made significant procedural headway in our collaboration with CPD, in addition to finalizing a supplement to the CPD hiring plan to address the handling of assignments, details and transfers. OIG also worked on revisions to enhance the fairness of merit selection decisions. OIG Hiring Oversight has worked in close partnership with CPD and DHR on training the relevant personnel on the new policies and procedures and on required documentation.
 - OIG Hiring Oversight conducted an audit of compliance with record keeping regarding the Hiring Plan’s Acting Up policy. Historically, many departments allowed employees to “act up” in positions as a way to bypass policies intended to ferret out political patronage. OIG’s audit found inconsistencies in record keeping for some departments, who agreed to take corrective actions. The phenomenon of employees “acting up” in positions continues to be closely monitored by OIG.
 - OIG continues its long-term work to change the culture around hiring, promotions, assignments, and details for which OIG has had the cooperation of many department heads and the Mayor.

⁴ Summary based on time period beginning 07/01/2014 and ending 06/30/2015.

Office of the Inspector General

2016 Budget Hearing

MBE/WBE Contracting Data

Period: 2015 Projected Year End

Total Purchases: \$66,447

<u>MBE/WBE Spend</u>	
WBE:	\$23,245(35%)
Asian MBE:	\$0.00 (0%)
African-American MBE:	\$39,788(60%)
Hispanic MBE:	\$3,414 (5%)
Total Purchases:	\$66,447 (100%)

Staffing Data

Department Ethnicity and Gender				
	Male	Female	Total	%
Asian	0	1	1	2%
Black	5	8	13	22%
Hispanic	5	5	10	17%
White	22	13	35	59 %
Total	32	27	59	100%
	54%	46%		

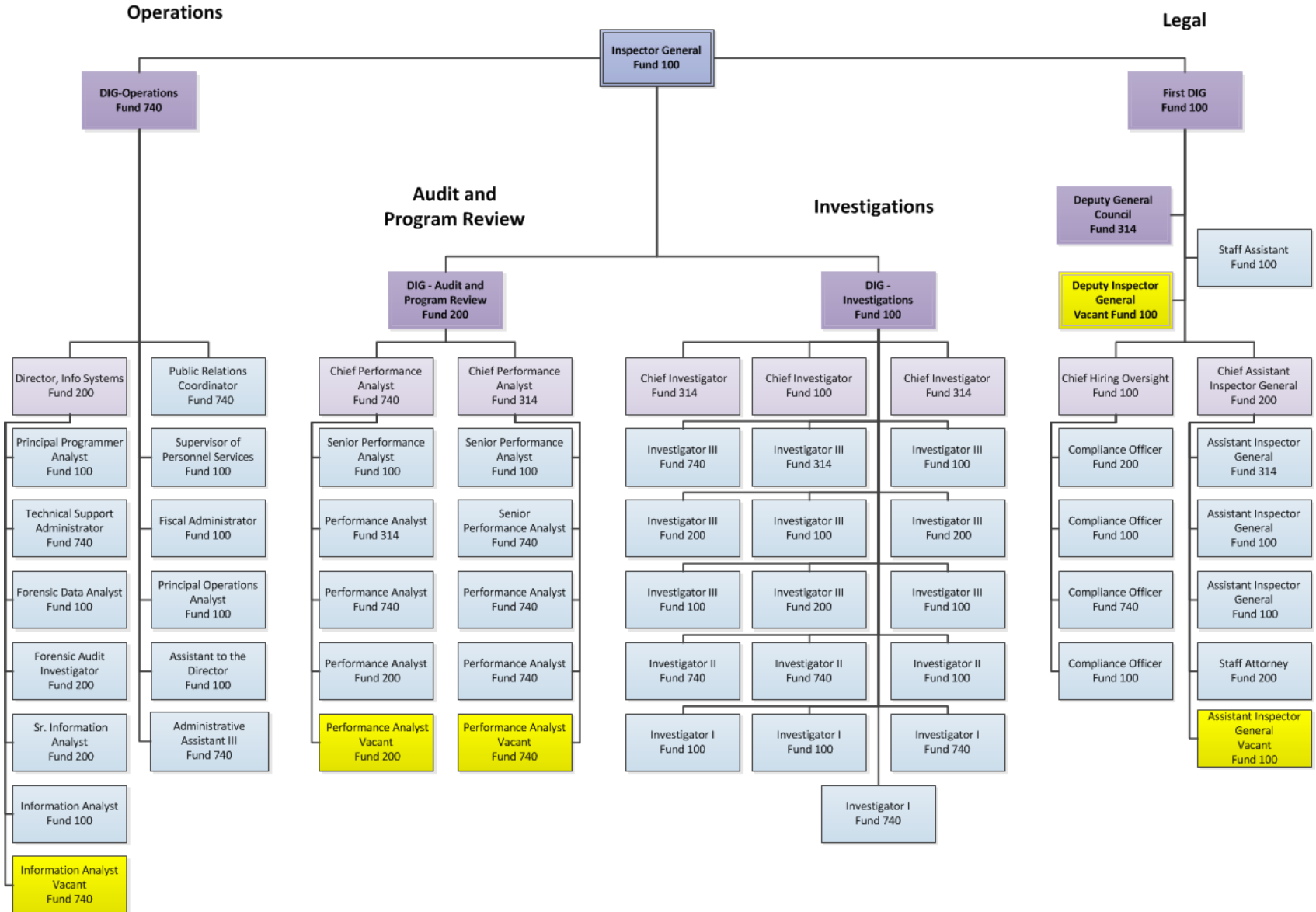
New Hires Ethnicity and Gender				
	Male	Female	Total	%
Asian	0	1	1	7%
Black	2	3	5	36%
Hispanic	2	0	2	14%
White	3	3	6	43%
Total	7	7	14	100 %
	50%	50%		

Department Managers Ethnicity and Gender				
	Male	Female	Total	%
Asian	0	0	0	0%
Black	2	3	5	36%
Hispanic	0	0	0	0%
White	7	2	9	64%
Total	9	5	14	100 %
	64%	36%		

Interns

School	Gender	Race
Illinois Institute of Technology, College of Computer Science	Female	Asian/Pacific
DeVry University, Computer Information Systems	Male	Hispanic
University of Southern California, School of Law	Male	Black
DePaul University, Science in Predictive Analytics	Female	Asian/Pacific
Illinois Institute of Technology, College of Computer Science	Female	Asian/Pacific
Illinois Institute of Technology, College of Computer Science	Male	Asian/Pacific
Illinois Institute of Technology, College of Computer Science	Female	Asian/Pacific
One Summer Chicago Program (Triton College Student)	Female	Black

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