

*Statement of Inspector General David Hoffman
To the City Council
October 24, 2008*

Chairman Austin and Members of the City Council:

I appear before you today having entered the last year of my term of office as Inspector General. As this may be my last appearance before the City Council, I want to take this opportunity to say that I consider it an honor to be serving the citizens of Chicago in this position. Over the past three years, my colleagues and I have worked hard to build the Inspector General's Office into an investigative agency that is steadfastly independent, and to make the office highly effective, professional, and experienced.

I believe that in the last year, the office has performed well. The Inspector General's Office operates in a very different way and at a different level than it did three years ago, and the Office continues to improve.

First, the Office is busier than ever. In the first nine months of 2008, we received nearly 1,700 complaints – an average of 188 complaints every month. This is a 9% increase from 2007 when we received an average of 173 complaints every month (for a total of 2,082 complaints). In 2008, a greater percentage of our complaints than last year have come in either through our website's "Report Corruption" page at www.chicagoinspectorgeneral.org or through our toll-free hotline (866-IG-TIPLINE). I believe we are one of the few City departments that actually takes complaints 12 hours a day – our hotline is open from 8:00 a.m. to 8:00 p.m. every week day – and it is staffed by our investigators.

We believe that the high and increasing number of people who want to report wrongdoing to us is a sign that people believe in the Office's effectiveness and independence.

Because each investigator can only work on so many cases at a time, we are simply unable to open an investigation on most of the complaints we receive. Our open caseload is typically between 350 and 400 cases – anything over 400 cases means in essence that either our investigators are too swamped to work any cases effectively, or many of our cases sit without anyone working on them at all. In the last 12 months, we have opened 355 cases, which equals just 16% of the complaints made to the Office. The leading reason we decline a case is lack of resources.

For those cases we do open, our investigators and small legal staff are doing a tremendous amount of work. We have conducted an estimated 900 to 1000 investigative interviews this year to date, a significant increase from last year. We have issued 542 subpoenas and document requests in 2008, a 40% increase over the equivalent period in 2007. In our administrative cases, our attorneys have written well over 100 summary reports in the last two years – the Office’s thorough summary and analysis of the evidence in a disciplinary investigation. In our criminal cases, investigators have participated in an unprecedented number of operations involving undercover recorded conversations. And for several months we worked jointly with federal agents on multiple wiretaps – investigative activities that are highly time consuming but critically important in sophisticated investigations.

A busy office does not guarantee an effective office. And the most important measures of an effective investigative office are qualitative, not quantitative, ones.

In my view, the accomplishments of this office in the last two years have been more significant than ever. We are no longer an office that focuses most of our resources on investigating lower-level employees for individual acts of relatively minor misconduct. More and more of our successful cases end with a result of greater significance – including serious

criminal charges, sustained findings against a high-level City employee, or findings showing widespread or systemic wrongdoing. And this trend will continue.

In the last two years, our investigations have resulted in 42 criminal cases – 23 charged by federal prosecutors and 19 charged by state prosecutors. This is a dramatic change from the past when criminal cases from this office’s investigations were rare.

The cooperation between our office and federal law enforcement authorities has grown even stronger and more extensive in the last year. We work regularly with federal authorities in a substantial number of joint investigations on a variety of topics. Most of these investigations were initiated by our office after we uncovered some suspected criminal conduct and approached the federal authorities to determine whether they wanted to conduct a joint investigation with us.

This is an important and highly constructive relationship with regard to uncovering corruption and fraud in City government and by City contractors. Having been on both the federal and the Inspector-General side of this equation, I know that both sides contribute important assets that make a joint anti-corruption effort stronger than two separate ones.

For such a relationship to exist, the federal authorities must have confidence that our office is rigorous regarding our independence and the confidentiality of investigations, and that we are professional and capable. These joint investigations and the prosecutions that have resulted from them show that the City has a strong and robust Inspector General’s Office that can help to uncover corruption and wrongdoing of all types and at any level. And I believe firmly that the City and its citizens benefit greatly from having a strong, independent Inspector General’s Office with this kind of capability.

Our Office also improves greatly as a result of this relationship. Working alongside an experienced federal agent often provides our younger investigators with excellent training and

experience. For the first time in the Office's history, our investigators worked on an investigation in which wiretaps were used – an investigative technique only available through federal investigations here since Illinois law does not authorize wiretaps by state and local officials for crimes involving corruption. This provided our investigators with a tremendous type of training and experience that many law enforcement officers lack. And working hand-in-hand with federal prosecutors and agents at federal trials, sentencings, and hearings has given our investigators invaluable experience that will make them even more effective and conscientious in all of their investigations.

This cooperation between our office and federal law enforcement has led to a very significant joint investigation that uncovered widespread corruption regarding building and zoning inspections. To date, 24 defendants have been charged (21 federal, 3 state), including 15 City employees from the Buildings Department, the Zoning Department, and the former Department of Construction and Permits. The latest round of charges, in May 2008, resulted in 8 City employees and 7 non-City employees being charged, after extensive undercover recordings and wiretaps. Eight of the defendants, including 7 City employees have been convicted; the other 16 cases are pending.

These cases, including the evidence that has come out in guilty pleas and at trials that resulted in guilty verdicts, reveal that a wide variety of inspectors – building, plumbing, electrical, zoning, etc. – and some supervisors were consistently willing to take bribes in exchange for taking some false official action. And this widespread problem only came to light because our investigators and federal agents stayed with the investigation for an extended period of time and dug deeply using sophisticated investigative techniques. While it is disappointing to see this type of extensive corruption in a part of City government, it is only through an accurate

assessment about how deep the problem is that City government can put the proper solutions in place to prevent this corruption in the future.

In another joint investigation between our office and federal authorities, two former supervisory health inspectors were charged with a scheme to fraudulently obtain City-issued food-safety certificates for a very high number of restaurant owners and workers.

We also work closely with the Cook County State's Attorney's Office on some of our criminal investigations, and these investigations have also resulted in significant cases. For instance, in April 2008, following a joint investigation between our office and the State's Attorney's Office, a Ward Superintendent was charged with official misconduct and other crimes for a scheme to violate the election laws. The state charges allege that, among other things, the employee abused his official position in order to persuade citizens to vote absentee – even though they did not qualify – and then to give the ballots and/or ballot envelopes to him and a co-defendant (a violation of state election law) so they could mail or turn in the ballots. This case is pending.

The misuse of City positions for any sort of political purpose is an issue that we take very seriously whenever it is discovered or presented to us. As we did in this investigation, we will investigate these matters vigorously in the future and will seek criminal charges whenever appropriate.

Another state prosecution resulted from an investigation in which our office uncovered a fraud scheme by two City employees – a General Foreman in the Department of General Services and a second DGS employee. The charges allege that the General Foreman obtained over \$50,000 in unauthorized items from a City contractor by submitting false invoices through the City payment system. These items allegedly included kitchen cabinets, custom countertops,

ceiling fans, and patio fire pits, at least some of which were apparently delivered by the contractor to the General Foreman's house. This case is pending as well.

The Office has also completed a large number of sustained administrative cases in the last year – relating to both City employees and vendors. In the last 12 months, the Office has issued sustained case reports regarding 98 subjects – ranging from cases recommending a City employee's termination or suspension to cases recommending a company's debarment or decertification.

We recommended that James Duff and his associates and related companies identified in the federal criminal case against them be permanently debarred from receiving City contracts. And when the City's initial decision only debarred them for three years, we argued strongly against that decision, which was changed to a permanent debarment.

We recommended that all individuals and businesses who committed crimes and violations as part of the Hired Truck program, as established through either federal prosecutions or our own investigations, be permanently debarred. The Department of Procurement Services has recently taken steps to do exactly that.

We place a priority on investigating allegations that companies certified as minority-business or women-business enterprises are actually "fronts". For instance, one of our investigations this year determined that a WBE-certified company with City contracts had provided false statements to the City to maintain its WBE certification. The investigation showed that the woman who owned the business was completely absent from the operations of the business, despite statements to the City to the contrary. And during our investigation, the owner provided fraudulent documents to us in an attempt to obstruct the investigation. We

recommended that she and the business be permanently debarred, and the Department of Procurement Services has taken steps to do so.

As to employee-discipline cases, we continue to prioritize cases involving higher-level employees and more serious allegations – especially allegations of abuse of power – even though these cases tend to be more difficult to prove and take longer. This is not to say that all of our cases fit this description. Given the high volume of complaints we receive and the immense breadth of City government this Office is expected to cover, it is inevitable that some of our investigations will concern more run-of-the-mill matters. But we attempt to ensure that we are not devoting a majority of our resources to these cases. And even when we open such investigations, it is always with an eye toward determining whether the case or the problem is broader than it may appear at first.

Among our more significant administrative investigations in the last year was our case proving an ethics violation by a high-level Revenue Department official, as has been publicly reported. We recommended action not only against that official, but also against the law firm that was involved in the ethics violation and that held a lucrative City contract. The investigation resulted in the resignation of the official and the City taking the extraordinary step of canceling the contract with the law firm as a result of the violation.

Cases like this one against individuals or businesses with City contracts who are perceived to be powerful are important, because if successful, they send the message that the rules apply to – and will be enforced against – everyone, regardless of status.

Another case in this vein was our investigation regarding racial and sexual harassment against a supervisor in the Department of Transportation who was widely perceived to have strong political connections. The case relied entirely on witness testimony, but by gathering the

testimony of a large number of witnesses, all of whom corroborated each other, we were able to establish that harassment and egregious statements had in fact occurred. Following our recommendation, CDOT fired the supervisor. The Human Resources Board reversed the termination, but the Law Department appealed to the Circuit Court, and the Court reversed the Human Resources Board, ruling that it was clearly erroneous to find fault with the termination. In the end, then, the supervisor's discharge was upheld.

Examples of other sustained employee-discipline cases in the last year include:

- A case involving an attempt by a supervisor to get jobs for family members with a City contractor whose performance the supervisor oversaw. The case led to the official's resignation.
- A case involving a high-level City official who received a DUI and was involved in an accident in a City shared-cost-lease vehicle, and then concealed this information from City officials and concealed a prior DUI through false statements. The case led to the City's decision to terminate the official.
- A case involving problems with the City's drug-testing program. The case led to the termination of the official who ran the program.

When our investigations show that there is a broader problem, we have sent out reports to the relevant departments explaining the nature of the problem in an attempt to help them fix it. For instance, the case described above involving the DUI's revealed that there were significant problems in the way the Shared-Cost-Lease vehicle program was handling eligibility verifications, which potentially allowed City employees with DUI's or other serious violations to be driving City vehicles even after their arrest or violation. This obviously creates liability issues for the City, among other problems. We issued a report explaining our observation of the problem and recommending some solutions.

Similarly, when one of our investigations revealed that a high-level official had taken advantage of access to City airport-security parking lots next to the terminals to have a family

member park there for free while on a trip, we not only recommended that the official be disciplined (and be required to reimburse the City for the value of the parking), but also issued a recommendation report suggesting tighter controls in the access to and use of the parking lots.

As we reported last year, we continue to have a good track record regarding how departments respond to our disciplinary recommendations. As to disciplinary reports sent out in 2007 (some of which were acted on in 2008), 99% of the time either the departments imposed discipline or the employee resigned (71 out of 72). 81% of the time (58 out of 72), the department either imposed the same discipline we recommended, imposed greater discipline, or the employee resigned. 18% of the time (13 out of 72), the department imposed discipline but less than recommended.

As to disciplinary reports sent out in 2008, the percentage breakdowns are roughly the same. 97% of the time (31 out of 32), either the departments imposed discipline or the employee resigned. 88% of the time (28 out of 32), the department either imposed the same discipline we recommended, imposed greater discipline, or the employee resigned. 9% of the time (3 out of 32), the department imposed discipline but less than recommended. (The overall numbers of 2008 departmental actions are smaller than in 2007 at this point since our recommendations sent out in 2008 remain pending for a substantial number of cases.)

Only 19% of our sustained cases sent out in 2007 were appealed to the Human Resources Board and not later withdrawn. In 10 of the 14 cases that have been decided (71%), the Human Resources Board upheld the department's disciplinary decision. In the other 4 cases (29%), the Board upheld the finding of a disciplinary violation but imposed a lesser disciplinary penalty.

Another important expansion of our office's activities has occurred in the last 12 months: for the first time in the IGO's history, we have sent detailed reports to both the City Council and

the Mayor on investigations that involved waste, inefficiencies, and revenue opportunities in City government. In November 2007, we sent the City Council a report describing the problem of counterfeit City vehicle stickers and suggesting that a new ordinance-and-enforcement program be implemented that could raise substantial revenue. The Council acted quickly to adopt an ordinance that created new penalties for those who try to skirt the City's vehicle-sticker laws with counterfeit stickers. Consistent enforcement of this ordinance will inevitably raise revenue and help cut down on the extensive counterfeiting practice that the report described.

Earlier this month, we sent the City Council a report detailing the extensive waste of taxpayer funds that is occurring within the Bureau of Sanitation. The Bureau is budgeted \$72 million to pay its workers for garbage collection, but investigators observed that for a large percentage of the day workers throughout the City were being paid while they did no work. As to the cause of the problem, our report focuses not on the workers themselves but on the managers and supervisors who are responsible for running the system of garbage collection, and for ensuring that their subordinates are actually working. In our view, the City must do a better job of guarding against this kind of extensive waste, and should be able to do so by a better system of supervision, accountability, and enforcement.

We will continue to focus on catching corruption and wrongdoing where it exists in City government. But where feasible, it should also be a significant part of our mission to work on rooting out large areas of potential waste and inefficiencies in City government – and then letting all relevant City decision makers know of our findings.

The final point I would like to make relates to the importance of supervisory accountability in all aspects of City government. Based on our experience, much of the lower-level misconduct we receive complaints about and sometimes investigate could be prevented

with strong supervision. In our view, when an employee commits certain types of misconduct – especially falsifying their time (*i.e.*, being absent from work for substantial periods of time while being paid) – the next question should be, “where was their supervisor?” A great deal of misconduct of this type should simply not occur, or should be caught, by a diligent supervisor doing his or her job. Supervisors tend to be well compensated in City government, and part of their job is in fact to supervise their subordinates. If a subordinate commits significant misconduct, and a diligent supervisor should have caught the misconduct, we believe the supervisor should be held accountable as well.

However, when we look at how department heads react to our disciplinary recommendations, we find that while our recommendations are followed in the vast majority of cases, department heads sometimes have more difficulty following our recommendations that supervisors or higher-level officials be disciplined. Holding supervisors accountable in these situations is not only fair, but if applied consistently would send a strong message to all supervisors that they have a personal stake in guarding against misconduct by their subordinates. And increased diligence by supervisors would decrease misconduct in City government.

In the coming year, we will continue to work hard on behalf of the citizens in our effort to aggressively uncover corruption, fraud, and waste in an independent, fair, and reasonable manner.