



City of Albuquerque

Office of Internal Audit

P.O. BOX 1293, ALBUQUERQUE, NM 87103

August 24, 2016

Councilor Dan Lewis, President
City Council
P.O. Box 1293
Albuquerque, NM 87103

Dear Councilor Lewis:

We have completed the Office of Inspector General's Annual Report for Fiscal Year (FY) 2016. The Accountability in Government Oversight Committee approved the Annual Report on August 23, 2016, and we are pleased to transmit it to the City Council for your review.

Sincerely,

A handwritten signature in black ink, appearing to read 'David T. Harper'.

David T. Harper, Inspector General
Office of Inspector General



City of Albuquerque
Accountability in Government Oversight Committee
P.O. Box 1293 Albuquerque, New Mexico 87103

August 24, 2016

Honorable Mayor Richard J. Berry, Members of the City Council, and Citizens of Albuquerque:

The Accountability in Government Oversight (AGO) Committee would like to recognize the Office of Inspector General's (OIG) Inspector General and his staff for their continued service to the Administration, City Council and the Citizens of the City of Albuquerque.

As this annual report demonstrates, OIG produces investigations that include recommendations intended to improve City processes which result in potential cost savings.

The AGO Committee has found the OIG staff to be a professional and respected resource for the City of Albuquerque. As an independent, objective set of eyes that can help the organization accomplish its objectives, OIG is certainly an integral part of the City of Albuquerque government.

Sincerely,

Gerald T. Kardas, Chairperson for
Accountability in Government Oversight Committee

Patricia A. Caristo
Mark D. Jarmie
Raul J. Anaya
Robert M. Doughty III



Office of the Inspector General
City of Albuquerque



Annual Report for Fiscal Year 2016

Table of Contents

Message from the Inspector General	2
History, Mission, Authority and Goals	3
Organizational Chart	4
Budget	5
Outside Agencies	5
Tips Received	6
Investigations Conducted in FY2016	7
OIG Staff	8
Staff Biographies	9
Accountability in Government Oversight Committee	10
Boldly Going Forward in FY2017	11

OFFICE OF INSPECTOR GENERAL
Fiscal Year 2016 Annual Report
July 1, 2015 – June 30, 2016

Message from the Inspector General

Honorable Mayor, Members of the City Council, Accountability in Government Oversight Committee and Citizens of Albuquerque:



It is my pleasure to issue this Annual Report on the Office of the Inspector General for the period July 1st, 2015 to June 30th, 2016. This is the first report issued under my leadership and provides a summary of our efforts for the past 12 months to promote a culture of integrity, accountability, and transparency throughout the City of Albuquerque, as we seek to safeguard and preserve the public trust.

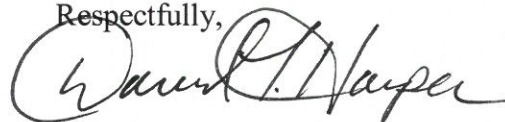
My first day as the Inspector General for the City of Albuquerque was June 27th, 2016, just three days before the end of Fiscal Year 2016, for which this report covers. I'd like to express my appreciation for the opportunity to serve the Citizens of Albuquerque as the Inspector General. This is a great honor and my intent is to ensure I do my utmost to ensure this office provides outstanding service to the City, to include Citizens, City Employees and Elected Officials.

It is important to take a moment to express gratitude to Mr. Peter Pacheco, who has selflessly served as the Acting Inspector General since January 5th, 2013, and has guided this office through several significant investigations and matters, while working with a reduced staff.

I would like to thank members of the Accountability in Government Oversight Committee (AGO), the City Council and staff, the Mayor and his Office and all City officials and employees who have supported the OIG throughout FY2016.

I would especially like to thank the Citizens of Albuquerque for supporting this office by coming forward and expressing your concerns, ideas, and of course, with your hard earned precious tax dollars which fund much of City operations, to include this office. Our commitment is especially to you to ensure that money is efficiently, ethically and responsibly used in support of City operations and services to the community. I look forward to opportunities in FY2017 to meeting as many of you as possible by attending open meetings, such as the City Council meetings, and other events around the City. My door is always open to listen to your concerns and ideas.

Respectfully,



David T. Harper
Inspector General

History, Mission, Authority and Goals

History: The OIG was established in 2007 by the City Council and approved by the Mayor.

Mission: The continuing mission of the OIG is *“To promote a culture of integrity, accountability, and transparency throughout the City of Albuquerque in order to safeguard and preserve the public trust.”*

Authority: The OIG operates under the authority of the Inspector General (IG) Ordinance and Whistleblower Ordinance. The OIG was established as an independent organization which is not part of and does not report to the City’s executive branch or the City Council.

Goals: The Inspector General’s goals are:

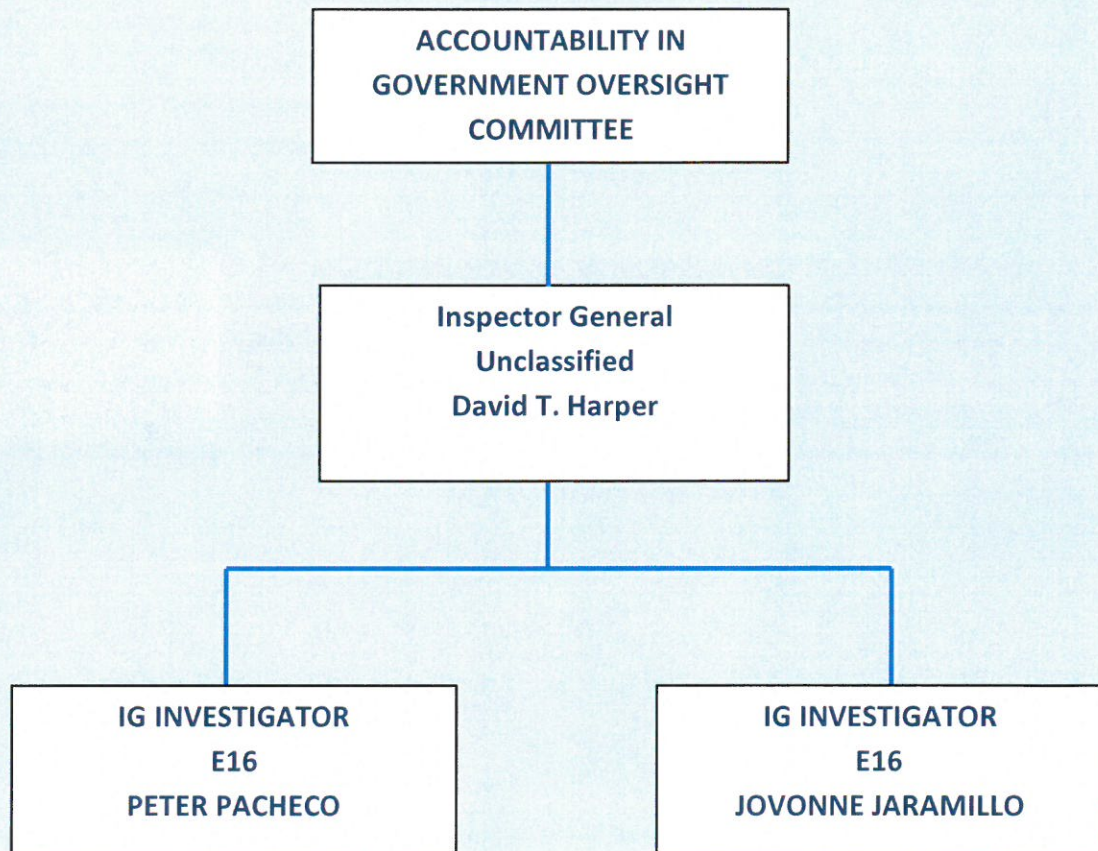
- (1) Conduct investigations in an efficient, impartial, equitable and objective manner;
- (2) Deter fraud, waste and abuse in City activities including all City contracts and partnerships;
- (3) Deter criminal activity through independence in fact and appearance, investigation and interdiction; and
- (4) Propose ways to increase the City’s legal, fiscal and ethical accountability to insure that tax payers’ dollars are spent in a manner consistent with the highest standards of local governments.

The OIG investigates allegations of fraud, waste and abuse in order to prevent recurrence, assist the City in achieving better results from limited resources and promote public trust in City government. Investigations may be “reactive” or “proactive” in nature – they may be a response to allegations of improper governmental actions as defined in the “Whistleblower Ordinance” and matters involving potential violation or non-compliance with federal and state law, city ordinances and city regulations. They may also be based on the proactive identification of a violation of the same laws and ordinances addressed above. Many investigations are initiated based on referrals from the Mayor’s Office, members of the City Council and Citizens of the City.

The IG Ordinance requires the Inspector General to report annually to the Council and the Mayor regarding activities and investigations of the office. This annual report of the OIG is for the year ended on June 30, 2016.

ORGANIZATION CHART

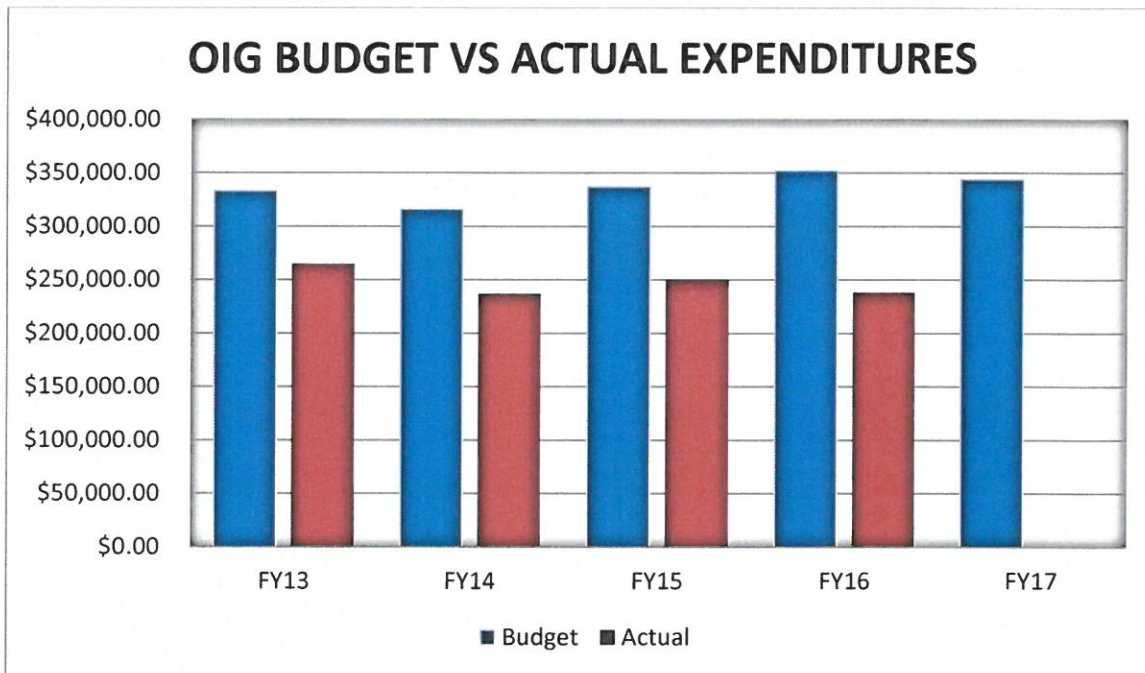
OFFICE OF INSPECTOR GENERAL



On April 18, 2016, David T. Harper was confirmed by City Council as the new IG. The IG had been vacant since January 2013. Peter Pacheco had been serving as Acting Inspector General in the interim. On June 25, 2016, David T. Harper officially began his role as the IG.

BUDGET

The FY16 budget for the OIG was \$352,000. Expenditures for the year were approximately \$238,000 for personnel and operating expenses. OIG *under spent* its budget by approximately 32%. The chart below contains budget and actual expenditure comparison for FY16, as well as for previous years.



Salary savings as a result of the vacant IG position contributed to the OIG under spending its budget.

OUTSIDE AGENCIES

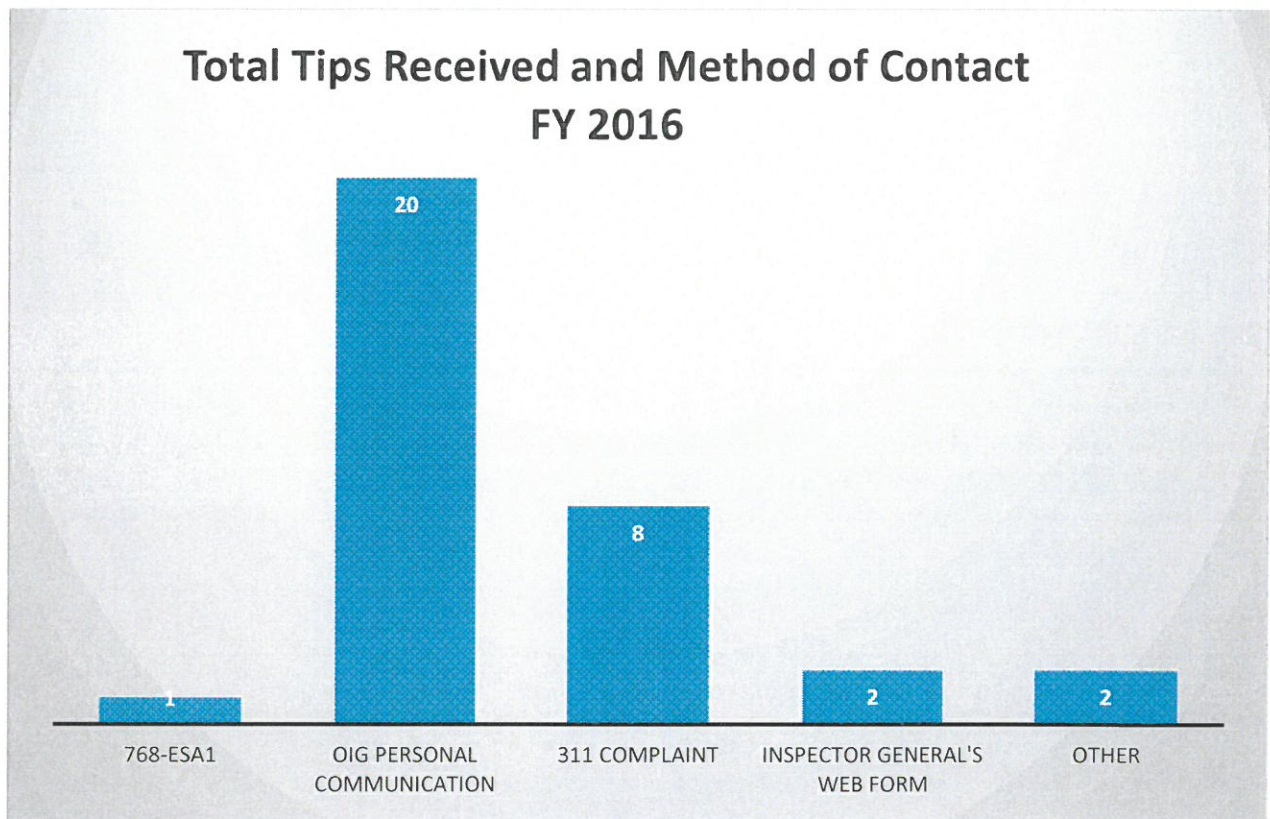
During FY16, the OIG has worked with or requested information from the following local, state and federal agencies:

- Albuquerque Police Department
- New Mexico Attorney General's Office
- New Mexico State Auditor's Office
- New Mexico Regulation and Licensing Department

TIPS RECEIVED

Most Office of Inspector General investigations are initiated based on tips and referrals received. There are several ways to contact the OIG and submit tips and referrals. These methods of contact include: complaints that come in through the OIG Hotline; ESA complaints submitted via esa@cabq.gov; the Inspector General's web form; direct personal communication with the OIG; and complaints that come in through 311.

The graph below shows the different methods of contact and the number of tips received via each method.



Out of the total tips received for FY16, twelve were referred to other City departments and five were referred to outside agencies.

INVESTIGATIONS CONDUCTED IN FY 2016

❖ Case # 15-201 Animal Welfare

The OIG conducted an investigation into the Animal Welfare Department and allegations that they were allowing behaviorally unsafe and potentially dangerous dogs to be adopted out and transferred out into the community. Concerns also included whether the Director of the Animal Welfare Department withheld information from the OIG concerning the Animal Welfare Department's handling of behaviorally unsafe and dangerous dogs. The OIG reported six findings, one additional cause of concern, and made fourteen recommendations.

❖ Case # 15-203 Advisory Concerning the City's Transit Department

The OIG conducted an investigation into a City vendor hired to provide cash management and armored car services, which included pick-up and deposit of the fares collected via City buses. Concerns included the vendor defrauding the City for a significant loss of monies intended for deposit for the City of Albuquerque's Transit Department. The OIG reported five findings and made three suggestions for the Transit Department to consider in an effort to prevent similar activity in the future.

❖ Case # 16-201 Planning Department

The OIG conducted an investigation into information that was brought forth by the Chief Building Official for the Building and Safety Division of the Planning Department regarding allegations of impropriety by a former City Residential Building Inspector with the department. Concerns included the former inspector issuing several inspection approval tags for different jobs in which he had also performed most of the (unlicensed) plumbing work. The OIG reported five investigative facts and made four recommendations.

❖ Case # 16-202 Department of Family and Community Services

The OIG conducted an investigation into an anonymous complaint against the Department of Family and Community Services (DFCS) and several employees. Concerns included misuse of position and authority; abuse of authority; personal gain; and using federal grant dollars other than what their intended use was for. No evidence was found regarding any wrongdoing committed by the DFCS staff. The OIG reported five investigative facts and made two recommendations.

The OIG also opened eight preliminary investigations. These are cases in which the OIG conducts a preliminary inquiry to see if a full investigation needs to be conducted.

The OIG also conducted four investigative reviews. A review is generally, but not limited to, an inquiry into policies and procedures which could potentially show wrong doing or the perception of wrongdoing by an individual or a department.

In addition to the four investigations completed, one investigative review and two investigations were opened during FY16 and are currently ongoing.

OIG STAFF

Professional certifications held by OIG staff members include:

Certified Fraud Examiner (CFE)

Certified Inspector General Investigator (CIGI)

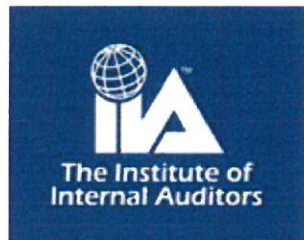
Certified Internal Controls Auditor (CICA)

Certified Financial Crimes Investigator (CFCI)



The OIG Staff is active in numerous professional organizations to include:

- Association of Certified Fraud Examiners (ACFE)
- Association of Certified Inspectors General (AIG)
- Institute of Internal Auditors (IIA)
- Association of Government Accountants (AGA)
- The Institute for Internal Controls (IIC)



STAFF BIOGRAPHIES

David T. Harper – Inspector General

Mr. David T. Harper, was appointed as the Inspector General, by the City Council on April 18th, 2016, and started working on June 27th, 2016. Prior to his current position, Mr. Harper served as a Special Agent for 35 years with the Air Force Office of Special Investigations (AFOSI), where he specialized in white collar criminal investigations. His most recent position was Chief, Economic Crime Desk for AFOSI, Quantico Marine Corps Base, VA, where he provided oversight and support to fraud and public corruption investigations throughout the Air Force. Mr. Harper previously served as the Special Agent-in-Charge of the New England office and prior to that he had assignments in Los Angeles, New York City, Sacramento, Munich and West Berlin. Mr. Harper is a Certified Fraud Examiner and Certified Financial Crimes Investigator. He has also been an adjunct faculty member for the University of Phoenix, since 2001, where he teaches courses in Criminal Justice.

Peter Pacheco – IG Investigator

Mr. Peter Pacheco is an investigator for the Office of Inspector General and has served as the Acting Inspector General from January 2013 through June 2016. He is a graduate of the University of New Mexico – Robert O. Anderson School of Business with a Bachelors of Business Administration and a concentration in Finance. He previously worked for the Office of the State Auditor as a Senior Auditor. Mr. Pacheco is a Certified Inspector General Investigator, Certified Fraud Examiner, and a Certified Internal Controls Auditor.

JoVonne Jaramillo – IG Investigator

Ms. JoVonne Jaramillo is an investigator for the Office of Inspector General. She is a graduate of the University of New Mexico with a Bachelor of Arts degree in Criminology. Ms. Jaramillo has over ten years' experience in investigations. Before joining the City, Ms. Jaramillo worked as a Special Agent for the State of New Mexico Human Services Department, Office of Inspector General, conducting investigations in public assistance fraud and employee misconduct. She is a Certified Fraud Examiner and a Certified Inspector General Investigator.

ACCOUNTABILITY IN GOVERNMENT OVERSIGHT (AGO) COMMITTEE

Section 2-10-5 of the Accountability in Government Ordinance creates the “Accountability in Government Oversight Committee”. The Mayor and one Councilor appointed annually by the Council President shall be non-voting ex officio members. The Mayor and the appointed Councilor may send designees to the Committee Meetings. At least one Committee member shall be a Certified Public Accountant (CPA), at least one Committee member shall have a law enforcement background and at least one Committee member shall be a professional management consultant.

As vacancies on the Committee occur, the Council and Mayor shall alternatively appoint new members with the Council making the first appointment. All appointments shall be subject to Council approval. The existing Committee members may make recommendations to the Mayor and Council for candidates to fill vacancies on the Committee.

The AGO Committee is a management committee and not a public board or commission, and is not subject to the Open Meetings Act. The Committee does not formulate public policy nor has such authority been delegated to the Committee.

As of June 30, 2016, the AGO Committee was comprised of the following members:

NAME	TERM EXPIRES	REPRESENTATIVE
Gerald T. Kardas, CPA, Chair	8/31/2016	CPA
Patricia A. Caristo, NMLPI	8/31/2016	Law Enforcement
Robert M. Doughty III	8/31/2017	Management Consultant
Mark D. Jarmie	8/31/2018	At-Large
Raul Anaya	8/31/2018	At-Large

Boldly Going Forward in FY2017:

As we set course for FY2017, the OIG will move to become more proactive, while ensuring more timely response to all referrals. The office has a small staff in comparison to other municipal OIGs around the country, so it is important to ensure the best use of precious resources by prioritizing and ensuring investment in opportunities that provide the greatest return to the City and Citizens.

In doing this, the office will generally increase focus on three major priorities:

- 1) Major procurement related fraud (construction, commodities and services)
- 2) Public Integrity (conflicts of interest, bribery and other forms of corruption)
- 3) Systemic Occupational Fraud

Procurement Fraud: The OIG will work with city purchasing officials to identify the largest procurements in deciding which contracts and projects most warrant our resources. Procurement related fraud typically represents the greatest opportunity for loss due to a single fraudulent act.

Public Integrity (corruption): Integrity must always be a high priority – compromises in a City Official’s integrity represent the most significant threat to the “public trust” and the Citizen’s confidence in honest and ethical governance. Public integrity matters also typically violate not only City ordinances, but also State and Federal laws.

Occupational Fraud: The Association of Certified Fraud Examiner’s 2016 *Report to the Nations* states their survey of participants “estimated that the typical organization loses 5% of revenues in a given year as result of fraud.” The report goes on to say that “the cases in our study exceeded \$6.3 billion, with an average loss per case of \$2.7 million.” The City budget and revenue for FY2017 is \$926 billion. The revenue comes from several sources, which include taxes and fees paid directly or indirectly by the Citizens of Albuquerque. If the “*Report to the Nation’s*” study results is accurate, then there is potentially a loss of \$46 million to taxpayers based on “occupational fraud” alone. Occupational fraud is essentially an employee using their position for personal enrichment through the deliberate misuse or abuse of the employer’s resources or assets.

In FY2017, this office will work with the Mayor’s Office and City Council in an effort to increase resources to more effectively mitigate the threat of fraud, waste and abuse, and ensure an environment of integrity and strong ethics. As mentioned above, the City has one of the smallest OIGs amongst cities of comparable size and budgets.

Finally, the OIG will increase its outreach to the community and City employees in FY2017, in an effort to raise awareness of the mission and purpose of this office, as well as educating employees and Citizens on indicators of fraud, waste and abuse.

Help Prevent Fraud, Waste and Abuse

You Can Make a Difference



DID YOU KNOW?

Reducing waste, fraud and abuse increases the public's trust in government.

Under certain circumstances you may be granted protection under the Whistle Blower Act.

If you know the facts, report the acts!

EMAIL:

esa@cabq.gov

Hotline:

505-768-ESA1(3721)

Tip Reporting Form:

cabq.gov/inspectorgeneral



Scan this QR Code
with your smartphone
to access our website



**OFFICE OF INSPECTOR GENERAL
CITY OF ALBUQUERQUE**

Hotline and Tip Reporting Form can remain anonymous