

**LAUNCHING THE NEW METRA
OFFICE OF INSPECTOR GENERAL (OIG):
Our Strategic Recommendations on Establishing
a Strong, Independent and Sustainable Function**

August 11, 2010

Submitted to:
Chairman Carole R. Doris
Metra Board of Directors



August 11, 2010

Chairman Carole R. Doris
Metra Board of Directors
Metra
547 West Jackson Boulevard
Chicago, Illinois 60661

Dear Chairman Doris:

Please find attached a full and complete report outlining Hillard Heintze's strategic recommendations on launching the new Metra Office of Inspector General (OIG), in line with your direction to us on May 26, 2010. In compiling this report, we have taken care to make no assumptions as to whom the OIG founding authority might be.

As outlined in significant detail, this report (1) sets out a practical and achievable vision for the new Metra OIG, (2) describes how other public transit organization have established the function and (3) examines the ten building blocks important to establishing the Office - from mission and authority to staffing, operations and funding.

Next, we present for your consideration three strategic scenarios with different advantages, disadvantages and estimated costs. These include funding and establishing a full-scale, in-house function, outsourcing the function entirely and crafting a hybrid approach. Finally, we propose to you and the Board 15 specific recommendations on crucial issues such as properly establishing the Metra IG's funding, authority and powers and ensuring the function's independence.

Today, hard copies of this final report are being delivered to your offices on West Jackson Boulevard. Thank you again for this opportunity to be of service. We take it as a special honor that you have chosen to place your trust in us on this matter.

Sincerely,

HILLARD HEINTZE, LLC



Arnette F. Heintze
Partner and CEO

TABLE OF CONTENTS

EXECUTIVE SUMMARY	4
I: INTRODUCTION	7
Scope and Purpose of Assignment	7
Research, Analysis and Actions Undertaken	7
About This Report	8
About Hillard Heintze	9
II. THE OFFICE OF INSPECTOR GENERAL: A PRACTICAL AND ACHIEVABLE VISION	10
Symptoms of Need: Understanding the Typical Risks of Inaction	10
History: A Short Overview of the Evolution of the Inspector General Function	11
Today's IG-Related Best Practices Have Early Roots.....	11
Milestones: The First 30 Years After the IG Act	12
A Crucial Decision: What Approach Should Metra Take?	15
Approach #1: Build an Internal Office of Inspector General	15
Approach #2: Outsource the Entire Function	15
Approach #3: Develop a Hybrid Approach	16
III. HOW OTHER PUBLIC TRANSIT ORGANIZATIONS ADDRESS THE FUNCTION	17
1. Metropolitan Transportation Authority (MTA)	18
2. SouthEastern Pennsylvania Transportation Authority (SEPTA)	20
3. Washington Metropolitan Area Transportation Authority (WMATA-Metro)	22
4. Los Angeles County Metropolitan Transportation Authority (LACMTA)	24
5. Massachusetts Bay Transit Authority (MBTA) Transit Police	26
6. Ohio Department of Transportation	28
7. Amtrak, The National Railroad Passenger Corporation	30
8. Chicago Transit Authority (CTA)	32
IV. ESTABLISHING THE OFFICE: THE STRATEGIC BUILDING BLOCKS	34
1. Mission and Authority: Setting the Stage	35
The Mission Drives Everything - From Intention to Impact	35
A Sampling of Relevant OIG Mission Statements	35
Authority Confers Legitimacy and Permanency.....	36
Implications for Metra and the New Metra OIG.....	37
2. Leadership: Tapping the Right Person to Guide and Grow the Program	38
Personal Attributes: Who the Inspector General Is.....	38
Professional Expertise: What the Inspector General Has Achieved.....	38
Certification: Where the Inspector General's Credentials Have Been Earned.....	39
The Importance of Professional Associations and Other Considerations.....	39

Implications for Metra and the New Metra OIG	40
3. Independence and Objectivity: Building a Platform for Ethics and Integrity	41
The Crucial Importance of Independence	41
Perceptions Matter.....	41
Personal, External and Organizational Independence	42
Implications for Metra and the New Metra OIG	43
4. Guiding Principles and Values: Defining the Ethos of the Function	44
Quality Standards for Federal Offices of Inspector General.....	44
Two Additional Examples of the Values Organizations Have Chosen to Emphasize	45
Implications for Metra and the New Metra OIG	46
5. Staffing and Human Resources: Building out the Team	47
Quality Results Start with Selection and Hiring.....	47
Typical Qualifications for Staff	47
Making Training and Staff Development a Priority	48
Implications for Metra and the New Metra OIG	49
6. Operations: Undertaking Audits, Investigations, Inspections and Evaluations	50
Understanding Audits	50
Understanding Investigations.....	51
Understanding Inspections and Evaluations.....	53
Implications for Metra and the New Metra OIG	55
7. Reporting and Communication: Translating Information into Action.....	56
The Typical Scope of OIG Reporting Obligations	56
Common OIG Reporting Channels	57
Information Guidelines on Reporting Frequency	58
Types of OIG Reports	58
Implications for Metra and the New Metra OIG	59
8. Resources: Tapping External Insights, Knowledge and Expertise	60
Implications for Metra and the New Metra OIG	61
9. Benchmarks and Metrics: Measuring Performance over Time	62
Performance Measures of OIG Functions.....	62
Measuring Intake and Investigation of Complaints.....	62
Measuring Auditing Performance	63
Measuring Advisory and Review Performance.....	63
Caseload Examples from Snapshot OIGs and Measurement Discrepancies.....	64
Implications for Metra and the New Metra OIG	64
10. Funding: Right-Sizing the Budget and Major Cost Categories	65
Implications for Metra and the New Metra OIG	68

V. A RANGE OF CHOICES: THREE STRATEGIC SCENARIOS.....	69
1. Fund and Establish a Full-Scale, In-House Function.....	70
Brief Description.....	70
Advantages of this Scenario.....	70
Disadvantages of this Scenario.....	70
Estimated Cost.....	71
2. Outsource the Entire Function.....	73
Brief Description.....	73
Advantages of this Scenario.....	73
Disadvantages of this Scenario.....	73
Estimated Cost.....	73
3. Craft a Hybrid Approach.....	75
Brief Description.....	75
Advantages of this Scenario.....	75
Disadvantages of this Scenario.....	75
Estimated Cost.....	75
VI. RECOMMENDATIONS	77
On Enhancing the Metra OIG Mission and Authority.....	77
On Positioning the New Metra Inspector General to Succeed	77
On Defining - and Limiting - the Process Required to Remove the IG from Office.....	78
On The Metra Inspector General's Funding, Authority and Powers	78
On The Importance of Retaining an Independent IT Capability	79
On Adhering to Standards, Ethical Behavior and Reporting Requirements.....	80
APPENDICES	81
Appendix A – A Side-by-Side Comparison of Transit Organization IG Programs.....	81
Appendix B – Proposed Job Description for New Metra Inspector General	82
Appendix C – Metra’s Authorization Establishing the OIG Authority	84
Appendix D – A Comprehensive List of U.S. Federal Offices of Inspectors General	86
Appendix E – Bibliography.....	96

EXECUTIVE SUMMARY

SCOPE AND PURPOSE: On May 26, 2010, the Metra Board of Directors authorized Hillard Heintze to serve as Metra's Interim Inspector General (IG) and to "recommend to the Board a budget and any necessary rules that are required for the effective operation of the OIG" and to advise Metra on the establishment of a permanent IG function. This report represents one facet - in addition to ongoing meetings, advice and counsel - of Hillard Heintze's support to the Metra Board in achieving this objective.

ACTIONS UNDERTAKEN: Based on the firm's experience in planning, designing and implementing best practices across a wide spectrum of strategic security and investigative challenges, members of Hillard Heintze's Interim Metra OIG task force undertook and completed a comprehensive set of tasks. These ranged from identifying other public transit organizations with an IG function in the United States and analyzing core IG program development areas to deliberating internally as a team on our collective findings and insights as well as their strategic implications for Metra and the organization's current objectives, resources and environment.

EXAMPLES OF PUBLIC TRANSIT OIGS: These included the following: the Metropolitan Transportation Authority (MTA), SouthEastern Pennsylvania Transportation Authority (SEPTA), Washington Metropolitan Area Transportation Authority (WMATA-Metro), Los Angeles County Metropolitan Transportation Authority (LACMTA), Massachusetts Bay Transit Authority (MBTA) Transit Police, Ohio Department of Transportation, Amtrak and the National Railroad Passenger Corporation, the Chicago Transit Authority (CTA) and Regional Transportation Authority (RTA).

TEN KEY BUILDING BLOCKS OF AN EFFECTIVE OIG: Establishing an OIG program "from the ground up" is not a simple task. In order to shed light on the OIG-related decisions confronting the Metra Board, this report examines ten key building blocks of a best practice-based OIG program. These include: Mission and Authority; Leadership; Independence and Objectivity; Guiding Principles and Values; Staffing and Human Resources; Operations across Audits, Investigations, Inspections and Evaluations; Reporting and Communications; External Resources; Benchmarks and Metrics; and Funding and Budgets.

THREE STRATEGIC SCENARIOS: We see three strategic options confronting the Metra Board. These are based on several key assumptions, including (1) that the first year may involve a moderately higher level of funding associated with one-time, non-repeating, program development costs and (2) that annual Metra OIG budget costs are likely to flatten and stabilize over time - assuming a moderate number of audits, investigations, evaluations and inspections. These three scenarios include:

- **Option 1: Fund and Establish a Full-Scale In-House Function** - This is the most common approach among government agencies. If the founding authority for the OIG chose to pursue this option, it would systematically create a self sufficient, agency-independent, fully-staffed professional office dedicated to accomplishing the new Metra OIG mission.

Advantages: (1) Ensures an IG function that deeply understands Metra's mission, purpose and operations and has a commitment to that mission and (2) The permanent, in-house

OIG helps demonstrate organizational stability and is best suited to set long-term reform goals. **Disadvantages:** (1) High cost of employing personnel - from hiring, on-boarding and supervision to mentoring, training and professional development and (2) Longer period of time required to establish and grow a fully mature, high-performing office. **Estimated First-Year Cost Range:** From \$1.2 million to \$1.5 million. We believe these costs could decline over time.

- **Option 2: Outsource the Entire Function:** This option involves fully outsourcing Metra's OIG to a third party - such as an Independent Private Sector Inspector General (IPSIG) or other IG services firm. In this model, the external firm (1) reports to the individual or body designated by the founding authority - not to the Metra IG - because, in this model, Metra doesn't have one and (2) conducts all IG activities and functions.

Advantages: (1) Provides Metra with on-demand access to a broader pool of more experienced specialists and subject-matter experts in a wider set of OIG-related domains; (2) Results in lower cost for this expertise and (3) Can provide Metra with the benefits of a fully mature OIG function immediately. **Disadvantages:** Typically, the external service provider may be perceived by internal and external stakeholders as not having the same connection and dedication to the agency that an in-house OIG may. **Estimated First-Year Cost Range:** From \$500,000 to \$700,000.

- **Option 3: Craft a Hybrid Solution:** This model combines aspects of a fully in-house OIG with those of an external provider. Metra would employ an in-house Metra Inspector General. The new Metra IG would be supported by an external IG services firm that conducts IG operational functions at the direction of the Metra IG and subject to his or her oversight.

Advantages: (1) Allows Metra to establish a fully functioning IG capability quickly; (2) Lowers Metra costs by accessing a wider portfolio of expertise and skill-sets on an as-needed basis; (3) Ensures a greater guarantee of independence by having a third party conducting core OIG operations; and (4) Provides the Metra Board with assurance - by having an in-house IG work alongside an external partner - that the mission and needs of the agency remain a primary focus. **Disadvantages:** As with the entirely outsourced option, the external IG services firm is not totally and fully focused on one entity. The risks associated with this, however, are mitigated by having a full-time IG supervising the external service provider's priorities, activities and overall performance on a constant, every-day basis. **Estimated First-Year Cost Range:** From \$700,000 to \$900,000.

RECOMMENDATIONS

On Enhancing the Metra OIG Mission and Authority

1. Improve and expand the existing authority for the OIG (Metra Ordinance 10-4, dated May 26, 2010), either through an amended ordinance or by statute.

On Positioning the New Metra Inspector General to Succeed

2. Institute a clear, direct and best practice-based reporting channel.
3. Establish an appointment process that ensures independence.
4. Finalize a complete job description for the new OIG position.
5. While evaluating IG candidates, look for signs of integrity, neutrality and experience.

On Defining - and Limiting - the Process Required to Remove the IG from Office

6. Clarify the grounds on which the IG can be removed from office.

On The Metra Inspector General's Funding, Authority and Powers

7. Designate a funding source for the Metra IG function.
8. Establish the right scope for the Metra IG's authority.
9. Authorize the Metra IG to engage the services of external third parties.
10. Extend to the Metra OIG the appropriate powers, either through Board resolution or legislative authority, to accomplish the intent of the office.
11. Authorize the Metra IG to engage in a prescribed set of activities.

On The Importance of Retaining an Independent IT Capability

12. Establish an independent information technology function.

On Adhering to Standards, Ethical Behavior and Reporting Requirements

13. Require strict conformity with professional standards.
14. Set clear ethical guidelines. Publish and communicate.
15. Require that the Metra OIG's annual report include specific items.

I: INTRODUCTION

SCOPE AND PURPOSE OF ASSIGNMENT

On May 26, 2010, the Board of Directors of Metra authorized Hillard Heintze to serve as Metra's Interim Inspector General (IG) - and tasked the firm with two assignments. The first was to "exercise and have the jurisdiction, duties, rights and responsibilities of the OIG until such time, if any, as a permanent Inspector General is designated."¹ The actions undertaken by Hillard Heintze in support of the operational functions of the Office of Inspector General (OIG) are detailed in separate and ongoing investigations.

The second assignment, which we began on June 14, 2010, was to "recommend to the Board a budget and any necessary rules that are required for the effective operation of the OIG" and to advise Metra on the establishment of a permanent IG function. This report represents one facet - in addition to ongoing meetings, advice and counsel - of Hillard Heintze's support to the Metra Board in achieving this objective.

RESEARCH, ANALYSIS AND ACTIONS UNDERTAKEN

Based on the firm's experience in planning, designing and implementing best practices across a wide spectrum of strategic security and investigative challenges, members of Hillard Heintze's Interim Metra OIG task force undertook and completed the following tasks:

- Identified other public transit organizations with an IG function across the United States;
- Examined the structure, funding, organization and operations of these IG functions;
- Analyzed core IG program development areas such as mission and authority; jurisdiction and key founding principles; staffing roles and responsibilities within the office; administrative practices and common operating standards; budget and reporting requirements; and benchmarks and metrics, among other areas;
- Conducted outreach to selected IG offices to gather additional front-line information and insights on their programs;
- Researched relevant literature and media reports on the most recent and up-to-date changes in IG-related issues, challenges and solutions as well as program development actions and decision to be avoided;
- Deliberated internally as a team on our collective findings and insights as well as their strategic implications for Metra and the organization's current objectives, resources and environment.

¹ Metra Commuter Rail Board. Ordinance issued May 26, 2010.

ABOUT THIS REPORT

This report presents a summary of the Hillard Heintze Interim Metra OIG task force's research, findings and recommendations. It is intended to provide the Metra Board and its partners with a basic platform of understanding critical to making an informed set of decisions in the very near term, principally with respect to (1) engaging a new Metra Inspector General, (2) establishing an Office of Inspector General, and (3) preparing to grow, evolve and refine this OIG over time as a well-founded, high-performing oversight function that plays a strategic role in advancing the Metra mission, service delivery and reputation. In short, the report is organized as follows:

- **Section II – The Office of Inspector General: A Practical and Achievable Mission.** This section outlines (a) the symptoms of need that typically undermine organizations without a strong OIG in place; (b) a short overview of the history of the IG function and the high-level milestones that have marked its evolution through today, and (c) a brief overview of three strategic options confronting Metra today.
- **Section III – Snapshots: How Other Public Transit Organizations Address the IG Function.** This section provides a detailed summary of key facts for eight public or quasi-public entities in the public transportation sector and their Inspector General function. To facilitate a side-by-side comparison, key metrics and data points for these organizations are summarized in an easy-to-use Table of Comparison (See Appendix A).
- **Section IV – Establishing the Office: The Strategic Building Blocks.** This section describes ten core components essential to building a strong Office of Inspector General. Categories addressed include mission and authority, leadership, independence and objectivity, guiding principles and values, funding and budgets, staffing and human resources, core operations from audit and investigations to inspections and evaluations, reporting and communication, external third-party resources, and the benchmarks and metrics essential to measuring performance over time.
- **Section V – Three Strategic Scenarios.** This section outlines three operational models for establishing a permanent Metra IG function. These include (1) funding and establishing a full-scale, captive Metra IG function, (2) outsourcing the entire function, and (3) designing a hybrid approach.
- **Section VI – Recommendations.** This section sets out 15 strategic recommendations to the Metra Board related to six key areas.
- **Appendices** – The appendices present a library of material supporting the content presented in this report, the conclusions this team has drawn from its comprehensive review, and select information the team believes could prove useful to Metra board members, leaders and support teams immediately as well as in the weeks and months ahead.

ABOUT HILLARD HEINTZE

Hillard Heintze provides the strategic thought leadership, trusted counsel and end-to-end services that help leading public and private corporations as well as government agencies and major public service organizations advance best-in-class security strategies and investigations to protect and preserve the safety of their people, property, performance and reputation.

Formed in 2004 by Terry Hillard and Arnette Heintze, the firm today is considered by many of its clients, its professional peers and its competitors to be one of the leading private strategic security advisory and management companies in the United States. With global headquarters in Chicago, Illinois, Hillard Heintze has operations in Washington, DC, Dallas/Fort Worth, Denver, Pittsburgh, Raleigh and Miami, as well as operating capabilities in the Middle East and both South and Central America.



In August 2009, Hillard Heintze was recognized by *Inc. Magazine* as one of America's fastest growing private companies. The magazine ranked Hillard Heintze No. 242 on the 2009 Inc. 500 list.

For more information, visit www.hillardheintze.com.

II. THE OFFICE OF INSPECTOR GENERAL: A PRACTICAL AND ACHIEVABLE VISION

SYMPTOMS OF NEED: UNDERSTANDING THE TYPICAL RISKS OF INACTION

Independent oversight never used to be the first order of business for a board of directors. Even a decade ago, very few boards of public or quasi-public entities – beyond those required by federal mandate – had the time and resources at hand to fully develop a new, semi-autonomous oversight unit within the ranks of its organization.

That's understandable – especially in a free-market system. It's not just that rules unmet can lead quickly to penalties. Or that independent scrutiny can lock up management's time responding to media questions – at the expense of attention to the organization's broader mission. Such a perspective is defensible – or, at least was, several years ago.

Today, it's a different world. The rules are different. The expectations – across multiple stakeholder groups – are higher than at any single point in the past. And in this era of increased public scrutiny and decreasing resources, the mission of the board – especially for public or quasi-public entities – isn't well served by resisting independent oversight. Quite the reverse. For these entities and a rapidly growing list of others, both public and private – responsibility rests on explaining why a well-designed, transparent and fully independent Inspector General capability isn't firmly in position supporting the organization's success.

Here's what happens when such a capability is not in place:

- **Procurement issues.** Without the proper safeguards in place – and followed – personnel overseeing the issuance of contracts may award them to other than the top and most qualified bidder. They may award the contract to a bidder otherwise unqualified, steer to preferred third parties with whom they have a connection or direct contracts to certain companies for financial gain, i.e. 'kickbacks'.
- **Compensation disparities.** It's the old problem of the "teacher's pet", only this time there is more at stake. These inconsistent business practices are being conducted with public funding. For doing similar work, some individuals are paid more simply because they are in favor with those in charge.
- **Mismanagement of human capital.** This includes non-merit based hiring and promotions and inconsistent application of discipline and transfer policies. Employees out of favor with the ruling clique feel the brunt of these arbitrary decisions. The result is frequently low morale and high employee turnover.
- **Personal purchasing at organizational expense.** Organizations frequently provide staff with corporate expense accounts and credit cards. Those that do not routinely audit personnel expense accounts run the risk that items purchased for personal use appear – and get expensed – on corporate or public statements.

- **A fear-based workplace.** Organizations in which no internal controls exist – especially those regarding power – are prone to mismanagement and corruption. This creates a cycle where those who subscribe to this culture are rewarded and those who resist are punished – while the corrupt culture is allowed to thrive. Employees become more concerned with “watching their backs” than with advancing the mission.
- **Expensive external corrections.** The ability to correct problems internally and proactively is much less expensive than legal remediation. Consider organizations confronting a chronic issue with respect to Equal Employment Opportunity challenges (EEO) so persistent that aggrieved parties have to seek resolution through the court system – *en masse*.
- **No reporting mechanism.** Suppose an organizational insider discovers evidence of crime or other malfeasance occurring within the organization, yet has nowhere they feel ‘safe’ to report it. Where should they go? If the traditional safeguards employed by most organizations – such as the Equal Employment Office (EEO), Human Resources or an Employee Assistance Program – are compromised, there is nowhere for employees to report evidence. Likewise, if any external entity – customer, supplier or sub-contract – has evidence of abuse, where is a reliable place for them to relay this information?

HISTORY: A SHORT OVERVIEW OF THE EVOLUTION OF THE INSPECTOR GENERAL FUNCTION

Today's IG-Related Best Practices Have Early Roots



During the 1950s and early 1960s, Billie Sol Estes, a Texas businessman and close associate of President Lyndon Johnson, used cotton production to develop a massive fraud scheme. Estes conned the federal government as well as private parties out of at least \$24 million – a tidy sum in those days – through false agricultural subsidy claims. He was sentenced to eight years in prison, but the Supreme Court overturned his conviction in 1965. Because of Estes' scheme, the first non-statutory Office of Inspector General was created in 1962 at the U.S. Department of Agriculture.² It seemed however, that Estes' crimes were just the beginning.

Two high-profile scandals developed in the 1970s that increased the need for oversight. In 1971, the *New York Times* published a top-secret report entitled, “United States - Vietnam Relations, 1945-1967: A Study Prepared by the Department of Defense” (commonly known as “The Pentagon Papers”).

² James R. Ives, “Inspectors General: Prioritizing Accountability”, *Journal of Public Inquiry*, pp27-28; Fall/Winter 2009-2010.

The report revealed that President Nixon and other federal executives deliberately expanded the Vietnam conflict by bombing Cambodia and Laos and then quietly approved other combat. This document also disclosed that multiple U.S. Presidents misled the public regarding various policy decisions involving Vietnam. The second scandal, "Watergate" and the subsequent cover up by President Nixon, led to 11 convictions of high-ranking government employees and their associates.³

Needless to say, public opinion of high-ranking federal officials took a swan dive during this time.

As James R. Ives writes in the *Journal of Public Inquiry*, "The extent to which public distrust developed in the aftermath of the aforementioned scandals... set the tone for debates in Congress, which eventually led to development of the Inspector General concept and passage of the IG Act in 1978."⁴



Milestones: The First 30 Years After the IG Act

1978: The IG Function Becomes Law – for Some Entities

On October 12, 1978, the IG Act passes the House of Representatives by a vote of 388 to 6, is approved by the Senate without opposition and becomes law. President Jimmy Carter signs the act into law and describes the new statutory IGs as "perhaps the most important new tools in the fight against fraud." The President charges the IGs to always remember that their ultimate responsibility is not to any individual but to the public interest.



1981: Ronald Reagan Raises the Bar

On Inauguration Day, President Ronald Reagan calls for a plan to decrease the fraudulent activities in federal agencies. The President's Council on Integrity and Efficiency (PCIE), for the presidentially appointed IGs, is established by President Reagan on March 26, 1981 by Executive Order 12301.

1988: Amendments Improve on the Model

The IG Act is amended to create 30 additional OIGs at "designated agencies." Most of these are relatively small agencies, boards or commissions. While the IGs have essentially the same powers and duties as those appointed by the President, these IGs are appointed by, and can be removed by, the agency head.

³ Ibid.

⁴ James R. Ives, "Inspectors General: Prioritizing Accountability", *Journal of Public Inquiry*, p28; Fall/Winter 2009-2010.

1992: George Bush Refines the Rules

Executive Order 12805, signed by President George H.W. Bush on May 11, 1992, establishes the Executive Council on Integrity and Efficiency (ECIE), for agency-head appointed IGs and reconstitutes the PCIE.

1995: The IG Community Gains a New Information-Sharing Channel

The premier edition of the *Journal of Public Inquiry* is issued, a semi-annual publication of the IG community that provides a forum to share professional ideas, suggest new approaches and chronicle changes over the years.



1996: Bill Clinton Resets the Rope Lines for IGs

In an effort to investigate allegations of wrongdoing by individual IGs, President William J. Clinton issues Executive Order 12993 on March 21, 1996, which establishes procedures for a special Integrity Committee to handle these proceedings.

2001: IGs Support the Nation at a Time of Need

Inspectors General come together to contribute to efforts to address the protection of the nation's physical and information infrastructure as part of an overall initiative in the aftermath of the September 11, 2001 tragedy.

2002: Federal IGs Gain Important New Powers

The Homeland Security Act of 2002 is signed by President George W. Bush, transferring the Federal Emergency Management Agency functions to the Department of Homeland Security and granting



law enforcement powers to OIG criminal investigators in certain establishments. That is, a section in the Homeland Security Act is amended to statutorily authorize the exercise of law enforcement authority, including carrying firearms, making arrests and executing warrants, to special agents of 24 presidentially appointed OIGs. The Act further included provisions to enable other OIGs to qualify for law enforcement authority. Four other OIGs possessed such authority pursuant to separate, prior legislation.

2003: IGs Are Recognized for Bringing Crucial Value to the Table

Inspectors General government-wide celebrate the 25th anniversary of the IG Act. As part of the commemoration, the Vice Chairs of the President's Council on Integrity and Efficiency (PCIE) and Executive Council on Integrity and Efficiency (ECIE), along with the Office of Management and Budget Deputy Director for Management testify before the House Government Reform Subcommittee on Government Efficiency and Financial Management; President George W. Bush meets with IGs; and the IG community updates and issues the Silver Book - *Quality Standards for Federal Offices of Inspector General*. The President signs S.J. Res 18, on December 1, 2003, a joint

Congressional Resolution, commending IGs for the efforts to prevent and detect waste, fraud, abuse and mismanagement and to promote economy, efficiency and effectiveness in the federal government during the past 25 years.

2004: The Concept of Using IGs as a Risk Management Strategy Is Expanded

The Coalition Provisional Authority is abolished and its IG is converted to the Special IG for Iraq Reconstruction (SIGIR). This concept of creating a "Special IG" is subsequently used two more times in 2008 to address emerging risks



2005: IGs Exercise Their Collective Power

Inspectors General join forces to play a key part in oversight of activities and expenditures directly linked to recovery from the devastating Gulf Coast 2005 hurricane season.



2008: The IG Mission Matures

On October 14, 2008, the IG Reform Act of 2008 establishes the Council of Inspectors General on Integrity and Efficiency (CIGIE) as the unified council of all statutory IGs to provide government-wide coordination of, and focus on, the activities of the OIGs. Additionally in 2008, two more "Special IG" positions are created - the Special IG for Afghanistan Reconstruction (SIGAR) and the Office of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP).⁵

⁵ The entire timeline was published in the latest federal OIG progress report: "A Progress Report to the President; Fiscal Year 2008", Council of the Inspectors General on Integrity and Efficiency; 2008.

A CRUCIAL DECISION: WHAT APPROACH SHOULD METRA TAKE?

Across the United States, organizations engage several different models or approaches to instituting an IG function. These vary within entities public and private, large and small, and across nearly all industries and sectors. The most professional IG structures, however, rely on one of three fundamental models: 1) **building an internal program**; 2) **outsourcing the entire function**; or 3) **developing a hybrid approach** by combining the best features of both models.

Approach #1: Build an Internal Office of Inspector General

Creating an in-house Office of Inspector General is the most common approach among government agencies, especially at the federal level. This is the operating model created and authorized by the IG Act of 1978. These offices range in size, of course, but to be effective the OIG must possess sufficient staffing resources necessary to conduct and supervise a wide range of independent investigations, audits and proactive inspections related to the agency or authority's mission and operations. To accomplish this, most effective in-house OIGs are staffed and structured with criminal investigators, auditors and procedural inspectors. Additionally, OIGs generally have independent legal counsel to guide the OIG functions, issue subpoenas and review legislation and regulations affecting agency operations.

The primary benefit of an in-house Office of Inspector General is having an IG function that deeply understands the agency's mission, purpose and operations and has a commitment to that mission. The major disadvantage to an in-house OIG is the high cost of employing necessary OIG personnel. This relates to both the cost to maintain a fully staffed office and the time required to fill and train all positions so staff has the depth of knowledge and capacity to deal with the wide range of issues facing an Inspector General.

Approach #2: Outsource the Entire Function

Using an outsourced approach to the Inspector General function is a growing trend across the United States. This model refers to the use of an independent investigative or security consulting firm. Either an Independent Private Sector Inspector General (IPSIG) or another firm providing IG-related services is tasked with the same IG functions – audits, investigations and inspections – as in-house OIG units. These functions are generally performed on an as-needed basis within the scope of a contract-specified budget. Benefits to this model include ready access to a wider range of OIG-related experience, expertise and skill sets at a lower overall cost to the parent organization. The external services provider generates cost savings for the entity through economies of scale by positioning skilled personnel across multiple clients, and usually brings a significantly broader scope of senior-level experience across multiple OIG-related disciplines. Also, independence is virtually assured since the external service provider is not affiliated, other than by contract, with the monitored entity. One of the disadvantages observed with this approach is that the external firm may not project the same connection and dedication to the agency that a full-time agency-appointed OIG can bring to the table.

Approach #3: Develop a Hybrid Approach

In a hybrid approach, the agency or authority merges desired features of both previous options. This is typically done by appointing a permanent Inspector General and a small staff (for instance, a deputy IG and an administrative assistant) to provide leadership and a connection to the agency, but retaining external resources as well. These external resources may include contracting with outside counsel on an as-needed basis and an external IG services firm for the operational investigative, audit and inspection activities. Advantages to this approach are primarily that the internal connection and primary focus on the agency are maintained, while eliminating many staffing and cost issues associated with an OIG. Disadvantages are that the outsourcing provider may not be subject to enough oversight or, as a third party entity, may be somewhat removed and distant from the agency.

In effect, these three approaches form the core of the decision the Metra Board and its partners are confronting now: how to best launch and establish a formal Inspector General function. Before discussing these strategies in greater detail, however, this report addresses two critical bodies of information that, in one measure or another, will drive the quality and impact of the Board's decisions and upcoming actions:

1. How other public transit organizations are addressing the IG function (Section III), and
2. What the strategic building blocks are to establishing an effective Office of Inspector General (Section IV).

III. HOW OTHER PUBLIC TRANSIT ORGANIZATIONS
ADDRESS THE FUNCTION

Let's say your organization's mission was to undertake a path-finding role in transferring toxic waste safely out of state. Or perhaps it needed to migrate manually-based IT systems supporting emergency response operations in the top three counties to automated ones - within weeks.

You wouldn't choose to build the plans supporting these strategies from scratch. It's much easier and wiser simply to "look over the fence" and evaluate how other organizations - comparable in one way or another - were tackling similar goals and challenges.

So too with this particular endeavor. This section provides a streamlined overview of eight public transit organizations in the United States and how they have elected to establish, support and sustain an Inspector General function.

To facilitate comparison of key information and metrics across these eight entities, see Appendix A, A Side-by-Side Comparison of Transit Organization IG Programs.

**Others Have Shown Light
on the Path Ahead**

Here are Eight Examples:

- 1. Metropolitan Transportation Authority (MTA) 18
- 2. Southeastern Pennsylvania Transportation Authority (SEPTA)20
- 3. Washington Metropolitan Area Transportation Authority (WMATA-Metro)22
- 4. Los Angeles County Metropolitan Transportation Authority (LACMTA).....24
- 5. Massachusetts Bay Transit Authority (MBTA) Transit Police, Internal Security Services Unit.....26
- 6. Ohio Department of Transportation.....28
- 7. Amtrak, The National Railroad Passenger Corporation30
- 8. Chicago Transit Authority (CTA)32

1. METROPOLITAN TRANSPORTATION AUTHORITY (MTA)

A. Brief Description of the Organization

The Metropolitan Transportation Authority (MTA) is a mass transportation public benefit corporation that serves New York City, southeastern New York State and Connecticut through its subsidiaries with bus, subway, commuter rail and bus rapid transit. The MTA is "committed to guaranteeing that the best city in the world has the world's best transportation system." Metro-North Railroad is MTA's commuter railroad and the second largest in the nation.

SERVICE AREA	5,000 square miles serving New York City, southeastern New York State and Connecticut	SIZE	346 bus routes 24 subway lines 16 commuter rail lines
TYPES OF TRANSIT	Bus, subway, commuter rail and bus rapid transit	ANNUAL REVENUE	\$6.3 billion
RIDERSHIP	11.6 million (Avg. weekday)	ANNUAL OPERATING EXPENSES	\$13.5 billion
TOTAL EMPLOYEES	70,000 (MTA)	WEBSITE	www.mta.info



B. Overview of the MTA Inspector General Function

SCOPE OF CHARTER	Audit, investigations and intelligence	AUDITORS	17; salary range: \$50,000-\$140,000
YEAR ESTABLISHED	1983	POLICE FORCE	MTA Police Force
OPERATING MODEL	Office of Inspector General with Audit and Investigative Services	CERTIFICATION AND TRAINING	(Not available)
INSPECTOR GENERAL APPOINTMENT	Appointed by the New York State Governor. Confirmed by the New York State Senate.	COMPLAINT REPORTING PROCEDURES	24-hour complaint hotline, online submissions from the website or in person at their office
IG CREDENTIALS AND SALARY	Credentials: District Attorney's Office; salary range: \$156,000 - \$234,000	WHISTLEBLOWER PROTECTION	NY law prohibits retaliation
OIG ORGANIZATIONAL STRUCTURE	Investigative Unit; Audit & Analysis Unit; Intake & Intelligence Unit; Systems & Administrative Services	AUDIT/REPORT REQUIREMENTS	Audits and annual reports sent to the Governor, State Senate and the MTA Board; also available to public on the MTA IG website
SOURCE OF FUNDING	MTA budget	HR FUNCTION	Independent
OIG ANNUAL BUDGET	\$13,491,000	IT SUPPORT	Independent
TOTAL OIG EMPLOYEES	79	ACCREDITATION	(Not available)
INVESTIGATORS	24; salary range: \$50,000-\$145,000	ACTIVITY METRICS	Annual reports highlight audits and investigations performed; 1,190 complaints reviewed in 2009

2. SOUTHEASTERN PENNSYLVANIA TRANSPORTATION AUTHORITY (SEPTA)

A. Brief Description of the Organization

The Southeastern Pennsylvania Transportation Authority (SEPTA) is a regional municipal authority that provides public transportation service to the Philadelphia metropolitan area.

SERVICE AREA	2,200 square miles serving Philadelphia's metropolitan area and two counties in Delaware and New Jersey	SIZE	196 bus routes 13 commuter rail lines 2 rapid subway lines 5 trolley rails 280 stations 450 miles of track
TYPES OF TRANSIT	Commuter rail trains, rapid transitrail , light rail (trolleys), electric trolley and motor buses	ANNUAL REVENUE	\$436 million
RIDERSHIP	1,120,500 (Avg. weekday)	ANNUAL OPERATING EXPENSES	\$876 million
TOTAL EMPLOYEES	9,000	WEBSITE	www.septa.org



B. Overview of the SEPTA Inspector General Function

SCOPE OF CHARTER	Investigations and service quality (Separate audit function)	AUDITORS	Proposed budget for Audits \$871,000; not included in OIG
YEAR ESTABLISHED	(Not available)	POLICE FORCE	SEPTA Transit Police
OPERATING MODEL	Office of Inspector General co-exists with an Internal Audit Office under the Audit and Investigative Services Division	CERTIFICATION AND TRAINING	(Not available)
INSPECTOR GENERAL APPOINTMENT	Office created by the SEPTA Board; no Inspector General	COMPLAINT REPORTING PROCEDURES	Complaint hotline; investigations referred to USDOT, FBI or SEPTA management
IG CREDENTIALS AND SALARY	No Inspector General Director of Investigation; salary range: \$90,000-\$145,000	WHISTLEBLOWER PROTECTION	(Not available)
OIG ORGANIZATIONAL STRUCTURE	Investigations and Service Quality	AUDIT/REPORT REQUIREMENTS	Not with the OIG Required audits include: customer service; event-based; third-party cost reimbursement contracts; stimulus funding projects
SOURCE OF FUNDING	SEPTA budget	HR FUNCTION	Shared
OIG ANNUAL BUDGET	\$618,372 (2011)	IT SUPPORT	Shared
TOTAL OIG EMPLOYEES	9	ACCREDITATION	(Not available)
INVESTIGATORS	2; salary range: \$60,000-\$145,000	ACTIVITY METRICS	150 cases closed and opened (FY 2010)

3. WASHINGTON METROPOLITAN AREA TRANSPORTATION AUTHORITY (WMATA-METRO)

A. Brief Description of the Organization

The Washington Metropolitan Area Transportation Authority (WMATA-Metro) is a government agency authorized by congress to provide public transportation to the Washington, D.C. metropolitan area. Its mission as a transit authority includes the following goals: safety, quality, resourcefulness and support of the workforce.

SERVICE AREA	1,500 square miles	SIZE	1,400 bus routes 106 miles of rail 86 stations
TYPES OF TRANSIT	Buses and trains	ANNUAL REVENUE	\$6.3 million
RIDERSHIP	800,000 (Avg. weekday)	ANNUAL OPERATING EXPENSES	\$1.358 billion
TOTAL EMPLOYEES	10,000	WEBSITE	www.wmata.com



B. Overview of the WMATA-Metro Inspector General Function

SCOPE OF CHARTER	Audits and investigations	AUDITORS	18; salary range: \$45,000-\$123,000
YEAR ESTABLISHED	2006	POLICE FORCE	Metro Transit Police
OPERATING MODEL	Audits and Investigations	CERTIFICATION AND TRAINING	(Not available)
INSPECTOR GENERAL APPOINTMENT	Appointed by the Board, 5 year terms	COMPLAINT REPORTING PROCEDURES	Submitted through hotline, email or mail
IG CREDENTIALS AND SALARY	35 years federal government including U.S. Government Accountability Office; salary: \$172,000	WHISTLEBLOWER PROTECTION	Included in Charter
OIG ORGANIZATIONAL STRUCTURE	Audits examine the performance of WMATA programs and contractors. Investigations include criminal, civil and administrative investigations of fraud, waste and abuse.	AUDIT/REPORT REQUIREMENTS	Quarterly to subcommittee on Audits/Investigations; semiannual to the Board of Directors; and supervision of the WMATA's annual independent audit of financial reporting. Reports submitted to Mayor of D.C., Gov. of Maryland and Virginia
SOURCE OF FUNDING	WMATA	HR FUNCTION	Shared (IG has authority)
OIG ANNUAL BUDGET	\$3,424,000	IT SUPPORT	(Not available)
TOTAL OIG EMPLOYEES	27	ACCREDITATION	(Not available)
INVESTIGATORS	2; salary range: \$64,000-\$96,000	ACTIVITY METRICS	289 complaints received 33 investigations opened 42 investigations closed 170 closed & referred (2009)

4. LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY (LACMTA)

A. Brief Description of the Organization

The Los Angeles County Metropolitan Transportation Authority (LACMTA) is a public transportation agency in Los Angeles County whose vision is to provide L.A. County with a world-class transportation system that is safe, clean, reliable, on-time and courteous. The authority's mission is focused on continuous improvement of an efficient and effective transportation system for Los Angeles County.

SERVICE AREA	1,433 square miles	SIZE	191 bus routes 3 express bus routes 5 rail lines 70 rail stations 24 express bus stations
TYPES OF TRANSIT	Trains, buses, and a small number of vanpool vehicles	ANNUAL REVENUE	\$400 million
RIDERSHIP	1.5 million (Avg. weekday)	ANNUAL OPERATING EXPENSES	\$3.85 billion (2011)
TOTAL EMPLOYEES	9,600	WEBSITE	www.metro.net



B. Overview of the LACMTA Inspector General Function

SCOPE OF CHARTER	Investigations and audits	AUDITORS	3; salary range: \$59,000-\$89,000
YEAR ESTABLISHED	2004 (reorganized)	POLICE FORCE	L.A. Sheriff's Department
OPERATING MODEL	Office of Investigations and Office of Audits	CERTIFICATION AND TRAINING	(Not available)
INSPECTOR GENERAL APPOINTMENT	Appointed by the Board	COMPLAINT REPORTING PROCEDURES	Can be submitted on the website, through email, hotline or written mail
IG CREDENTIALS AND SALARY	(Not available); salary range: \$121,000 - \$182,000	WHISTLEBLOWER PROTECTION	LACMTA Board of Director's Code of Ethics includes Whistleblower protection policy
OIG ORGANIZATIONAL STRUCTURE	Investigations and Audits	AUDIT/REPORT REQUIREMENTS	Annual Audit Reports and all audit reports are public documents routinely distributed to the Metro Board of Directors, Metro CEO, executive officers and Department of Transportation
SOURCE OF FUNDING	LACMTA budget	HR FUNCTION	(Not available)
OIG ANNUAL BUDGET	\$2.2 million	IT SUPPORT	http:// Independent
TOTAL OIG EMPLOYEES	13	ACCREDITATION	(Not available)
INVESTIGATORS	4; salary range: \$59,000-\$97,000	ACTIVITY METRICS	107 cases received and 53 investigated (2010)

5. MASSACHUSETTS BAY TRANSIT AUTHORITY (MBTA) TRANSIT POLICE

A. Brief Description of the Organization

The Massachusetts Bay Transit Authority (MBTA) is a subdivision of the Commonwealth of Massachusetts formed to finance and operate the bus, subway, commuter rail and ferry systems in the greater Boston area. It is overseen by a seven-member board of directors, each appointed by the Governor. Although the MBTA does not have a designated Office of Inspector General, the MBTA Transit Police have an Internal Security Services Unit that investigates criminal activity within the MBTA.

SERVICE AREA	1,193 square miles serving the Boston Area	SIZE	191 bus routes 14 commuter rail lines 4 rail lines 3 ferry routes 1 paratransit service
TYPES OF TRANSIT	Bus, subway, commuter rail and ferry systems	ANNUAL REVENUE	\$545 million
RIDERSHIP	1.262 million (Avg. weekday)	ANNUAL OPERATING EXPENSES	\$1.622 billion
TOTAL EMPLOYEES	6,100	WEBSITE	www.mbta.com



B. Overview of the MBTA Internal Security Services Unit Function

SCOPE OF CHARTER	Investigations	AUDITORS	(Not available)
YEAR ESTABLISHED	1982	POLICE FORCE	MBTA Transit Police
OPERATING MODEL	Investigates fraud, waste, abuse and criminal activity by MBTA employees; State Auditor monitors MBTA audits	CERTIFICATION AND TRAINING	(Not available)
INSPECTOR GENERAL APPOINTMENT	(Not available)	COMPLAINT REPORTING PROCEDURES	24-hour complaint hotline; online submission to MBTA Transit Police via website or in person
IG CREDENTIALS AND SALARY	Unit Supervisor Sergeant Detective; salary range: \$68,000-\$72,000 plus overtime	WHISTLEBLOWER PROTECTION	(Not available)
OIG ORGANIZATIONAL STRUCTURE	Investigators react to internal complaints or complaints forwarded to them by the MBTA Transit Police intelligence unit hotline	AUDIT/REPORT REQUIREMENTS	Criminal activity forwarded to Attorney General of Massachusetts
SOURCE OF FUNDING	MBTA Transit Police budget	HR FUNCTION	Independent; Massachusetts Police Department
OIG ANNUAL BUDGET	(Not available)	IT SUPPORT	Shared with MBTA
TOTAL OIG EMPLOYEES	3	ACCREDITATION	(Not available)
INVESTIGATORS	2; salary range: \$50,000-\$55,000 plus overtime	ACTIVITY METRICS	(Not available)

6. OHIO DEPARTMENT OF TRANSPORTATION

A. Brief Description of the Organization

The Ohio Department of Transportation is a state governmental organization that develops state and federal highways and supports public aviation and transit programs. Overseeing this organization is a team of Deputy Inspectors General from the Ohio Office of Inspector General, created by the Ohio General Assembly.

SERVICE AREA	12 districts serving every county in the state	SIZE	The State of Ohio
TYPES OF TRANSIT	(Not available)	ANNUAL REVENUE	(Not available)
RIDERSHIP	(Not available)	ANNUAL OPERATING EXPENSES	(Not available)
TOTAL EMPLOYEES	6,100	WEBSITE	www.dot.state.oh.us



B. Overview of the Ohio Department of Transportation IG Team Function

SCOPE OF CHARTER	Investigations	AUDITORS	(Not available)
YEAR ESTABLISHED	2007	POLICE FORCE	(Not available)
OPERATING MODEL	First Assistant Inspector General and Deputy Inspectors General carryout investigations	CERTIFICATION AND TRAINING	Association of Inspector General Certification Training
INSPECTOR GENERAL APPOINTMENT	Appointed by the Governor, Inspector General appoints the Deputies and support staff	COMPLAINT REPORTING PROCEDURES	Complaints are received by email, phone, mail or through referral and evaluated by Intake & Screening Committee comprised of Ohio OIG supervisors, Chief Legal Counsel, and the Inspector General.
IG CREDENTIALS AND SALARY	Credentials: Ohio Attorney General's Office, First Assistant; salary range: \$80,000 - \$95,000	WHISTLEBLOWER PROTECTION	ARRA, Stimulus Act provisions
OIG ORGANIZATIONAL STRUCTURE	Team of investigators supported by the Ohio Office of Inspector General	AUDIT/REPORT REQUIREMENTS	Annual reports and investigative reports
SOURCE OF FUNDING	Ohio Department of Transportation	HR FUNCTION	Independent
OIG ANNUAL BUDGET	\$400,000	IT SUPPORT	Independent
TOTAL OIG EMPLOYEES	4 (ODOT OIG team) 21 (Ohio OIG total)	ACCREDITATION	(Not available)
INVESTIGATORS	3; salary range: \$55,000-\$75,000	ACTIVITY METRICS	2009: 33 complaints reviewed, 23 investigated and 18 closed; 2008: 36 complaints reviewed, 19 investigated and 16 closed

7. AMTRAK, THE NATIONAL RAILROAD PASSENGER CORPORATION

A. Brief Description of the Organization

National Railroad Passenger Corporation (Amtrak) is a quasi-public corporation that was organized on May 1, 1971 to provide intercity passenger train service in the United States. Amtrak's mission is to get passengers to their destination the "greener, safer and healthier way."

SERVICE AREA	21,000 route miles in 46 states, the District of Columbia and three Canadian provinces; 730 miles of track	SIZE	15 long distance trains on 14 national routes; 2,600 trains; 1,519 passenger cars; 469 locomotives; 80 Auto Train® vehicle carriers & 101 baggage cars; Amtrak-operated (state-owned) 136 railroad passenger cars and 20 locomotives
TYPES OF TRANSIT	Long distance passenger rail and locomotives	ANNUAL REVENUE	\$2.35 billion (2009)
RIDERSHIP	Over 27.1 million passengers in 2009	ANNUAL OPERATING EXPENSES	\$3.51 billion (2009)
TOTAL EMPLOYEES	19,000	WEBSITE	www.amtrak.com



B. Overview of the AMTRAK Inspector General Function

SCOPE OF CHARTER	Audits and investigations	AUDITORS	45; salary range: \$86,000-\$185,000
YEAR ESTABLISHED	1989	POLICE FORCE	Amtrak Police Department
OPERATING MODEL	Audits, Investigations, Inspections & Evaluations of Amtrak; Legal Counsel, Management & Policy for the Office of Inspector General	CERTIFICATION AND TRAINING	Yes
INSPECTOR GENERAL APPOINTMENT	Amtrak Chairman	COMPLAINT REPORTING PROCEDURES	24-hour complaint hotline, online submissions from the website, mail or fax
IG CREDENTIALS AND SALARY	Certified Inspector General and a Certified Government Financial Manager; Salary range: \$240,000-\$260,000	WHISTLEBLOWER PROTECTION	ARRA, Stimulus Act provisions
OIG ORGANIZATIONAL STRUCTURE	Audits; Investigations & Legal Counsel; Inspections & Evaluations; Mgmt & Policy	AUDIT/REPORT REQUIREMENTS	Reports to Congress and Board of Directors
SOURCE OF FUNDING	Federally funded	HR FUNCTION	Independent
OIG ANNUAL BUDGET	\$21.7 million	IT SUPPORT	Independent
TOTAL OIG EMPLOYEES	109	ACCREDITATION	(Not available)
INVESTIGATORS	10; salary range: \$70,000-\$185,000	ACTIVITY METRICS	163 cases opened, 174 closed and in each report states; 97 hotline complaints received (2009 Semiannual reports)

8. CHICAGO TRANSIT AUTHORITY (CTA)

A. Brief Description of the Organization

The CTA is an independent governmental agency created by state legislation that began operating in 1947 and is currently the nation's second largest public transportation system. The governing arm of CTA is the Chicago Transit Board consisting of seven members, four appointed by the Mayor of Chicago and three by the Governor of Illinois. The Regional Transportation Authority (RTA) was established in 1974 to oversee local transportation operators in the six-county Chicago metropolitan area, also includes Pace and Metra. CTA's mission is to "deliver quality, affordable transit services that link people, jobs and communities."

SERVICE AREA	225 square miles serving Chicago and 40 suburbs; 2,230 route miles (bus) and 224.1 miles of track (rail)	SIZE	140 routes 8 rapid rail lines 1,782 buses 1,190 rail cars 144 stations
TYPES OF TRANSIT	Bus and rail rapid transit	ANNUAL REVENUE	\$600 million
RIDERSHIP	1.6 million (Avg. weekday)	ANNUAL OPERATING EXPENSES	\$1.271 billion
TOTAL EMPLOYEES	10,279 (7/16/2010)	WEBSITE	www.transitchicago.com



B. Overview of the CTA Inspector General Function

SCOPE OF CHARTER	Audits and investigations	AUDITORS	6; salary range: \$50,000 - \$100,000
YEAR ESTABLISHED	1999	POLICE FORCE	CTA Transit Police (Granted law enforcement authority in 2000)
OPERATING MODEL	Investigations and Internal Audit function for the Authority	CERTIFICATION AND TRAINING	(Not available)
INSPECTOR GENERAL APPOINTMENT	Appointed by the Chicago Transit Board	COMPLAINT REPORTING PROCEDURES	Confidential complaint hotline, email, online submission, P.O. box or in person
IG CREDENTIALS AND SALARY	Credentials: Previously Deputy Inspector General; Salary: \$152,152	WHISTLEBLOWER PROTECTION	ARRA, Stimulus Act provisions
OIG ORGANIZATIONAL STRUCTURE	Investigative division and Audit division supported by administrative staff and IT	AUDIT/REPORT REQUIREMENTS	Annual Report to Board
SOURCE OF FUNDING	CTA Budget	HR FUNCTION	Independent
OIG ANNUAL BUDGET	\$2 million	IT SUPPORT	Independent
TOTAL OIG EMPLOYEES	16	ACCREDITATION	(Not available)
INVESTIGATORS	5; salary range: \$50,000-\$100,000	ACTIVITY METRICS	Audits: 15 audits completed 94 findings & recommendations 12 audits opened Investigations: 901 contacts & leads 330 cases opened 287 cases closed (2009)

IV. ESTABLISHING THE OFFICE: THE STRATEGIC BUILDING BLOCKS

Whether the founding authority for a Metra OIG elects to (1) establish a fully-staffed, in-house Office of Inspector General, (2) engage an external IG services provider, or (3) craft a hybrid solution, it's important to understand some of the special considerations, issues and challenges inherent in establishing the function in line with best practices that have evolved over the last 30 years.

Since the passage of the Inspector General Act of 1978, IGs have taken on an increasingly visible and far-reaching presence in the United States - within additional federal agencies and governmental organizations at the state and local level as well as within private sector entities across virtually every industry.

This presence, expansion and widespread acknowledgement - often on the part of multiple stakeholders both inside and outside of an organization - have resulted in an increasing emphasis and near-standardization of areas at the heart of the IG function, particularly with respect to mission, independence, operational cross-competency and reporting requirements.

This portion of the report, Section IV, provides a brief overview of these elements, along with other critical building blocks of a high-performing IG function. Some of the actions and steps outlined below can be embraced and established relatively quickly - such as those associated with defining the OIG mission, establishing its authority, determining funding and filling the Inspector General position.

Other priorities can take much longer periods of time - years in fact - to accomplish even minimally satisfactory levels of competence and maturity. This is especially true, for example, with respect to factors such as (1) "pulling all the pieces together" from a holistic perspective, (2) building out a robust set of core operating processes for audits, investigations, inspections and evaluations that are truly aligned with the envisioned culture of the parent organization, and (3) establishing the credibility, reputation and trust among internal and external stakeholders to such an extent that the most strategic objectives of the parent organization - in service excellence, in cost savings, in loss prevention, in employee satisfaction, for example - are advanced in transparent, measurable and sustainable ways.

Regardless of the roadmap that Metra and its partners elect to follow in establishing the IG function, every single one of the elements outlined and discussed in the pages that follow plays a crucial role in the outcome.



1. MISSION AND AUTHORITY: SETTING THE STAGE

The Mission Drives Everything – From Intention to Impact

The mission must be absolutely clear. It defines a common purpose and helps unify and align every action, resource, decision and investment, among other factors, that the Office makes in a single direction.

Typically, the mission statements for OIGs share common elements. These stem originally from the Inspector General Act of 1978. (See side box) At the same time, the mission of the OIG must be tightly aligned with that of its parent organization.

A Sampling of Relevant OIG Mission Statements

While some OIGs describe their mission in great detail, others prefer brevity and simplicity. Here are a few pertinent examples.

- **Amtrak:** *“The OIG will conduct and supervise independent and objective audits, inspections, evaluations, and investigations relating to agency programs and operations; promote economy, effectiveness and efficiency within the agency; prevent and detect fraud, waste, and abuse in agency programs and operations; review security and safety policies and programs, and, review and make recommendations regarding existing and proposed legislation and regulations relating to Amtrak’s programs and operations.”⁶*
- **Chicago Transit Authority:** *“Promote economy, efficiency, effectiveness and integrity in programs and operations of the CTA.”⁷*
- **Los Angeles County Metropolitan Transportation Authority:** *“To conduct investigations and audits relating to the programs, operations, and contracts of Metro;*

KEY CONCEPT

What is the Mission of an Inspector General’s Office?

According the Inspector General Act of 1978, the mission of an IG is to:

- Conduct and supervise audits relating to programs and efficiency
- Provide leadership and coordination while recommending policies to promote economy, efficiency and effectiveness of operations
- Prevent and detect waste, fraud and abuse throughout the organization
- Keep the head of the organization, external reporting bodies and the public fully and currently informed about problems, deficiencies and recommended corrective action.

Source: Inspector General Act of 1978

⁶ Amtrak. Retrieved July 20, 2010 from [http://www.amtrakoig.gov/\(S\(nkaqcx55tev0wa2dba1hpqun\)\)/About.aspx](http://www.amtrakoig.gov/(S(nkaqcx55tev0wa2dba1hpqun))/About.aspx).

⁷ Chicago Transit Authority. Retrieved July 20, 2010 from

http://www.transitchicago.com/assets/1/board_presentations/OIG_2010_Annual_Board_Report.pdf.

to detect, investigate, deter, and prevent fraud, waste, and abuse in Metro programs, operations, and resources, and to provide the Metro Board and the CEO with independent, fair, and objective evaluations and appraisals relating to utilization of Metro resources, adequacy of internal controls, and performance effectiveness.”⁸

- **U.S. Agency for International Development (USAID):** *“To contribute to and support integrity, efficiency, and effectiveness in all activities of USAID.”⁹*
- **U.S. Department of Homeland Security:** *“To serve as an independent and objective inspection, audit, and investigative body to promote effectiveness, efficiency, and economy in the Department of Homeland Security’s programs and operations, and to prevent and detect fraud, abuse, mismanagement, and waste in such programs and operations.”¹⁰*
- **U.S. Department of Transportation:** *“The Office of Inspector General is committed to fulfilling its statutory responsibilities and supporting members of Congress, the Secretary, senior Department officials, and the public in achieving a safe, efficient, and effective transportation system.”¹¹*
- **The Association of Inspectors General (AIG), Example for OIG Members:** *“To establish a full-time program of investigation and performance review to provide increased accountability and oversight of the agency and to assist in improving agency operations and deterring and identifying fraud, abuse and illegal acts.”¹²*

Authority Confers Legitimacy and Permanency

Formalizing the OIG as a legal entity is a necessary step to ensuring its permanency and authority. OIGs at the state or local level are usually created either by statute or by board resolution.¹³ The statute creating the OIG should address many areas vital to the success of the IG function.

KEY CONCEPT

It’s a Matter of Public Trust

Inspectors General are granted substantial powers to perform their duties.

In exercising these powers, Inspectors General regard their offices as a public trust, and their prime duty as serving the public interest.

Source: Association of Inspectors General

⁸ Los Angeles County Metropolitan Transportation Authority. Retrieved July 20, 2010 from <http://www.metro-oig.net/vision2.htm>.

⁹ U.S. Agency for International Development. Retrieved July 20, 2010 from <http://www.usaid.gov/oig/whoweare/mission1.htm>.

¹⁰ U.S. Department of Homeland Security. Retrieved July 20, 2010 from <http://www.dhs.gov/xoig/index.shtm>.

¹¹ U.S. Department of Transportation. Retrieved July 20, 2010 from <http://www.oig.dot.gov/about-us>.

¹² Association of Inspectors General. Model Legislation for the Establishment of Offices of Inspector General, December, 2002. Available <http://data.memberclicks.com/site/aig/ModelLegislation.pdf>

¹³ See, for example: Metropolitan Transportation Authority (NYC) at http://mtaig.state.ny.us/statutory_authority.htm; Washington Metropolitan Area Transit Authority at http://www.wmata.com/about_metro/docs/042006_EstablishanOIG.pdf;

For example, the statute should:

- Establish the OIG's mandate and mission;
- Identify operations, programs and departments subject to its jurisdiction;
- Outline its powers, including the investigating, auditing, inspecting and evaluating of operations within its jurisdiction;
- Provide for confidentiality of records and proceedings;
- Identify staff qualifications;
- Make absolute the office's independence; and
- Provide protection to whistleblowers.¹⁴

Implications for Metra and the New Metra OIG

1. **Choose the OIG model that best fits Metra's mission, budget and present needs.** The model you select will have far-reaching implications across quite a few dimensions - as discussed later in this report.
2. **Extend to the Metra OIG the appropriate powers to accomplish the intent of the office.** Do so either through Board resolution or legislative authority, especially for powers such as the authority to subpoena witnesses, administer oaths or affirmations, take testimony and compel the production of key documents and evidence.
3. **Craft the updated ordinance or statute with reference to several key foundational elements.** These include (a) Metra's mission statement, (b) the broader organization's purpose, goals and culture, (c) OIG mission examples presented in this report and elsewhere and (d) important guidance from Metra counsel and other strategic stakeholders.
4. **Pay acute attention to the "big picture" - and to the "fine print".** These are enormously important decisions. Undertake this effort with great care - especially with respect to defining factors such as jurisdictional scope, operational powers, confidentiality, whistleblower protections and ensuring the vital importance of OIG independence in areas such as funding, reporting and agenda-setting as well as the appointment of the IG, the ability to replace or dismiss the IG and voting thresholds for OIG-related board actions.

¹⁴ More detailed information on recommended IG authority stipulations is available from the Association of Inspectors General, *Principles and Standards for Offices of Inspector General*. May, 2004.

2. LEADERSHIP: TAPPING THE RIGHT PERSON TO GUIDE AND GROW THE PROGRAM

Few decisions in establishing an IG office are more important than the selection and appointment of a highly qualified Inspector General to lead the function.

As the head of the IG office, this individual oversees all audits, investigations, inspections and program evaluations – and thus must be capable of “wearing many hats” at once. At the same time, the Inspector General sets the tone internally for the entire office and stands as a highly visible figurehead (and sometimes lightning rod) for all stakeholders outside the OIG function and the broader parent organization as well.

To succeed in this crucial role, the Inspector General must bring several vital qualifications to the table – in terms of both personal attributes and areas of professional expertise.

Personal Attributes: Who the Inspector General Is

To a fault – more so, arguably, than for any other position of organizational leadership – the IG must have an uncompromising commitment to personal ethics and integrity as well as the personal and professional track record and long-standing relationships that reflect and confirm these vital attributes.

Why? The obvious part of the answer has to do with the core mission of the office and the need to be fully dedicated to rooting out fraud, waste, abuse and corruption. Equally important, however – though not always fully understood and anticipated by young, untested IG candidates – is an understanding about how to wield the power that comes along with independence in a just and fair manner without falling vulnerable to its corrupting influences.¹⁵

Professional Expertise: What the Inspector General Has Achieved

The professional background of the person selected as IG should support the activities the office is to undertake. The individual should demonstrate expertise in key domains such as financial audits, legal issues, investigative matters, program evaluation and assessment, and public administration.

As IGs are frequently agents of change – i.e., standard-bearers in identifying systemic flaws to be remedied – the person selected as IG should have a track record that demonstrates they are results-

KEY CONCEPT

Integrity in Appointment

IGs shall be appointed “without regard to political affiliation and solely on the basis of integrity and demonstrated ability in accounting, auditing, financial analysis, law, management analysis, public administration or investigations.”

Source: Inspector General Act of 1978

¹⁵ Hill, E. *Strengthening the unique role of the nation's Inspectors General*. Testimony before the U.S. Senate Committee on Homeland Security and Governmental Affairs. July 11, 2007.

focused and comfortable in the role of the function's champion. This is important whether their management style is to lead quietly and forthrightly by example or whether they ascribe to a more vocal and visible path to advancing the OIG's objectives.

While it may be tempting to fill the IG position with someone from within the parent organization's ranks, this strategy can backfire in subtle ways that can be hard to detect before harm to the OIG's mission has occurred. To ensure true independence and a mission-enabling degree of separation, organizations should restrict the scope of an OIG candidate search, at minimum, to individuals who have been separated from the parent organization for at least five years or, preferably, to qualified external professionals with no past history with the entity.

BEST PRACTICE

Trust. But Verify First.

Comprehensive due diligence background checks for key leaders and executives are one of the most important risk management exercises an organization today can take.

A comprehensive OIG candidate background investigation and vetting process will help to ensure that a person with the correct attributes is selected for the position.

Certification: Where the Inspector General's Credentials Have Been Earned

In addition to the desired personal attributes and professional expertise, it is also advisable to ensure the person selected to serve as IG has the designation (or will obtain it shortly thereafter) of a Certified Inspector General. This is discussed later in this report.

The Importance of Professional Associations and Other Considerations

The IG needs to be apolitical and be selected without consideration of their political tendencies or affiliation. They should be prepared to immerse themselves fully in issues related to organizational culture and processes, yet at the same time remain a neutral, third-party observer.

While IGs are employed by a particular agency, in essence they work for the public more so than any other executive within that entity. If they are successful in their mission, they will increase organizational efficiency as well as the public's confidence in their organization. While they are charged with uncovering its flaws, the results of their endeavors make a crucial contribution to the organization's long-term and sustainable success.

One more point. Professional networking is vital to ensure the IG is aware of continually evolving best practices and developments in the field. At minimum, the IG should be an active and informed member of a professional organization, such as the Association of Inspectors General (AIG) or the International Association of Independent Private Sector Inspectors General (IAIPSIG).

Implications for Metra and the New Metra OIG

- 1. Develop a complete job description for the new OIG position now.**
Consider starting with the proposed job description we have attached to this report as Appendix B. Whether Metra selects an individual or an organization to fill the role of IG, it is vital that one with the aforementioned attributes be chosen.
- 2. Make passing a strategic background investigation a pre-employment requirement.**
- 3. Use caution so that Metra's urgent need for an IG does not usurp its careful selection of one.**

KEY CONCEPT

Leadership Style Goes A Long Way

'As inspector-general I often clashed with one of my colleagues whose opinions differed from my own. When I left the post, however, we shook hands. "This is what I tell people about you," he said, "you always listened. You never made up your mind until you heard what I had to say."

- Michael Bromwich,
Director of the Bureau of Ocean Energy
Management, Regulation and Enforcement

Source: Newsweek, July 12, 2010.

3. INDEPENDENCE AND OBJECTIVITY: BUILDING A PLATFORM FOR ETHICS AND INTEGRITY

The Crucial Importance of Independence

Independence is arguably the single most important cornerstone of the IG function. In order for an IG to accurately and objectively conduct the audits, investigations and evaluations with which it is charged, the OIG must be *completely independent of any undue influences from individuals within or outside the organization.*

This need for independence is stressed repeatedly throughout the Inspector General Act of 1978.¹⁶ While the Act applies to federal entities, the private sector's IG organization (International Association of Independent Private Sector Inspectors General, IAIPSIG) also sets independence as a strategic priority for all members.

KEY CONCEPT

Independence lies at the heart of the IAIPSIG Code of Ethics

"The 'independence' of IPSIGs is their hallmark: they must report any unethical and illegal conduct they uncover both to the organization and, independently of the organization, to a reporting entity."

Source: IAIPSIG Code of Ethics

BEST PRACTICE

"Auditors and audit organizations must maintain independence so that their opinions, findings, conclusions, judgments, and recommendations will be impartial and viewed as impartial by objective third parties with knowledge of the relevant information."

Source: *The Government Auditing Standard*

Perceptions Matter

While true independence in fact and form is essential, the *perception* of independence can also be enormously important – especially among stakeholders both inside and outside the organization. Why? Because, for example, just how fully the OIG's reports and recommendations are embraced depends in part on stakeholders' perceptions of the IG's ethics and integrity – and its carefully designed insulation from even an apparent conflict of interest.

There's another reason too: earning and sustaining "buy-in" from organizational insiders is always a vital first step on the path to obtaining their cooperation and encouraging them to report possible incidents of fraud, waste and abuse.

¹⁶ Pub. L. No. 95-452, 92 Stat. 1101 (Oct. 12, 1978) (codified, as amended, at 5 U.S.C. App.). 3 Pub. L. No. 100-504, 102 Stat. 2515 (Oct. 18, 1988) (5 U.S.C. App.).

Personal, External and Organizational Independence

Independence actually takes several forms – personal, external and organizational.

- **Personal independence** refers to an individual's freedom from any personal connections or conflicts that may interfere with their impartially fulfilling their duties to the organization.
- **External independence** allows an IG to perform their duties free from pressures, either real or perceived, from those within the organization they are to examine or an outside oversight entity. These can limit their ability to complete reports objectively and may include implementing artificial time constraints on investigations, hindering access to records and attempting to exert control over the contents of reports.
- **Organizational independence** removes the IG from operational constraints within the organization that may impact their objectivity. This is true, for example, if the IG must report directly to a branch of the entity being examined, or if the IG is multi-tasked with responsibilities within the organization, aside from those germane to those of the IG office.¹⁷

POTENTIAL PITFALL

Don't Hire the IG "From Within"

"The independence of Amtrak's Inspector General is critical ... By installing one of their own as Inspector General, it looks like Amtrak management is trying to take the teeth out of the watchdog."

- Edolphus Towns,
House Oversight and
Government Reform
Committee Chairman

Source: States News Service, 7/29/2009.

¹⁷ Pub. L. No. 95-452, 92 Stat. 1101 (Oct. 12, 1978) (codified, as amended, at 5 U.S.C. App.). 3 Pub. L. No. 100-504, 102 Stat. 2515 (Oct. 18, 1988) (5 U.S.C. App.).

Implications for Metra and the New Metra OIG

- 1. Enforce term appointments.** Appoint the Metra IG for a pre-determined length of time. This will help prevent retaliatory terminations.¹⁸
- 2. Establish a captive information technology function.** Many of the Metra IG's investigations may originate through online reports. Ensure that this information is freely transmitted to the Metra IG without having to be relayed from or through Metra's current IT team.
- 3. Protect the budget.** Keep the budget separate and protected - even if the Metra OIG's funding is established and reported as part of the Metra budget. By doing so, you will avoid the possibility of arbitrary budget reductions or the threat of such reductions.
- 4. Make staffing decisions from within the OIG.** Allowing the Metra OIG to select and hire its own staff will minimize the influence the larger Metra organization has on the office. This topic is discussed in more detail later in this report.
- 5. Ensure that the Metra OIG establishes its own agenda.** Authorize and support the Metra IG's ability to develop his or her own agenda and related priorities - without having to query, vet, advance or subject to review priorities requested or mandated by any other stakeholder or entity.
- 6. Expect the Metra IG to maintain a singular focus.** Don't task the Metra IG office with handling multiple responsibilities outside the scope of the function's core mission. Avoid engaging the OIG, for example, in implementing its recommended changes or overseeing operational issues. Both of those factors can negatively impact IG's impartiality - and drain IG resources from the office's primary objectives.¹⁹
- 7. Give the Metra OIG subpoena authority.** Carrots can work. But sticks are often better. Provide the Metra IG's office with the ability to issue subpoenas as it sees fit, without having to seek approval from the investigated entity. This vital function prevents the broader Metra organization from placing limits on Metra IG's investigations and sources of information.

¹⁸ Keplinger, G.L. *Inspectors General: Independent Oversight of Financial Regulatory Agencies*. Testimony before the U.S. House of Representatives, Committee on Oversight and Government Reform, Subcommittee on Government Management, Organization and Procurement; March 25, 2009.

¹⁹ Kaiser, F.M. (2008, September 25). *Statutory Offices of Inspector General: Past and Present*. Congressional Research Service Report, #98-379.

4. GUIDING PRINCIPLES AND VALUES: DEFINING THE ETHOS OF THE FUNCTION

Guiding principles and values provide the basis for operating an Office of the Inspector General on a day-to-day level. OIGs across the United States are tasked to uphold varying principles but all are based on the same core values first outlined in the Inspector General Act of 1978, through the establishment of the Council of Inspectors General on Integrity and Efficiency.²⁰ These range from integrity to customer orientation in all undertakings.^{21 22 23 24 25}

Quality Standards for Federal Offices of Inspector General

In October of 2003, the President's Council on Integrity and Efficiency and the Executive Council on Integrity and Efficiency published a report entitled, *"Quality Standards for Federal Offices of Inspector General"*.²⁶ This document delineates the following general standards of ethics, independence and confidentiality to be maintained by Inspectors General and all OIG staff:

- **Integrity** is the cornerstone of all ethical conduct, ensuring adherence to accepted codes of ethics and practices. Objectivity, independence, professional judgment and confidentiality are all elements of integrity.
- **Objectivity** imposes the obligation to be impartial, intellectually honest and free of conflicts of interest.
- **Independence** is a critical element of objectivity. Without independence, both in fact and in appearance, objectivity is impaired.
- **Professional judgment** requires working with competence and diligence. Competence is a combination of education and experience and involves a commitment to learning and professional improvement. Professional standards for audits, investigations, inspections and evaluations require continuing professional education. Diligence requires that services be rendered promptly, carefully and thoroughly and by observing the applicable professional and ethical standards.
- **Confidentiality** requires respecting the value and ownership of privileged, confidential or classified information received and protecting that information and safeguarding the

²⁰ Title 5. Government Organization and Employees, Title 5 - Appendix, "Inspector General Act of 1978", 1978, last amended 2008; Section 11.

²¹ President's Council on Integrity and Efficiency & Executive Council on Integrity and Efficiency, "Quality Standards for Federal Offices of Inspector General", October 2003; page 6.

²² U.S. Department of Transportation, Office of Inspector General, "DOT OIG Strategic Plan", September, 2009; <http://www.oig.dot.gov/strategic-plan>, visited 07/20/2010.

²³ National Railroad Passenger Corporation, "Amtrak Office of Inspector General - About Amtrak OIG", 2009; <http://www.amtrakoiq.gov/%28S%281fwqluzywiw2c355erltyqzh%29%29/About.aspx>, visited 07/20/2010.

²⁴ National Aeronautics and Space Administration (NASA), "NASA Office of Inspector - Mission and Guiding Principles", last updated 02/03/2010; <http://oig.nasa.gov/mission.html>, visited 07/20/2010.

²⁵ U.S. Small Business Administration Office of Inspector General, "Strategic Plan, Fiscal Years 2006 - 2011", 2006; page 2.

²⁶ President's Council on Integrity and Efficiency & Executive Council on Integrity and Efficiency, "Quality Standards for Federal Offices of Inspector General", October 2003; pages 6-7.

identity of confidential informants. In some instances, legal or professional obligations may require an OIG to disclose information it has received.²⁷

Two Additional Examples of the Values Organizations Have Chosen to Emphasize

The U.S. Department of Transportation Office of Inspector General, for example, aspires to embody four core values: Integrity, Objectivity, Accuracy and Relevance.²⁸ In contrast, the Amtrak Office of Inspector General emphasizes the following six core values:

- **Quality, Relevant and Timely** - Provide valuable and timely service. Work products are high quality, relevant, timely and add value and are responsive to the needs of Amtrak and its stakeholders;
- **Independence and Objectivity** - Be committed to carry out the mission with objectivity and independence, both in appearance and fact. Conflicts, improper influence, or other impediments do not interfere with work;
- **Customer Service** - Strive to be aware of the needs of stakeholders and work with Amtrak's chairman, the Board of Directors and Congress to improve program management;
- **Innovation** - Be innovative, question existing procedures, and suggest improvements. New ideas and creativity are fundamental to continued growth, development and problem solving;
- **Respecting and Developing People** - Create an environment that supports gathering, sharing and retaining knowledge; fosters treating everyone fairly and with mutual respect through words and actions; ensures professional growth; and values the diverse backgrounds, skills, and perspectives of employees; and,

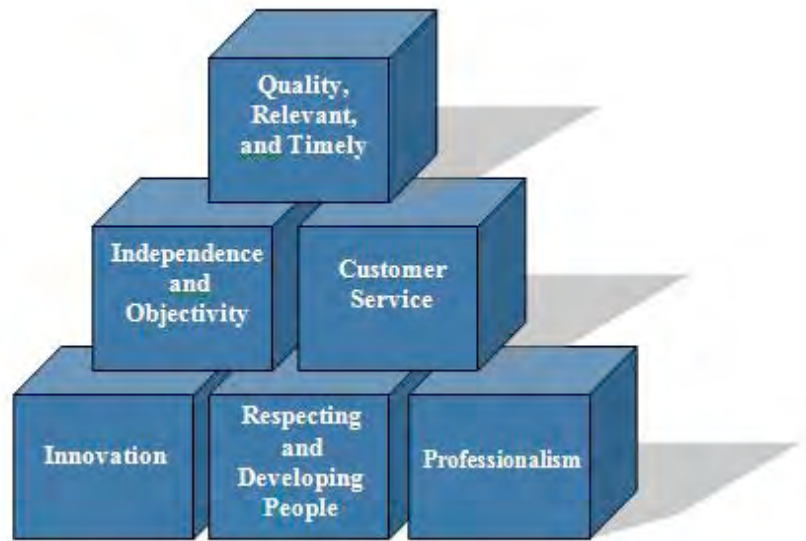


Figure 1: The Amtrak OIG's Principles and Values

²⁷ President's Council on Integrity and Efficiency & Executive Council on Integrity and Efficiency, "Quality Standards for Federal Offices of Inspector General", October 2003; page 6.

²⁸ U.S. Department of Transportation, Office of Inspector General, "DOT OIG Strategic Plan", September, 2009; <http://www.oig.dot.gov/strategic-plan>, visited 07/20/2010.

- **Professionalism** – Be committed to professional standards and foster relationships with stakeholders that rely on communication and cooperation. Relationships with program managers are based on a shared commitment to improving program operations and effectiveness.²⁹

Implications for Metra and the New Metra OIG

1. **Craft a formal statement of the OIG's key principles and values.** Draw on recommendations for principles and values from other OIGs. These should include, in addition to other sources, the Council of the Inspector General on Integrity and Efficiency, the President's Council on Integrity and Efficiency and Executive Council on Integrity and Efficiency as well as specifics included in the Inspector General Act of 1978, as amended.
2. **Publish and communicate.** Publicize the list of OIG principles and values clearly and effectively through various media channels, particularly to all Metra employees, managers and executives, stakeholders, contractors and consultants.
3. **Be rigorous and consistent in reinforcing these values and principles.** Embed them deeply within the operating processes of the Office – in, for example, job descriptions, process and work-stream models, training curriculums, employee on-boarding manuals and year-end performance review requirements.
4. **Champion success.** As the OIG organization evolves, make a concerted effort to identify compelling examples – in every functional division and at every operational staffing level – of OIG staff advancing or exhibiting behaviors which reflect the Office's values and principles. Tell these stories. Celebrate these actions. Champion success.

KEY CONCEPT

Grounds for Dismissal

When Palm Beach County instituted the county's first Inspector General Office, they ensured the position remain neutral by placing limitations on removing the IG from office.

The only reasons allowing for the elimination of the IG were neglect of duty, abuse of power, discrimination and ethical misconduct.

Source: South Florida Sun-Sentinel; 05/24/2010.

²⁹ National Railroad Passenger Corporation, "Amtrak Office of Inspector General – About Amtrak OIG", 2009; <http://www.amtrakoig.gov/%28S%281fwqluzywiw2c355erltygzh%29%29/About.aspx>, visited 07/20/2010.

5. STAFFING AND HUMAN RESOURCES: BUILDING OUT THE TEAM

Like any other function with a cross-enterprise mission, diverse responsibilities and multiple core processes, a high-performing IG office requires support from staff who bring a wide range of knowledge, skills and experience to the table. These individuals often include persons who are – or have worked previously as – criminal investigators, auditors, accountants, attorneys, fraud examiners or program evaluators.

Quality Results Start with Selection and Hiring

As referenced earlier, hiring and advancement should occur from within the IG's office. Minimizing the involvement of members of the larger organization in filling OIG positions will likely reduce any influence they may have on those personnel down the road. Staffing in this manner also assists with setting a tone of OIG independence from the outset. While the Human Resources department of the parent organization will have some level of involvement with new hires, keeping a large part of the candidate selection process housed entirely within the IG's office serves as a crucial foundation for maintaining independence. The hiring process in an IG's office must become an example of professional behavior, not only by adhering to agency policies, but by setting the standard for the rest of the agency.

Typical Qualifications for Staff

The skill sets and qualifications for OIG personnel most commonly sought after include the following:

- Knowledge of statutory requirements, directives, rules and regulations that may apply to the OIG and its functions
- Familiarity with the organization or the industry if hiring from outside, its programs, activities, functions and jurisdiction
- Skills in measuring and evaluating the efficiency and effectiveness of program performance
- Expertise in conducting investigations, including evidence gathering and documentation
- Knowledge of the audit process for programs and finances
- Knowledge of laws, policies, requirements and guidelines related to organizational tasks

BEST PRACTICE

Make background checks on all OIG staff mandatory

Know your people. Judging ethics and integrity should never be merely a qualitative judgment call.

Instead, make comprehensive background checks on all OIG staff mandatory for new hire and new entries.

Conduct periodic – and perhaps random – investigations for existing personnel, even if they have worked on staff for several years. Also consider requiring background investigations before promoting individuals to any sensitive positions.

- Skills related to information technology sufficient to maintain internal databases and external websites, and those required to otherwise support functions of the IG office
- Current licensure and certification in relevant professional discipline
- Familiarity with external stakeholders who regularly interact with and are impacted by agency operations³⁰

BEST PRACTICE

Require training on an annual or biennial basis

In order to ensure that the OIG is functioning as a "high performance" oversight center, require that staff continually "go back to the well".

Institutionalize training and continuing education requirements for every level of responsibility in the organization.

Many transit agency Inspectors General employ sworn police officers - especially detectives - from the host agency's police force. (See Section III) While hiring a police officer with criminal investigative skills and knowledge of the agency can benefit an IG office, caution must be taken to ensure any new hire from the agency overseen can make a clean break from their past job in terms of workload, misplaced loyalty and a future career path back at the agency.

Beyond professional qualifications, the IG staff, as with the IG personally, should be ethical and trustworthy beyond question. Pre-employment background screening should be conducted to avoid employing personnel who have been involved in illegal activities or other misconduct. Regular screening of existing employees should also be undertaken periodically.

Making Training and Staff Development a Priority

While most OIG staff bring extensive relevant professional experience to the job, working in an IG capacity will be somewhat new for many personnel. For this reason - and because the importance of the IG mission leaves little room for a learning curve, staff members should be afforded the opportunity to attend (if they haven't already) a training course specifically related to typical IG responsibilities, processes and best practices.

Toward this end, the Association of Inspectors General (AIG) offers courses designed to build core competencies in many areas vital to IG functions. These courses are tailored to the particular role the person is to fulfill in the OIG and include: Certified Inspector General, Certified Inspector General Investigator and Certified Inspector General Auditor. (For more information on this, visit the AIG website: www.inspectorsgeneral.org.)

³⁰ Association of Inspectors General. Principles and Standards for Offices of Inspectors General. Philadelphia, PA: May, 2004.

Implications for Metra and the New Metra OIG

- 1. Clarify internal jurisdictions.** Have the new IG – once he or she has been properly brought on board – meet with Metra's HR leadership and establish for all internal staff, if any, (See Section V, Three Strategic Scenarios) where staff selection and hiring processes and procedures can be shared and where they must be separate. Revisit these "ground rules" on a regular basis to refine and improve them over time.
- 2. Conduct background checks on OIG staff.** Institute a policy requiring background checks for all OIG personnel, whether in-house or outsourced talent – for new hires, for new entries, for existing staff and for promotion to sensitive posts or positions of authority.
- 3. Draw up job descriptions for each OIG position.** Compile descriptions of the expectations the IG has for the minimum qualifications, experience and skill sets associated with each core position in the IG organization.
- 4. Set clear expectations on training requirements.** Use recommendations and guidelines from AIG and other IG-related organizations to formalize training requirements for all OIG personnel.

KEY CONCEPT

What are the Key Areas of Concentration for the Certified Inspector General Auditor?

- The audit process
- Professional standards for conducting audits
- Ethics in audits
- Working with investigators
- Internal control
- Forensic auditing
- IT auditing
- Peer review process
- Identifying and reporting monetary benefits
- Contract auditing

Source: Association of Inspectors General

6. OPERATIONS: UNDERTAKING AUDITS, INVESTIGATIONS, INSPECTIONS AND EVALUATIONS

The Office of Inspector General focuses principally on three areas:

1. Audits
2. Investigations, and
3. Inspections and evaluations.

Understanding Audits

Audit divisions are generally responsible for conducting independent reviews of assets, financial reporting, accounting, information technology and information security, managing appropriate costs, pricing and compliance with grant or contract terms and monitoring compliance with federal, state and local laws and regulations.

For example, the Audit Division of the Amtrak OIG is responsible for:

- Conducting independent reviews of Amtrak's internal controls and recommending improvements to better safeguard its assets;
- Testing the reliability of financial reporting and providing accounting counsel over company operations;
- Reviewing information technology programs and information security;
- Reviewing procurements and material acquisitions for appropriateness of cost, pricing and compliance with applicable grant or contract terms and conditions; and
- Monitoring compliance with laws and regulations.³¹

KEY CONCEPT

How Does Your IG Decide What to Audit?

The U.S. Department of Transportation OIG office offers a valuable explanation of how they decide which audit projects they undertake. Audits can come from a variety of sources: the OIG's own ongoing research and assessments of the organization's major challenges; at the request of politicians and community leaders, community committees and Metra officials; from cases referred from the division of investigations; audits required by law.

What's the best way to identify and prioritize audit issues? Create long-term strategic plans.

Source: USDOT OIG, "The Audit Process"

³¹ Amtrak Office of Inspector General, "About Amtrak OIG", 2009; <http://www.amtrakoig.gov/%28S%28agowx2jvfpwsf155dytn0q45%29%29/About.aspx?option=4>, visited 07/20/2010.

OIG audit divisions typically follow a prescribed set of processes and procedures. For example, the Office of Inspector General for the U.S. Federal Trade Commission's audit process involves the following stages:

- Written notification followed by an entrance meeting with pertinent managers before the audit begins;
- Audit fieldwork;
- An exit meeting with management to discuss the audit results;
- A draft audit report to management for comment;
- A final audit report presenting the results of the audit along with applicable findings and recommendations;
- A management decision after an evaluation of the audit findings and recommendations; and
- The final action taken to resolve the audit findings and recommendations.³²

Understanding Investigations

Investigations can encompass a variety of topics, but usually involve fraud, waste, abuse and misconduct involving employees, contractors, consultants or other entities conducting business with the respective organization.³³ Investigations typically start with the receipt of an allegation and are opened and pursued based on OIG priorities and procedures, with the consideration of prosecutorial guidelines set by local state and United States Attorneys.³⁴ The OIG also maintains the hotline and any accompanying systems for the receipt, screening and disposition of allegations.³⁵

POTENTIAL PITFALL

Make Sure Your OIG Team Has the Right Skill Sets

In 2005, the Louisiana State Office of Inspector General realized that the newest form of fraud was committed on computers - and they lacked the expertise necessary to investigate. In particular, the OIG realized that it needed employees with computer database analysis skills, which proved necessary to investigate corruption and fraud in executive branch agencies.

"That's where it happens: in the computer... You have to be able to understand how an employee could manipulate that data to their own benefit." Sharon B. Robinson, Former Louisiana State Inspector General

Source: The Baton Rouge Advocate; 06/13/2005.

³² U.S. Federal Trade Commission Office of Inspector General, "Office of Inspector General - What We Audit", last updated 07/08/2008; <http://www.ftc.gov/oig/audits.shtm>, visited 07/21/2010.

³³ U.S. Federal Trade Commission Office of Inspector General, "Office of Inspector General - What We Investigate", last updated 07/08/2008; <http://www.ftc.gov/oig/investigations.shtm>, visited 07/21/2010.

³⁴ U.S. Department of Transportation Office of Inspector General, "The Investigative Process"; <http://www.oig.dot.gov/investigative-process>, visited 07/21/2010.

³⁵ U.S. Department of Education Office of Inspector General, "U.S. Department of Education Principal Office Functional Statements, Office of Inspector General - Investigation Services (EFI)", last modified on 09/17/2008; http://www2.ed.gov/about/offices/list/om/fs_po/oig/inv.html, visited 07/21/2010.

KEY CONCEPT

Common Fraud Schemes

- Accounting Schemes - Manipulating financial statements to conceal irregularities or embezzlement.
- Fraudulent Employment - Placing friends or associates on payroll though they perform no official duties.
- Bid Rigging and Collusion - Contractors misrepresent that they are competing against each other when they actually agree to cooperate on the winning bid to increase job profit.
- Materials Overcharging - Misrepresenting how much material was used on a job in order to be paid for more material than was actually used.
- Time Overcharging - Misrepresenting the distribution of employee labor in order to charge for more work hours or a higher overhead rate.
- Product Substitution - Misrepresenting the type or quality of product used in order to reduce costs for materials.
- Disadvantaged Business Enterprises (DBE) Fraud - Misrepresenting who performed the work in order to appear to be in compliance with contract goals for involvement of minority/women-owned businesses.
- Quality-Control Testing Fraud - Misrepresenting the results of quality control tests in order to limit costs or increase profits, earn contract incentives or avoid project shutdown.
- Bribery - Compensating a government official in exchange for obtaining contracts or permitting overcharges.
- Conflicts of Interest - Non-disclosure of financial or other interest in a contractor by a government oversight official, resulting in an improper contract award or inflated costs.

For example, the U.S. Department of Transportation OIG distinguishes criminal allegations and presents them to the Department of Justice (DOJ) to be prosecuted. If the attorneys determine that the case should be prosecuted, the OIG will continue to work the investigation in coordination with the DOJ.³⁶ When an investigation has been concluded, a report is prepared that summarizes the

³⁶ U.S. Department of Transportation Office of Inspector General, "The Investigative Process"; <http://www.oig.dot.gov/investigative-process>, visited 07/21/2010.

facts established during the inquiry and is distributed to prosecuting attorneys, as necessary, and any administration officials with an official interest in the case.^{37 38} A judicial action may result from investigating an allegation, but any case that does not conclude with a prosecution is handled administratively by the Operating Administration. In this case, the investigations division tracks corrective or disciplinary action taken by the administration.³⁹

Here is another example. What does the Office of Inspector General at Amtrak investigate? The following types of cases:

- Various types of fraud and abuse, particularly allegations of financial wrongdoings, kickbacks, construction irregularities, bribery and false claims;
- Reviews of Amtrak's safety and security programs;
- Improvements to internal controls to prevent fraud and abuse;
- Violations of law, which are reported to the Attorney General and prosecutors;
- Reviews and safeguarding of cash and credit card purchases for transportation and food services onboard Amtrak trains; and
- Enhancements to improve efficiency and effectiveness of Amtrak's programs.

BEST PRACTICE

Investigative Priorities

The U.S. Department of Transportation OIG outlines the following investigative priorities, which could serve as a guideline for developing Metra's future priorities:

- Transportation Safety Investigations
- Contract and Grant Fraud Investigations
- Employee Integrity Investigations

Source: USDOT OIG

Understanding Inspections and Evaluations

Inspections are a common OIG responsibility. According to the U.S. Department of State Office of Inspector General, the Office of Inspections "provides the Secretary of State and Congress with systematic and independent evaluations of the operations of the Department, its posts abroad, and related activities. OIG schedules an inspection of each post and bureau within a five-year cycle in accordance with the Foreign Service Act of 1980."

Consider the scope of the Department of State OIG inspections:

³⁷ U.S. Department of Transportation Office of Inspector General, "The Investigative Process"; <http://www.oig.dot.gov/investigative-process>, visited 07/21/2010.

³⁸ U.S. Federal Trade Commission Office of Inspector General, "Office of Inspector General - What We Investigate", last updated July 8, 2008; <http://www.ftc.gov/oig/investigations.shtm>, visited 07/21/2010.

³⁹ U.S. Department of Transportation Office of Inspector General, "The Investigative Process"; <http://www.oig.dot.gov/investigative-process>, visited 07/21/2010.

1. **Policy Implementation:** Whether policy goals and objectives are being effectively achieved; whether post operations are in consonance with the policies of the U.S.; whether U.S. interests are being accurately and effectively represented; whether all elements of an office of mission are being adequately coordinated.
2. **Resource Management:** Whether resources are being used and managed with maximum efficiency, effectiveness, and economy and whether financial transactions and accounts are properly conducted, maintained, and reported.
3. **Management Controls:** Whether the administration of activities and operations meets the requirements of applicable laws and regulations; whether internal management controls have been instituted to ensure quality of performance and reduce the likelihood of mismanagement; whether instances of fraud, waste, or abuse exist; and whether adequate steps for detection, correction and prevention have been taken.⁴⁰

Here is another example. The Amtrak OIG has combined inspections and evaluations into a single division with staff specializing in engineering, safety, labor and employee relations, mechanical maintenance operations, strategic planning and finance.⁴¹ This division "conducts targeted inspections and evaluations of Amtrak programs, assists managers in their efforts to determine the feasibility of new initiatives and the effectiveness of existing operating methodologies".⁴² The division conducts the following:

- **Snapshot Studies:** Short evaluations that focus on a specific problem or issue, which usually result in recommendations that can be immediately implemented to improve a process. They are typically followed by a report that will address broader systemic or process issues with additional recommendations.
- **Compliance Reviews:** Evaluations that measure whether Amtrak, as a whole or within a specific department, is in compliance with certain legislation, Congressional directive or corporate policy.
- **Efficiency and Effectiveness Studies:** Evaluations that assess Amtrak's performance in specific areas and include recommendations that will improve the efficiency and effectiveness of the effort in these areas. These evaluations are usually process-oriented and focus on management actions and outcomes.
- **Technical Analyses:** Evaluations that utilize the expertise within the Inspections and Evaluations to perform as outside consultants. Unbiased expert analysis for these evaluations is currently being provided to Amtrak by outside consultants.⁴³

⁴⁰ U.S. Department of State and the Broadcasting Board of Governors Office of Inspector General, "Office of Inspections"; <http://oig.state.gov/isp/index.htm>, visited 07/21/2010.

⁴¹ Amtrak Office of Inspector General, "About Amtrak OIG - Inspections and Evaluations", 2009; <http://www.amtrakoig.gov/%28S%280wmp4xi32dsgz1fzg223vevq%29%29/About.aspx?option=5>, visited 07/21/2010.

⁴² Amtrak Office of Inspector General, "About Amtrak OIG - Inspections and Evaluations" 2009; <http://www.amtrakoig.gov/%28S%280wmp4xi32dsgz1fzg223vevq%29%29/About.aspx?option=5>, visited 07/21/2010.

⁴³ Amtrak Office of Inspector General, "About Amtrak OIG - Inspections and Evaluations", 2009; <http://www.amtrakoig.gov/%28S%280wmp4xi32dsgz1fzg223vevq%29%29/About.aspx?option=5>, visited 07/21/2010.

Implications for Metra and the New Metra OIG

- 1. Ensure anonymity.** Develop various ways for allegations to be received – through a telephone hotline, website, mail and email – completely independent of current Metra operations. The new OIG must be afforded the latitude to guarantee total confidentiality for the complainant.
- 2. Create both short-term and long-term strategic plans.** Identifying priorities for all three OIG divisions of operations will ensure that all levels of staff, from management to interns, understand the significance of each allegation and inspection. This will help each division create a timeline for every assignment undertaken.
- 3. Establish a connection to the Council of Inspectors General on Integrity and Effectiveness (CIGIE).** The CIGIE Audit, Investigations, Inspection & Evaluation and Information Technology Committees maintain various resources on conducting successful and efficient audits, investigations, evaluations and inspections, along with suggestions for ensuring integrity and improving information technology and professional development.
- 4. Maintain a close relationship with local State of Illinois and United States Attorneys.** When an allegation is received and determined to be criminal in nature, the attorneys of the State of Illinois and United States will be responsible for requesting an indictment. A productive relationship between Metra and local attorneys will ensure a seamless investigation – on both sides.
- 5. Engage staff with differing professional specialties.** Having a specialist on staff for each major evaluation, audit, investigation or inspection will guarantee that each project is performed at the highest level of quality and expertise. Personnel with specialized knowledge will also help ensure that Metra stays in compliance with all federal, state and local laws and regulations.

KEY CONCEPT

Major responsibilities of the division of inspections and evaluations

- Measuring programs and operations against best practices to determine efficiency and effectiveness
- Auditing grants and contracts awarded
- Examining financial statements
- Evaluating revenues and expenditures

Source: USDOJ OIG

7. REPORTING AND COMMUNICATION: TRANSLATING INFORMATION INTO ACTION

The Office of Inspector General stands at the intersection of crucial information flows to three principal audiences: (1) the leadership bodies of the organization, such as the board; (2) local, state and federal compliance and law enforcement agencies and other government entities; and, in many instances, (3) the general public.

Unlike corporate compliance officers, who report their discoveries of wrongdoing principally to internal decision-makers – whether this represents the board, management or in-house counsel – Inspectors General are charged with also notifying external stakeholders of their findings.⁴⁴ This dual reporting responsibility is one of the defining hallmarks of the Inspector General role.

In fact, at the very heart of a high-performing OIG organization are a set of issues defining precisely what the OIG's reporting obligations, parameters and processes should be.

KEY CONCEPT

The Dual Reporting Responsibility

Inspectors General “must report any unethical and illegal conduct they uncover both to the organization and, independently of the organization, to a reporting entity.”

Source: IAIPSIG Code of Ethics

The Typical Scope of OIG Reporting Obligations

Annual reports should be issued summarizing the OIG's activities throughout the preceding year. Additionally, reports should be issued upon the completion of major OIG operations. This typically includes audits, investigations and inspections. It should be noted, however, that “during the course of audit and investigation activities, all records will be considered deliberative in process and not available for outside review.” Investigation reports, to the extent they do not reveal confidential information or information otherwise protected by law, should be released upon completion of the investigation.⁴⁵

Annual report topics include:

- Cases and complaints reviewed
- Origin of complaints (hotline, web, email, other)
- Investigations opened and closed
- Audits completed and monetary savings identified
- Policy and program reviews completed and recommendations made
- Prosecutions and outcomes

⁴⁴ Lupkin, S.N. & Lewandowski, E.J. (2005). Independent private sector inspectors general: Privately funded overseers of the public integrity. *NY Litigator Journal*, 10(1), 6-19.

⁴⁵ Association of Inspectors General. Model Legislation for the Establishment of Offices of Inspector General. Retrieved July 16, 2010 from <http://data.memberclicks.com/site/aig/ModelLegislation.pdf>.

Audits and Inspections report topics include:

- Background (i.e., why the audit or inspection was conducted)
- Scope and Methodology
- Findings
- Recommendations
- Management Response

Investigation report topics include:

- Law, rule or regulation alleged to have been violated
- Evidence
- Activities undertaken (e.g., interviews)
- Outcome (including fines, recoveries, indictments, convictions and management recommendations)⁴⁶

In addition, the President's Council on Integrity and Efficiency has set the following standards for investigation and inspection reporting:

- Inspection reports: "shall present factual data accurately, fairly, and objectively and present findings conclusions and recommendations in a persuasive manner."⁴⁷
- Investigation reports: "must thoroughly address all relevant aspects of the investigation and be accurate, clear, complete, concise, logically organized, timely and objective."⁴⁸

Common OIG Reporting Channels

The internal mandate is straightforward - for public transit OIGs as well as other IG offices across industries: the report goes to the board. External reporting obligations, however, can vary. Many transit OIGs report, for example, to one or several of the following: the governor or mayor, the State Senate, and the Department of Transportation. And if the IG identifies criminal activities that lie beyond the scope of their jurisdiction, they should report them to the appropriate legal authority.⁴⁹ This could be the United States Attorney, State Attorney General or District Attorney. It should be noted that more and more IGs are now posting their reports on the audited organization's website.

BEST PRACTICE

The Best IG's Look Under Rocks

"One doesn't generally write an audit report about all the things that are going right."

-John Helgerson,
former CIA Inspector
General

Source: *Federal Times*; 04/09/2007

⁴⁶ President's Council on Integrity and Efficiency. *Quality Standards for Investigations*, December 2003.

⁴⁷ President's Council on Integrity and Efficiency. *Quality Standards for Inspections*, January 2005.

⁴⁸ President's Council on Integrity and Efficiency. *Quality Standards for Investigations*, December 2003.

⁴⁹ Ibid.

Information Guidelines on Reporting Frequency

At the federal level, IGs are mandated, when they find evidence of “particularly serious or flagrant, programs, abuses or deficiencies” to immediately forward a documentation letter to the agency head. The agency head then has seven days to forward the letter, with their comments, to Congress.⁵⁰ While this is not mandated at the state or local level, it represents a best practice: immediately issue a report when serious violations are identified.

Otherwise, reports should be issued at regular and predetermined intervals. The IG Act recommends their completion twice-annually, in April and October of each year.⁵¹ The AIG, however, supports their issuance annually, specifically, “within 60 days of the end of each fiscal year.”⁵² It appears that the frequency is a matter of agency preference. A review of other transit agencies’ reporting practices shows that they vary – while most issue annual reports only, some also supplement with semi-annually or quarterly reports. (For examples of this, see Section III.)

Types of OIG Reports

IG reports are typically issued (1) orally, (2) as published documents, (3) through presentations, or (4) via a website. They may be issued to internal or external audiences – either in draft form to elicit comments or as final publications – as outlined below:

Reports to Internal Audiences

- **To the Agency Head.** The head of the organization receives a copy of any report issued.
- **To the Program or Division Manager.** Copies of many OIG report are also shared with the individual in charge of the affected program within the organization.

Reports to External Audiences

- **To Congress:** The IG Act requires federal OIGs to issue a report to their agency head whenever issues of particularly serious or flagrant violations are identified. This report is

BEST PRACTICE

Take Immediate Action

Has your IG just identified a serious violation? If they’re “on top” of their mission – and the efficiency of their office – they won’t wait for their next scheduled report.

They’ll issue a report immediately.

⁵⁰ Pub. L. No. 95-452, 92 Stat. 1101 (Oct. 12, 1978) (codified, as amended, at 5 U.S.C. App.). 3 Pub. L. No. 100-504, 102 Stat. 2515 (Oct. 18, 1988) (5 U.S.C. App.).

⁵¹ Ibid.

⁵² Association of Inspectors General. Model Legislation for the Establishment of Offices of Inspector General. Retrieved July 16, 2010 from <http://data.memberclicks.com/site/aig/ModelLegislation.pdf>.

called the "Seven Day Letter". The agency head then has seven days to forward the report, along with their commentary, to Congress.⁵³

- **To Law Enforcement Organizations:** Evidence of criminal activity should be referred to the appropriate law enforcement agency.
- **To Oversight Entities:** This may include a committee, board or elected official.
- **To the General Public:** Any final reports issued should be made available for public review.

Implications for Metra and the New Metra OIG

1. **Set clear reporting requirements for the new Metra OIG.** Remember, though: this isn't a stand-alone task. Clarifying the reporting obligations is one key facet - albeit a very important one - of the process of defining the OIG mission, authority and mandate.
2. **Be bold in defining the reporting parameters - and be prepared for the initial discomfort of transparency.** As you continue, as a Board, to take the first path-defining steps toward embracing a high-performing IG function, be ready to be uncomfortable, at first, with the spotlight of transparency. Nowhere is this initial light - and at times, heat - more intense than in the reporting process. In spite of the "newness" of this transparency, embrace it immediately and with vigor. Early missteps in the program development process - such as under-scoping the reporting requirements - can be costly along multiple dimensions. More importantly, getting factors such as reporting at "best practice level" at inception will yield strategic, long-term payoffs to the broader organization - with respect, for example, to Metra's public reputation, operational effectiveness, service quality and delivery, and employee satisfaction, among other factors.

⁵³ Pub. L. No. 95-452, 92 Stat. 1101 (Oct. 12, 1978) (codified, as amended, at 5 U.S.C. App.). 3 Pub. L. No. 100-504, 102 Stat. 2515 (Oct. 18, 1988) (5 U.S.C. App.).

8. RESOURCES: TAPPING EXTERNAL INSIGHTS, KNOWLEDGE AND EXPERTISE

External resources can be invaluable. Various associations and councils for Inspectors General provide guidance on issues encountered by IGs across the country.

The Association of Inspectors General (AIG) is one of these guiding organizations.⁵⁴ The AIG provides conferences, institutes for certification programs, publications, media updates and chapters for members. The AIG also provides links to external resources, including:

- Federal Quality Standards for Audits (GAO Yellow Book) (<http://www.ignet.gov/>)
- U.S. Department of Justice National Procurement Fraud Task Force (<http://www.justice.gov/criminal/nptff/>)
- U.S. Office of Management and Budget Circulars (http://www.whitehouse.gov/omb/circulars_default/)
- American Institute of Certified Public Accountants -- Authoritative Standards (<http://www.aicpa.org/Publications/AuthoritativeStandards/Pages/AuthoritativeStandards.aspx>)
- Institute of Internal Auditors - Standards and Guidance (<http://www.theiia.org/guidance/standards-and-guidance/>)

An additional, and valuable resource, is IGnet, the **Council of Inspectors General on Integrity and Efficiency (www.ignet.gov)**.⁵⁵ IGnet provides links to OIGs across the U.S., reports and periodicals, vacancy announcements and links to IG-related sites. These related sites provide outside resources for every aspect of OIG operations: audits, information technology, inspection and evaluation, investigations, legislation and general reference. Some of the references IGnet provides include:

- Code of Federal Regulations (National Archives and Records Administration) (<http://www.access.gpo.gov/nara/cfr/cfr-table-search.html>)
- U.S. Office of Government Ethics (<http://www.usoge.gov/>)

BEST PRACTICE

Peer Reviews

Maintaining a quality assurance program through peer reviews will assist the new Metra OIG in adhering to policies and procedures. The U.S. Department of Transportation OIG participates in this program.

"Peer reviews provide an additional and external level of assurance of the OIG's adherence to prescribed standards, regulations, and legislation through a formal objective assessment of its operations. The Council of Inspectors General on Integrity and Efficiency (CIGIE) prescribes the methodology for performing peer reviews."

Source: USDOT OIG

⁵⁴ <http://www.inspectorsgeneral.org/mc/page.do?sitePageId=50853&orgId=aig>.

⁵⁵ <http://www.ignet.gov/index.html>.

- U.S. Department of Homeland Security - Federal Law Enforcement Training Center (<http://www.fletc.gov/>)
- U.S. Government Accountability Office (<http://www.gao.gov/>)
- Inspector General Criminal Investigator Academy (<http://www.ignet.gov/igcia/index.htm>)
- U.S. Office of Management and Budget (<http://www.whitehouse.gov/OMB/>)
- American Evaluation Association (<http://www.eval.org/>)
- Chief Information Officers Council (<http://www.cio.gov/>)
- "Cost Estimating and Assessment Guide: Best Practices for Developing and Managing Capital Program Costs (GAO-09-3 SP), issued March 2, 2009 (<http://www.gao.gov/new.items/d093sp.pdf>)
- Federal Audit Executive Council (<http://www.ignet.gov/pande/faec1.html>)
- Homeland Security Roundtable (<http://www.ignet.gov/pande/hsr1.html>)

Implications for Metra and the New Metra OIG

- 1. Use outside resources for insights, knowledge and expertise.**
- 2. Require professional development.** Ensure Metra OIG executives, managers and employees join organizations and attend regular training, conferences, educational programs and other professional development courses to remain experts in their fields.

9. BENCHMARKS AND METRICS: MEASURING PERFORMANCE OVER TIME

Performance Measures of OIG Functions

How should an OIG measure and report on its overall impact? Performance measures vary from office to office, unless it is a federal IG – such as Amtrak's OIG – which must conform with a federally regulated reporting system.⁵⁶ Most important, however, is the need to use consistent benchmarks and metrics that track and measure the most important performance indicators – such as the measure outlined in the side box.

Measuring Intake and Investigation of Complaints

The number of complaints received annually by an OIG is an effective way to measure volume – but more than that, it's an effective way to measure the willingness to report complaints. Knowing the total number is always helpful, even if the complaint does not develop into an active investigation.

All complaints received by an OIG must be thoroughly reviewed for actions needed, which will result in one of three immediate outcomes: (1) the complaint is opened as a new OIG investigation case, (2) the complaint is referred to another agency or third party or (3) the complaint is closed.

Any complaint that results in an investigation is either criminal or non-criminal in nature. Criminal matters should be referred to the appropriate law enforcement agency, and can result in financial recovery or prosecution. Non-criminal cases can either be referred back to the parent organization for resolution or to another regulatory agency. If the case is referred back to the parent organization, it may result in financial recovery or employee discipline.

When a complaint is immediately closed, it is usually due to the complaint being unfounded, not actionable or invalid. In other cases, the complaint is referred back to customer service to be resolved.

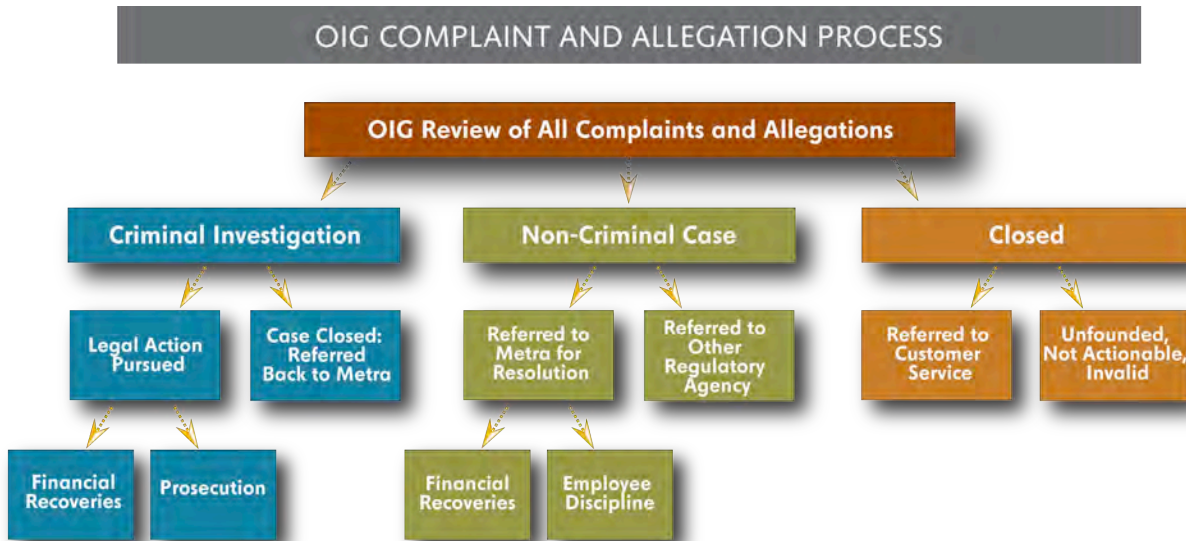
The following chart illustrates the cycles of a complaint.

KEY CONCEPT

Key Benchmark Performance Measures

1. Intake and Investigation of Complaints
 - a. Total Number of Complaints Received
 - b. Total Number of Cases Opened
 - i. Number of Cases Investigated
 - ii. Number of Cases Closed
2. Auditing Measurements
 - a. Total Number of Audits Opened
 - b. Total Number of Audits Closed
3. Advisory and Review
 - a. Total Number of FOIA Requests
 - i. Number of FOIA Declinations Reviewed
 - b. Total Number of Legislation Reviewed
 - c. Total Number of Regulations Reviewed

⁵⁶ "Semiannual Report to Congress 39", Amtrak; 10/01/08 – 3/31/09



Measuring Auditing Performance

When measuring auditory functions there are two benchmarks that are most commonly calculated: the number of audits opened and the number of audits completed. Completed audits also include recommendations and findings. From the recommendations and findings, three important facts should be reported to measure the OIG's performance:

1. Major findings and recommendations
2. Minor or no findings or recommendations
3. Inappropriate expenditures identified; either resulting in recoveries or future recoveries when stopped

Measuring Advisory and Review Performance

Part of an OIG's responsibility is to have up-to-date and complete understanding of the law and how it may impact the agency. Legislative changes must be reviewed by the OIG to ensure that the policies of the agency adhere fully and any changes made in the law are also changed within the agency's regulations. Regulations must be reviewed by the OIG for consistency with best practices as well as the law to ensure that the policies of the agency or authority are enforceable.

Under the Freedom of Information Act, all agencies that receive federal funding are required to provide information when requested by the public.⁵⁷ Any FOIA request denials or appeals should be reviewed by the OIG to ensure all information requests are appropriately fulfilled and that any declinations of FOIA requests is found by the OIG to be in protection of personal information.

⁵⁷ Freedom of Information Act (FOIA)

Caseload Examples from Snapshot OIGs and Measurement Discrepancies

Since each Transit Authority OIG measures performance in various ways and ranges in size and scope, comparing them against each other will not clearly illustrate which ones are more effective than the others. Benchmarks and metrics are best used to measure the performance of a single IG office from one year to the next or to pinpoint an area of increasing vulnerability within the authority. An increase in hotline complaints or cases could be the result of an OIG's effort to provide better visibility with posters or media attention. Here are some additional examples:

- In 2009 New York City's MTA OIG provided initial review and research of over 1,190 complaints, a 39% increase in the number of complaints received in the previous year. In the second half of 2008, MTA OIG launched a visibility campaign with a revamped website and posters and train cards directing the public to their complaint hotline and asking for the public's help.⁵⁸
- Like the MTA OIG, Chicago's CTA OIG reported an annual complaint intake of 901 leads, but of those total complaints, 616 became cases and 330 of them were investigated. In 2009, they closed 287.⁵⁹
- According to WMATA OIG's semi-annual reports in 2009, a total 289 complaints were received, 33 investigations were opened, 42 investigations were closed and 270 complaints were closed and referred. The reports noted that the number of complaints that were closed and referred (270) include both complaints requiring investigative attention that did not result in an investigation and complaints that were referred directly to the WMATA customer service division.⁶⁰
- The performance measures reported by the Amtrak OIG in two semi-annual reports to Congress, #39 and #40, provide additional insight: 163 cases were opened, 174 were closed and 330 and 331 investigations, respectively, were in process at the time of publication. In addition, of 97 hotline complaints received, 38 were referred to Amtrak management and six of them required taking no action.⁶¹

Implications for Metra and the New Metra OIG

1. **Determine the appropriate intake and investigation case flow needs.**
2. **Set specific performance benchmarks.** Ask the OIG to define precisely which metrics should be used to assess the Office's performance. Then track these over time.

⁵⁸ "Office of the Inspector General Metropolitan Transportation Authority 2009 Annual Report", Metropolitan Transportation Authority; 2010

⁵⁹ "Annual Report for 2009 of the Office of Inspector General Chicago Transit Authority (CTA)", CTA; 2010

⁶⁰ Washington Metropolitan Area Transit Authority, "Inspector General's Semiannual Report to the Board of Directors, No. 4"; January 1, 2009 - June 30, 2009 & Washington Metropolitan Area Transit Authority, "Inspector General's Semiannual Report to the Board of Directors, No. 5"; July 1, 2009 - December 31, 2009

⁶¹ "Semiannual Report to Congress 40", Amtrak; 4/01/09 - 9/30/09. ; "Semiannual Report to Congress 39", Amtrak; 10/01/08 - 3/31/09.

10. FUNDING: RIGHT-SIZING THE BUDGET AND MAJOR COST CATEGORIES

The major cost categories that make up an OIG budget include salary compensation, fringe benefits and operating expenditures including rent, utilities, office furniture, equipment, technology, travel and other business needs and materials. While the cost categories are generally the same across OIGs, funding amounts differ vastly. As illustrated previously in Section III of this report, OIG funding (where publicly available) ranges from a low of \$400,000 at the Ohio Department of Transportation to a high of \$19 million at Amtrak. The range observed in budgets is likely a result of many variables. Some of the factors that drive OIG-related costs include:

- **Size of parent organization.** Because the OIG mission directly relates to the parent organization, the size of that organization frequently dictates the size of the OIG required to monitor it. Additionally, if the parent organization has a relatively wide-ranging mission, or covers a large geographic area, the OIG will need to be sufficiently staffed to address that as well. A large geographic distribution may also require the IG and OIG staff to travel frequently to fulfill their duties.
- **Industry or sector.** OIGs in the private sector may be optional rather than required and therefore may be able to operate with a smaller office. At the same time, the industry of the parent organization may dictate certain requirements for an OIG. And those in industries involving sensitive data or financial matters may require closer OIG scrutiny.
- **Scope of OIG mandate.** What exactly is the OIG tasked with achieving? Is it charged with a broad mandate to conduct audits, investigations, inspections and evaluations? Or just audits and investigations? Does the scope of its mandate extend into supporting the parent organization's implementation and execution of OIG findings and recommendations? Other factors can impact scope as well. For example, some OIGs have internal, sworn police departments while others rely upon partnerships with local agencies. This is often dependent upon organizational issues but is a cost factor as well.
- **Past history.** Establishing an OIG can involve higher costs in the first year or so due to one-time expenditures compared to funding an OIG that has been in existence for some time and has a stable funding curve. Organizational history and culture can also impact the budget of newly created OIGs. This is particularly true, for example, if there is significant internal or external stakeholder interest in the establishment of an OIG or if, upon the function's authorization, there is an initial surge in urgent cases or caseload volume, among other factors.
- **Regulatory environment.** Is the OIG function mandated? If so, does that mandate stipulate an operating model, staffing requirements, or reporting types and frequency? Separately, is the parent organization in a regulated industry or sector? In many cases, compliance requirements on either the parent entity or the OIG can have a material impact on OIG-related costs.
- **Operating model.** Throughout this report, different OIG operating models are discussed. Which of these three models – in-house, outsourced or hybrid – an organization decides to implement will greatly impact costs.

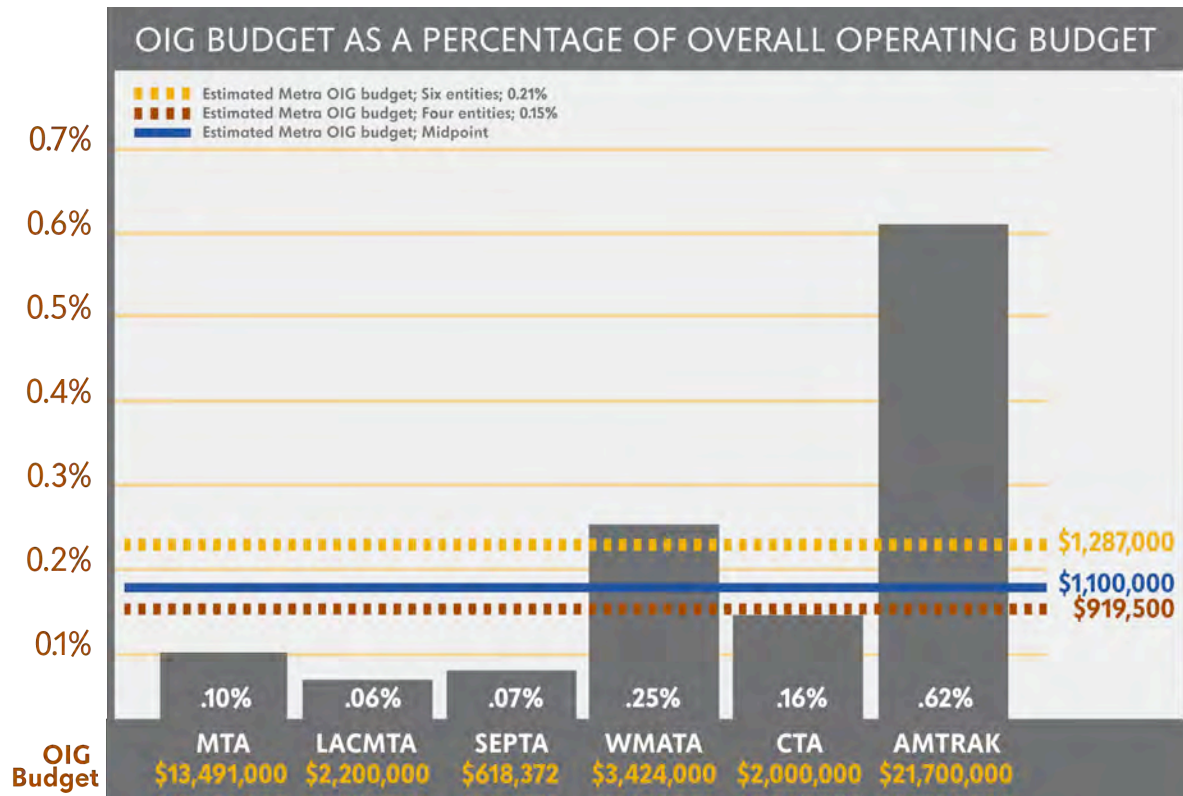


Figure 3 - OIG Budget as a Percentage of Overall Operating Budget

We took a closer look at the OIG budget for six of the organizations outlined in Section III. These included the MTA, LACMTA, SEPTA, WMATA, CTA and Amtrak.⁶² Across these six entities, the OIG budget as a percentage of overall operating budget of the target organization averaged approximately one fifth of one percent (0.21%) - a number that declined to 0.15% when the two outliers, Amtrak and LACMTA, were removed from the calculation. This method of benchmarking the estimated budget for the Metra OIG - using the Metra operating budget of \$613 million - results in two figures: \$1,287,000 and \$919,500 and, by extension, a mid-point of \$1,100,000.

⁶² Two organizations, the Massachusetts Bay Transit Authority (MBTA) Transit Police and the Ohio Department of Transportation, did not have overall functions or budgets that could be translated into any of our recommendations.

Launching the New Metra Office of Inspector General (OIG):
Hillard Heintze's Strategic Recommendations

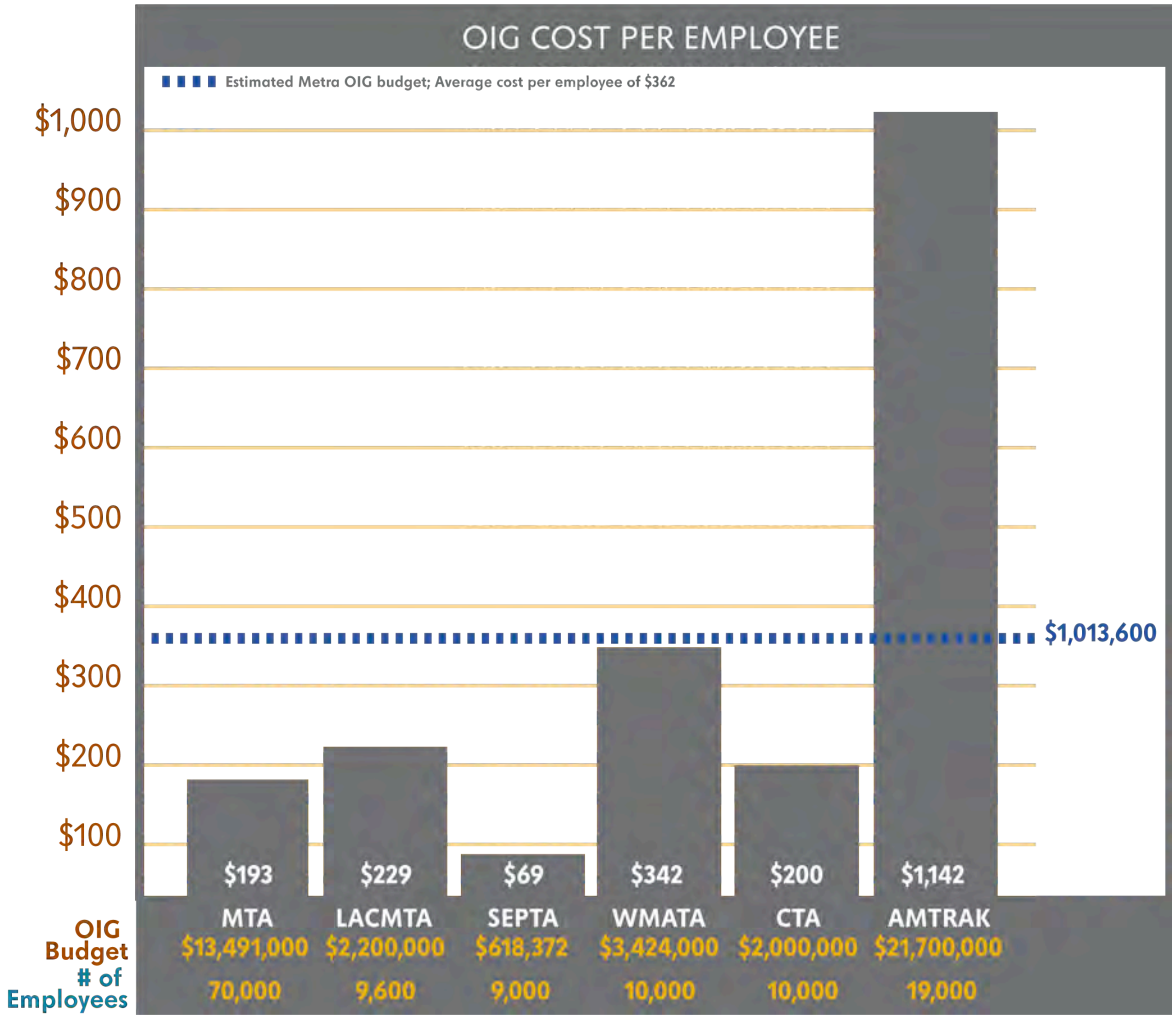


Figure 4 - OIG Cost per Employee

Using the same six organizations to determine a second benchmark, we derived an average OIG cost per employee of \$362. Based on Metra's 2,800 employees, this analysis results in an estimated Metra OIG budget of \$1,013,600.

Implications for Metra and the New Metra OIG

- 1. As pointed out earlier, choose the OIG model that best fits Metra's budget, mission and present needs.** The model you pick will determine the necessary funding.
- 2. Clearly define the scope of the Metra OIG mandate.** Will the OIG be tasked with audits, investigation, inspections and evaluations? Will the OIG be responsible for implementing and executing its findings? What will the staffing requirements be? Will the OIG have an internal police force or rely on local police and law enforcement? Each of these answers will have a budgetary implication.
- 3. Determine adequate salaries.** Set the salary expectations for each position early on. This will assist you in keeping salaries from becoming unreasonably inflated.
- 4. Have realistic expectations.** A Metra OIG will need appropriate funding - depending on the model you pick. But no matter what, ensure that the new Metra OIG has the resources necessary to properly meet its mission and mandates.

V. A RANGE OF CHOICES: THREE STRATEGIC SCENARIOS

While each of the “building blocks” outlined above can be organized and managed in different ways to establish an effective Office of Inspector General, the principal challenge that the Metra Board and its partners are facing today – with respect to the OIG – is how best to establish a strong, independent and sustainable function in the most practical and cost-effective way.

Here are three scenarios with different sets of advantages and disadvantages. These are aligned with the three most common models and approaches to instituting an IG function first outlined in Section II of this report.

The rationales underlying them are derived from (1) our experience as specialists in domains directly and indirectly supporting the IG function, (2) our understanding of evolving best practices driving continual maturation in the Inspector General mission and the strategic contribution that a high-performing OIG can make to the organization it is charged with auditing, and (3) the research and insights summarized previously in this report.

Assumptions Supporting These Projections

In the process of compiling these best case, first-year scenarios – and defining their costs as well as their advantages and disadvantages – we relied on several important baseline assumptions. These include, among other assumptions, that:

1. The first year may involve a moderately higher level of funding associated with one-time, non-repeating, program development costs;
2. With the appointment of a new Executive Director and the potential changes and or modification in the pursuit of operational excellence, the number of complaints and allegations should decline;
3. Annual OIG budget costs are likely to flatten and stabilize over time – assuming a moderate number of audits, investigations, evaluations and inspections; and,
4. For the first several years the primary emphasis will be on audits and investigations and – over time, as the function matures and the true ongoing IG-related workload stabilizes – the OIG function will “step ahead” of its reactive posture and evolve to a moderately more “proactive” approach by increasing its focus on inspections and evaluations of various areas of Metra operations even in the absence of complaints or other audit-triggering “red flags”.

1. FUND AND ESTABLISH A FULL-SCALE, IN-HOUSE FUNCTION

Brief Description

Establishing an in-house Office of Inspector General is the most common approach among government agencies, especially federal ones. If the Metra Board and its partners chose to pursue this option, it would systematically create a self sufficient, agency-independent, fully-staffed professional office dedicated to accomplishing the new Metra OIG mission.

- The office would be staffed and designed to perform all of the IG functions – audits, investigations, inspections and evaluations – described throughout this report.
- Because leading the office and setting the tone for ethical behavior throughout the agency is often a 24/7 job, we recommend that both an Inspector General and a Deputy Inspector General be engaged to perform this task.
- The in-house OIG must have access to independent legal counsel to guide the OIG functions, issue subpoenas and review legislation and regulations affecting agency operations.
- To conduct and supervise independent investigations, audits and conduct proactive inspections related to the agency's mission and operation, the Metra OIG must be staffed with, at a minimum, nine personnel. These include:
 - Two (2) criminal investigators/inspectors
 - Two (2) forensic auditors
 - One (1) IT specialist/investigator
 - One (1) intake specialist/administrative assistant
 - One (1) office/HR manager
 - One (1) Inspector General
 - One (1) Deputy Inspector General.

Advantages of this Scenario

- Ensures an IG function that deeply understands Metra's mission, purpose and operations and has a commitment to that mission.
- The permanent, in-house OIG helps demonstrate organizational stability and is well suited to set long-term reform goals.

Disadvantages of this Scenario

- High cost of employing personnel – from hiring, onboarding and supervision to mentoring, training and professional development.
- Longer period of time required to establish and grow a fully mature, high-performing office.

Estimated Cost

Hillard Heintze estimates that the cost for Metra to pursue Option 1 would total approximately **\$1.2 million to \$1.5 million** for the first year. The rationale and analysis supporting this projection is based primarily on three independent points of reference.

The first two are the cost-driving metrics graphically summarized in Figure 3 and Figure 4 in Section IV's discussion on OIG funding. These include:

1. Average OIG budget (midpoint) as a percentage of total Metra operating budget: \$1,103,400 per year (0.18% x Metra's \$613 million budget)
2. Average OIG budget as a percentage of total employees in the audited entity (\$1,013,600 per year = \$362 per employee x 2,800 Metra employees).

The third reference point we used to set this estimated range was based on our calculation of the total salary costs and benefits for the nine OIG personnel listed above. This would amount to a total of approximately \$1.1 million. Expenses in addition to this figure - including, among other factors, legal counsel, office rent, utilities, furniture, computers and technical equipment, telephone and Internet service and Metra-independent IT and website support - would increase this number significantly.

Note that this is our estimation of first-year costs. Over time, we believe that Metra could reduce overall OIG program-related budget allocations.

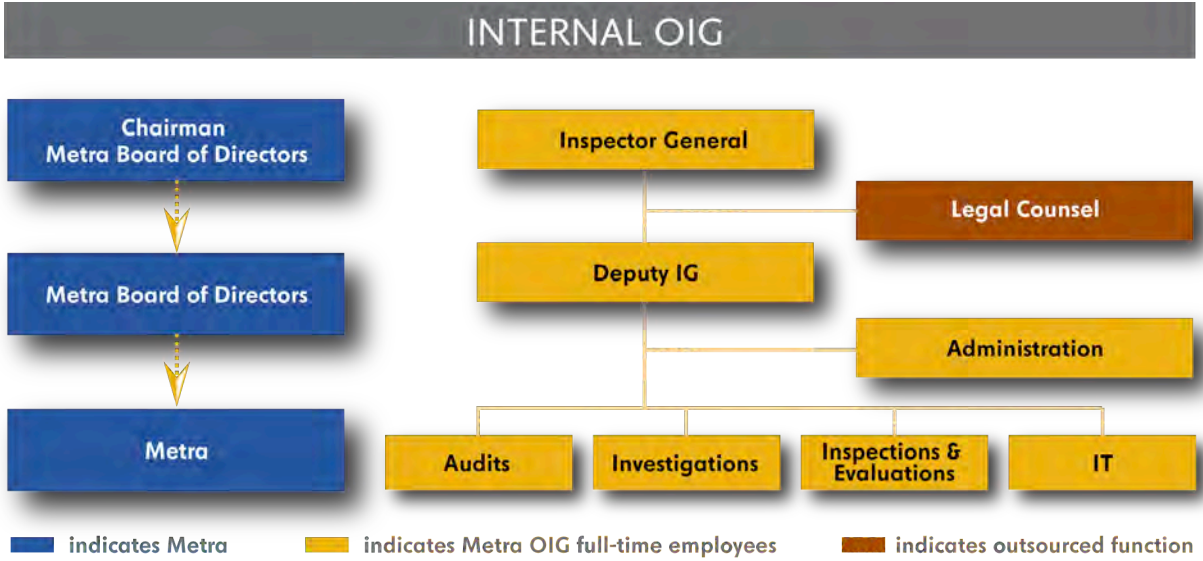


Figure 5 - Option 1: A Full-Scale In-House Function

2. OUTSOURCE THE ENTIRE FUNCTION

Brief Description

This option involves fully outsourcing Metra's OIG to a third party – either an Independent Private Sector Inspector General (IPSIG) or another IG services firm. In this model, all IG operations are conducted by the external firm.

- The external firm reports to the individual or body designated by the founding authority – not to the Metra IG – because, in this model, Metra hasn't hired one.
- The external service provider conducts the same IG functions– audits, investigations and inspections – as in-house OIG units: all investigations, audits and proactive inspections related to Metra's mission and operations.

Advantages of this Scenario

- Provides Metra with on-demand access to a broader pool of more experienced specialists and subject-matter experts in a wider set of OIG-related domains – including forensic auditing, criminal investigations, information technology, procurement and compliance.
- Results in lower cost for this expertise and – by extension – represents a more efficient and cost-effective solution.
- Can provide Metra with the benefits of a fully mature OIG function immediately.

Disadvantages of this Scenario

- Typically, the IPSIG may be perceived by internal and external stakeholders as not having the same connection and dedication to the agency that an in-house OIG may have.

Estimated Cost

Hillard Heintze estimates that the first-year cost for Metra to pursue Option 2 would total approximately \$500,000 to \$700,000. It's hard to project exactly how many cases the outsourced Metra IG would be required to address every year. But assuming a stable pipeline, we suggest that Metra view these first-year costs as increasing only incrementally on an annual basis.

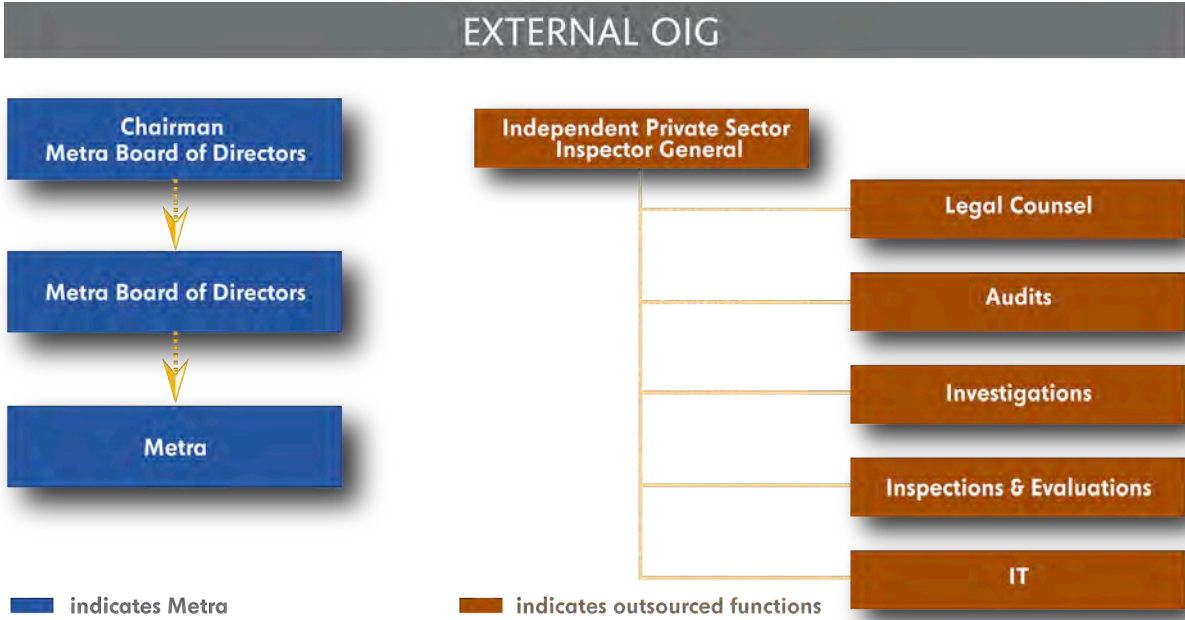


Figure 6 - Option 2: Outsource the Entire Function

3. CRAFT A HYBRID APPROACH

Brief Description

This model involves combining aspects of a fully in-house OIG with those of an external IG service provider. Metra would employ an in-house Metra Inspector General. The new Metra IG would be supported by an external IG services firm that conducts IG operational functions at the direction of the Metra IG and subject to his or her oversight.

- With this approach, Metra creates a minimally staffed in-house OIG office. This may be as basic as an IG supported by an administrative position.
- The external IG services firm reports to the Metra IG.
- All operational aspects of the IG are actually carried out by the external IG services firm.
- The Metra IG works in conjunction with the external IG services firm to provide guidance in developing, planning and conducting IG operations to ensure they are reflective of agency issues and needs.

Advantages of this Scenario

- Allows Metra to establish a fully functioning IG capability quickly.
- Lowers Metra costs by accessing a wider portfolio of expertise and skill-sets on an as-needed basis.
- Ensures a greater guarantee of independence by having a third party conducting core OIG operations.
- Provides the Metra Board with assurance - by having an in-house IG work alongside an external partner - that the mission and needs of the agency remain a primary focus.

Disadvantages of this Scenario

- There are few disadvantages to this model. As with the entirely outsourced option, the external IG services firm is not totally and fully focused on one entity. The risks associated with this, however, are mitigated by having a full-time IG supervising the external service provider's priorities, activities and overall performance on a constant, every-day basis.

Estimated Cost

Hillard Heintze estimates that the first-year cost for Metra to pursue Option 3 would total approximately \$700,000 to \$900,000. This figure includes two Metra FTE positions (IG and Administrative assistant), legal counsel and the cost to contract with the external firm. As with Option 2, we estimate that, assuming a stable pipeline, these first-year costs would increase only on an incremental basis each year.

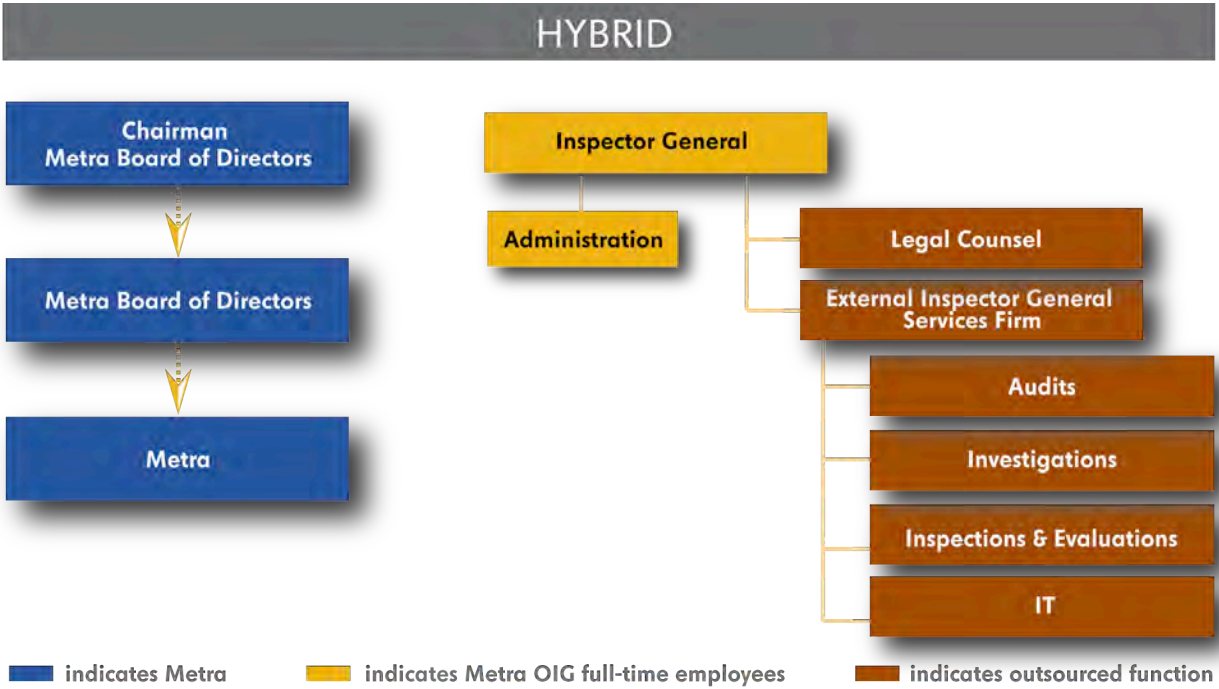


Figure 7 - Option 3: Hybrid Approach

VI. RECOMMENDATIONS

ON ENHANCING THE METRA OIG MISSION AND AUTHORITY

1. **Expand the existing authority for the OIG (Metra Ordinance 10-4, dated May 26, 2010) either through an amended ordinance or statute.** This is the Metra ordinance that first created the Metra Office of Inspector General. Based on the information, research and other content summarized in this report – as well as other important inputs, such as (1) Metra's mission statement, (2) the broader organization's goals, customer service objectives, (3) employee satisfaction benchmarks and (4) the recommendations outlined below – update this Ordinance or replace it with an even stronger foundation supporting the immediate and future success of the new Metra Inspector General function.

ON POSITIONING THE NEW METRA INSPECTOR GENERAL TO SUCCEED

2. **Institute a clear, direct and best practice-based reporting channel.** This is a crucial program development imperative that virtually ensures organizational independence and removes the IG from a host of operational constraints and potential conflicts of interest emerging from within the organization that have undermined the objectivity of many other Inspectors General.⁶³
3. **Establish an appointment process that ensures independence.** Set the term of appointment to five years – and make it renewable. If you choose to pursue outsourcing model or take the hybrid approach, make sure that the contract duration is for several years – and take pains to specify clear, measurable and auditable performance metrics. Also make potential contract renewals contingent on these – not just for the final year of the contract but for over its full duration.
4. **Finalize a complete job description for the new OIG position.** Put your expectations on the table. Consider starting with the proposed job description we have attached to this report as Appendix B. Whether Metra selects an individual or an external IG service provider or a combination of the two options to fill the role of IG, insist – and ensure – that the position be clearly defined.
5. **While evaluating IG candidates, look for signs of integrity, neutrality and experience.** Select the new Metra Inspector General without regard to political affiliation. Do so instead on the basis of integrity, capability for strong leadership and demonstrated ability in law, management analysis, public administration, investigation, accounting, auditing, financial analysis, criminal justice administration or other closely related fields. Reject any Metra OIG candidates that do not convincingly and verifiably:

⁶³ These recommendations are based on insights, experience, lessons learned and best practices from multiple sources. These include those of the Hillard Heintze Interim Metra OIG team as well as third party organizations such as the Association of Inspector Generals and the International Association of Independent Private Sector Inspectors General, and also the Inspector General Act of 1978.

- Meet the qualifications set forth in the job description.
- Agree to submit to a strategic background investigation as a pre-employment requirement.
- Hold at appointment or be required to obtain within a time certain after appointment, designation as a Certified Inspector General.

ON DEFINING - AND LIMITING - THE PROCESS REQUIRED TO REMOVE THE IG FROM OFFICE

6. **Clarify the grounds on which the IG can be removed from office.** This is crucial. One of the best defenses of the IG's independence is limiting the avenues open to adversaries of the IG's influence. Make the rules simple and clear. Stipulate that the Metra Inspector General may be removed from office for cause within the five-year appointment.

ON THE METRA INSPECTOR GENERAL'S FUNDING, AUTHORITY AND POWERS

7. **Designate a funding source for the Metra IG function.** Mandate that the Metra OIG receive an annual appropriation appropriate to carrying out the responsibilities and functions of the office - but not less than 0.12% of the Metra annual budget.
8. **Establish the right scope for the Metra IG's authority.** Ensure that the Metra Inspector General has the authority to independently manage resources, including the power to appoint, employ, promote and remove such assistants, employees and contractors as deemed necessary for the efficient, and effective administration of the office.
9. **Authorize the Metra IG to engage the services of external third parties.** Permit the Metra Inspector General - within budget limitations - to obtain the services of Independent Private Sector Inspectors General, Certified Public Accountants, qualified management consultants or other professional experts necessary to independently perform the functions of the office. Ensure, however, that quality standards apply. Any firm contracted to conduct outsourced work on behalf of the Metra OIG must meet the same criteria of experience, education and ability as any senior OIG staff.
10. **Extend to the Metra OIG the appropriate powers, either through Board resolution or legislative authority, to accomplish the intent of the office.** These include the following:
 - The right to obtain full and unrestricted access to all records, information data, reports, plans, projections, matters, contracts, memoranda, correspondence and any other materials, including electronic data of Metra or any other organization that may be involved with Metra. This power must supersede any claim of privilege.
 - The authority to subpoena witnesses, administer oaths or affirmations, take testimony and compel the production of such books, papers, records and documents, including electronic data as is deemed to be relevant to any inquiry or investigation undertaken pursuant to this writing.

- Have access to any Metra employee, when necessary for purposes related to the work of the Metra IG Office.
- Have the authority to require Metra employees to report to the Metra OIG and through administrative interviews, compel information regarding fraud, waste, corruption, illegal acts and abuse consistent with court direction on compelling self-incriminating testimony.

11. Authorize the Metra IG to engage in the following activities:

- Build a robust set of core operating processes for audits, investigations, inspections and evaluations that are truly aligned with the desired culture as defined by the Metra Board.
- Audit, inspect, evaluate and investigate the activities, records and individuals with contracts, procurements, grants, agreements and other financial arrangements undertaken by Metra, and any other function, activity, process or operation conducted by Metra.
- Audit the economy, efficiency, and effectiveness of Metra's operations and functions and conduct reviews of Metra's performance measurement system.
- Conduct criminal, civil and administrative investigations. Also provide information and evidence that relates to criminal acts to appropriate law enforcement officials and refer matters for further civil, criminal and administrative action to appropriate administrative and prosecutorial agencies.
- Receive and investigate complaints from any source or upon its own initiative concerning alleged abuses, frauds and service deficiencies including deficiencies in the operation and maintenance of facilities.
- Engage in prevention activities, including but not limited to: review of legislation; review of rules, regulations, policies, procedures and transactions; training and education.
- Attend any meetings held by Metra.
- Maintain information regarding the cost of investigations and cooperate with appropriate administrative and prosecutorial agencies in recouping such costs from non-governmental entities involved in willful misconduct.

ON THE IMPORTANCE OF RETAINING AN INDEPENDENT IT CAPABILITY

- 12. Establish an independent information technology function.** As many of the Metra IG's investigations may originate through online reports - and as its key communications avenue to the public is provided by its website - make sure that the IT team the Metra OIG relies upon is separate and distinct from that employed or contracted by the broader Metra organization.

ON ADHERING TO STANDARDS, ETHICAL BEHAVIOR AND REPORTING REQUIREMENTS

13. Require strict conformity with professional standards. Stipulate that audits, investigations, inspections and reviews conducted by the Metra Office of Inspector General will conform to professional standards for Offices of Inspector General such as those promulgated by the Association of Inspectors General.

14. Set clear ethical guidelines. Establish and communicate rules for appropriate ethical behavior in all OIG processes – such as management, hiring, discipline and procurement.

- **Craft a formal statement of the Metra OIG's key principles and values.** Draw on recommendations for principles and values from other OIGs.
- **Publish and communicate.** Publicize these principles and values clearly and effectively through various media channels, particularly to all Metra employees, managers and executives, stakeholders, contractors and consultants.
- **Be rigorous and consistent in reinforcing these values and principles.** Embed them deeply within the operating processes of the Office – in, for example, job descriptions, process and work-stream models, training curriculums, employee on-boarding manuals, and year-end performance review requirements.

15. Require that the Metra OIG's annual report include the following:

- The number of cases and complaints reviewed.
- The origin of complaints (hotline, web, email, other).
- The number of investigations opened and closed.
- The number of audits completed and monetary savings identified.
- The number of policy Inspection reports completed.
- The number of policy and program reviews completed and recommendations made.

APPENDIX A – A SIDE-BY-SIDE COMPARRISON OF TRANSIT ORGANIZATION IG PROGRAMS

INSPECTOR GENERAL	Metropolitan Transportation Authority (MTA)	Southeastern Pennsylvania Transportation Authority (SEPTA)	Washington Metropolitan Area Transportation Authority (WMATA-Metro)	Los Angeles County Metropolitan Transportation Authority (LACMTA)	Massachusetts Bay Transit Authority (MBTA) Transit Police, Internal Security Services Unit	Ohio Department of Transportation	Amtrak, The National Railroad Passenger Corporation	Chicago Transit Authority (CTA)	
DESCRIPTION OF THE ORGANIZATION	SERVICE AREA	5,000 sq miles serving New York City, southeastern New York State and Connecticut	2,200 square miles in the Philadelphia metropolitan area and two counties in Delaware and New Jersey	1,500 square miles	1,433 square miles	1,193 square miles in the Boston Area	12 districts serving every county in the state	21,000 route miles in 46 states, the District of Columbia and three Canadian provinces; 730 miles of track	Chicago and 40 suburbs; 2,230 route miles (bus) and 224.1 miles of track (rail)
	SIZE	346 bus routes 24 subway lines 16 commuter rail lines	196 bus routes 13 commuter rail lines 2 rapid subway lines 5 trolley rails 280 stations 450 miles of track	1,400 bus routes 106 miles of rail 86 stations	191 bus routes 3 express bus routes 5 rail lines 70 rail stations 24 express bus stations	191 bus routes 14 commuter rail lines 4 rail lines 3 ferry routes 1 paratransit service	The State of Ohio	15 long distance trains on 14 national routes; 2,600 trains; 1,519 passenger cars; 469 locomotives; 80 Auto Train® vehicle carriers & 101 baggage cars; Amtrak-operated (state-owned) 136 railroad passenger cars and 20 locomotives	1,782 buses that operate over 140 routes; 1,190 rail cars, eight routes and 144 stations
	TYPES OF TRANSIT	Bus, subway, commuter rail and bus rapid transit	Commuter rail trains, rapid transitrail, light rail (trolleys), electric trolley and motor buses	Buses and trains	Trains, buses, and a small number of vanpool vehicles	Bus, subway, commuter rail and ferry systems	(Not available)	Long distance passenger rail and locomotives	Bus and rail rapid transit
	RIDERSHIP	11.6 million (Avg. weekday)	1,120,500 (Avg. weekday)	800,000 (Avg. weekday)	1.5 million (Avg. weekday)	1.262 million (Avg. weekday)	(Not available)	Over 27.1 million passengers in 2009	1.6 million average weekday ridership
	TOTAL EMPLOYEES	70,000 (MTA)	9,000	10,000	9,600	6,100	6,100	Over 19,000 employees	10,279 (7/16/2010)
	ANNUAL REVENUE	\$6.3 billion	\$436 million	\$6.3 million	\$400 million	\$545 million	(Not available)	\$2.35 billion (2009)	\$600 million
	ANNUAL OPERATING EXPENSES	\$13.5 billion	\$876 million	\$1.358 billion	\$3.85 billion (2011)	\$1.622 billion	(Not available)	\$3.51 billion (2009)	\$1.271 billion
	WEBSITE	www.mta.info	www.septa.org	www.wmata.com	www.metro.net	www.mbta.com	www.dot.state.oh.us	www.amtrak.com	www.transitchicago.com www.rtachicago.com
OVERVIEW OF OIG FUNCTIONS	SCOPE OF CHARTER	Audit, Investigators and Intelligence	Investigations and service quality (Separate audit function)	Audits and Investigations	Investigations and Audits	Investigations	Investigations	Audits, Investigations & Safeguards Amtrak to promote economy and efficiency	Audits and Investigations, reports directly to Chicago Transit Board
	YEAR ESTABLISHED	1983	(Not available)	2006	2004 (reorganized)	1982	2007	1989	1999
	OPERATING MODEL	Office of Inspector General with Audit and Investigative Services	Office of Inspector General co-exists with an Internal Audit Office under the Audit and Investigative Services Division	Audits and Investigations	Office of Investigations and Office of Audits	Investigates fraud, waste, abuse and criminal activity by MBTA employees; State Auditor monitors MBTA audits	First Assistant Inspector General and Deputy Inspectors General carryout investigations	Audits, Investigations, Inspections & Evaluations of Amtrak; Legal Counsel, Management & Policy for the Office Inspector General	Investigations and Internal Audit function for the Authority

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INSPECTOR GENERAL APPOINTMENT	Appointed by the New York State Governor. Confirmed by the New York State Senate.	Office created by the SEPTA Board; no Inspector General	Appointed by the board, 5 year terms	Appointed by the Board	(Not available)	Appointed by the Governor, Inspector General appoints the Deputies and support staff	Amtrak Chairman	Appointed by the Chicago Transit Board
OIG CREDENTIALS AND SALARY	Credentials; District Attorney's Office; Salary Range: \$156,000 - \$234,000	No Inspector General Director of Investigation; salary range: \$90,000-\$145,000	35 years Federal government including U.S. Accountability Office; Salary: \$172,000	(Not available); salary range: \$121,000 - \$182,000	Unit Supervisor Sergeant Detective; salary range: \$68,000-\$72,000 plus overtime	Credentials: Ohio Attorney General's Office, First Assistant; Salary Range: \$80,000 - \$95,000	Certified Inspector General and a Certified Government Financial Manager; Salary Range: N/A	Credentials: Previously Deputy Inspector General Salary: \$152,152
OIG ORGANIZATIONAL STRUCTURE	Investigative Unit; Audit & Analysis Unit; Intake & Intelligence Unit; Systems & Administrative Services	Investigations and Service Quality	Audits examine the performance of WMATA programs and contractors. Investigations include criminal, civil and administrative investigations of fraud, waste and abuse.	Investigations and Audits	Investigators react to internal complaints or complaints forwarded to them by the MBTA Transit Police intelligence unit hotline	Team of investigators supported by the Ohio Office of the Inspector General	Audits; Investigations & Legal Counsel; Inspections & Evaluations; Mgmt & Policy	Investigative division and Audit division, both supported by administrative staff and independent IT
SOURCE OF FUNDING	MTA budget	SEPTA budget	WMATA	LACMTA Budget	MBTA Transit Police budget	Ohio Department of Transportation	Federally funded	From the CTA Budget
OIG ANNUAL BUDGET	\$13,491,000	\$618,372 (2011)	\$3,424,000	\$2.2 million	(Not available)	\$400,000	\$19 million (2010)	\$2 million
TOTAL OIG EMPLOYEES	79	9	27	13	3	4 (ODOT OIG team) 21 (Ohio OIG total)	100+, estimated	Currently 16
INVESTIGATORS	24 Full-time; Salary Range: \$50,000 - \$145,000	2; Salary Range: \$60,000-\$145,000	2, Salary Range: \$64,000-\$102,000	4; Salary Range: \$59,000-\$97,000	2; salary range: \$50,000-\$55,000 plus overtime	3; salary range: \$55,000-\$75,000	10 Full-time	5 Full-time Deputy IG salary range is \$120-140,000 Staff Investigators and Auditors salaries are \$50,000
AUDITORS	17; Salary Range: \$50,000 - \$140,000	Proposed budget for Audits \$871,000; not included in OIG	18; Salary Range: \$45,000-\$123,000	3; Salary Range: \$59,000-\$89,000	(Not available)	(Not available)	45 full-time Auditors; Salary Range: \$86,000-\$185,000 10 Full-time Inspectors/Evaluators	6 Full-time Audit and Investigation Managers Salary range: \$90,000 - \$100,000
POLICE FORCE	MTA Police Force	SEPTA Transit Police Detectives	Metro Transit Police	L.A. Sheriff's Department	MBTA Transit Police	(Not available)	Amtrak Police Department	Granted law enforcement authority in 2000
CERTIFICATION AND TRAINING	(Not available)	(Not available)	(Not available)	(Not available)	(Not available)	Association of Inspector General Certification Training	Yes	N/A

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OVERVIEW OF OIG FUNCTIONS	COMPLAINT REPORTING PROCEDURES	24-hour complaint hotline, online submissions from the website or in person at their office	Complaint hotline; investigations referred to USDOT, FBI or SEPTA management	Submitted through hotline, email or written	Can be submitted on the website, through email, hotline or written mail	24-hour complaint hotline; online submission to MBTA Transit Police via website or in person	Complaints are received by email, phone, mail or through referral and evaluated by Intake & Screening Committee comprised of Ohio OIG supervisors, Chief Legal Counsel, and the Inspector General.	24-hour complaint hotline, online submissions from the website, mail or fax	Confidential complaint hotline, email, online submission, P.O. box or in person
	WHISTLEBLOWER PROTECTION	New York law prohibits retaliation	(Not available)	Included in Charter	LACMTA Board of Director's Code of Ethics includes Whistleblower protection policy	(Not available)	ARRA, Stimulus Act provisions	Protection under the Recovery Act	Yes, because they receive federal funds
	AUDIT/REPORT REQUIREMENTS	Audits and annual reports sent to the Governor, the Senate and MTA Board; also available to public on the MTA IG website	Not with the OIG Required audits include: : customer service; event-based; third-party cost reimbursement contracts; stimulus funding projects	Quarterly to subcommittee on Audits/Investigations; semiannual to the Board of Directors; and supervision of the WMATA's annual independent audit of financial reporting. Reports submitted to Mayor of D.C., Gov. of Maryland and Virginia	Annual Audit Reports and all audit reports are public documents routinely distributed to the Metro Board of Directors, Metro CEO, executive officers and Department of Transportation	Criminal activity forwarded to Attorney General of Massachusetts	Annual reports and investigative reports	Reports to Congress and Board of Directors	Audits and annual reports sent to the Governor, the Senate and the MTA Board; also available to public on the MTA IG website
	HR FUNCTION	Independent	Shared	Shared (IG has authority)	(Not available)	Independent; Massachusetts Police Department	Independent	Human Capital Management Officer	Independent
	IT SUPPORT	Independent	Shared	(Not available)	http:// Independent	Shared with MBTA	Independent	Management & Policy Division or Audits	Independent
	ACCREDITATION	(Not available)	(Not available)	(Not available)	(Not available)	(Not available)	(Not available)	Not Available	Not Available
	ACTIVITY METRICS	Annual reports highlight audits and investigations performed; 1,190 complaints reviewed in 2009	150 cases closed and opened (FY 2010)	289 complaints received 33 investigations opened 42 investigations closed 170 closed & referred (2009)	107 cases received and 53 investigated (2010)	(Not available)	2009: 33 complaints reviewed, 23 investigated and 18 closed; 2008: 36 complaints reviewed, 19 investigated and 16 closed	Time period: 4/09-9/09 Financial recoveries: (Audit) \$103,679,156 (Investigative) \$145,105 Successful prosecutions: 4 indictments, 5 convictions	Time Period: 2009 AUDITS: 15 Audits Completed 94 Findings & recommendations 12 Audits Opened INVESTIGATIONS: 901 Contacts & Leads 330 Cases Opened 287 Cases Closed

APPENDIX B – PROPOSED JOB DESCRIPTION FOR NEW METRA INSPECTOR GENERAL

Duties and Responsibilities

Plans, directs and conducts IG activities. This includes all activities designed to detect and deter fraud, waste, abuse, corruption, mismanagement and all other illegal activities involving Metra. Activities of the IG office will primarily involve audits, investigations, inspections and evaluations.

Provides guidance and direction necessary to achieve the goal of the IG office and conduct all IG activities.

Responsible for the overall management and functioning of the IG office. Reviews and evaluates IG personnel, programs and activities. Reviews and analyzes methods, procedures, practices, processes and systems used to accomplish IG activities and functions. Initiates corrective action when indicated. Evaluates effectiveness of IG support and office management.

Provides regular reports to external and internal stakeholders regarding IG activities. Works with and notifies stakeholders, and law enforcement as required, about identified organizational issues.

Experience

Highly qualified candidates should have strong leadership abilities with an emphasis in conducting and managing complex investigations involving allegations of fraud, theft, deception, waste, abuse and conspiracy, as well as experience in accounting, auditing, business, or public administration.⁶⁴ Demonstrated ability to work with executive-level stakeholders.

The individual selected will need to have a record demonstrating integrity, objectivity, independence, judgment and confidentiality in all professional engagements.

Additional areas of competency include:

- Knowledge of statutory requirements, directives, rules and regulations that may apply to the OIG and its functions
- Familiarity with the organization (or similar), its programs, activities, functions and jurisdiction
- Skills in measuring and evaluating the efficiency and effectiveness of program performance
- Expertise in conducting investigations, including evidence gathering and documentation
- Knowledge of the audit process for programs and finances

⁶⁴ Association of Inspectors General, *Model Legislation for the establishment of Offices of Inspector General*. Philadelphia, PA: December, 2002.

- Knowledge of laws, policies, requirements and guidelines related to organizational tasks
- Current licensure and certification in relevant professional discipline⁶⁵

Education

A four-year degree from an accredited institution of higher education is required. A graduate degree is preferred. Additionally, designation as a Certified Inspector General is desired.

Background

Selection and appointment to this position will be contingent upon successful completion of a background investigation.

Appointment

The IG will be appointed for a term of 5 (five) years. He or she will be selected without regard to political affiliation and solely on demonstrated abilities and personal integrity.

⁶⁵ Association of Inspectors General, *Principles and Standards for Offices of Inspector General*. May, 2004.

APPENDIX C – METRA'S AUTHORIZATION ESTABLISHING THE OIG AUTHORITY

COMMUTER RAIL BOARD ORDINANCE NO. MET 10-4

WHEREAS, the Board of Directors ("Board") of the Commuter Rail Division of the Regional Transportation Authority ("Metra") is committed to honest and efficient operation of commuter rail services;

WHEREAS, the Board believes that the establishment of an Office of Inspector General substantially furthers these goals;

NOW, THEREFORE, BE IT ORDAINED BY THE BOARD AS FOLLOWS:

1. The Board hereby creates the Office of the Inspector General ("OIG").
2. The OIG's jurisdiction and duties shall be as follows.
 - 2.1. The OIG shall have jurisdiction over Metra (which includes its operating corporation, the Northeast Illinois Regional Commuter Railroad Corporation) and all Board members, officers, employees of, contractors, subcontractors, suppliers, and others doing business with, Metra.
 - 2.2. The OIG shall investigate allegations of fraud, waste, abuse, mismanagement, misconduct, nonfeasance, misfeasance, or malfeasance with respect to Metra.
 - 2.3. Investigations may be based on complaints from any source, including anonymous sources, and may be self-initiated, without a complaint.
3. The OIG's investigation results shall be handled as follows.
 - 3.1. If the OIG, upon the conclusion of an investigation, determines that reasonable cause exists to believe that fraud, waste, abuse, mismanagement, misconduct, nonfeasance, misfeasance, or malfeasance has occurred, the OIG shall issue a summary report of the investigation to the Board.
 - 3.2. If the OIG, upon the conclusion of an investigation, determines that it is appropriate and warranted to refer an investigation to a federal, state or local law enforcement agency, then the OIG shall make such referral and provide a copy of the summary report to the appropriate agency.
 - 3.3. If the OIG, upon conclusion of an investigation, determines that there is insufficient evidence that fraud, waste, abuse, mismanagement, misconduct, nonfeasance, misfeasance, or malfeasance has occurred, the OIG shall close the investigation.

4. The OIG shall: have access to all information and personnel necessary to perform the duties of the office; request any information or assistance that may be necessary for carrying out the duties and responsibilities provided by this Ordinance from any local, state, or federal governmental agency or unit thereof; establish a policy that ensures the appropriate handling and correct recording of all investigations conducted by the Office, and ensures that the policy is accessible in order that those seeking to report suspected wrongdoing are familiar with the process and that the subjects of those allegations are treated fairly; receive and investigate complaints or information concerning the possible existence of an activity constituting a violation of law, rules or regulations, mismanagement, abuse of authority, or substantial and specific danger to the public health and safety; and review, coordinate, and recommend methods and procedures to increase the integrity of Metra.
5. Any employee of Metra who knowingly files a false complaint or files a complaint with reckless disregard for the truth or falsity of the facts underlying the complaint may be subject to discipline.
6. All Board members, officers and employees of Metra have a duty to cooperate with the OIG in any investigation undertaken pursuant to this Ordinance. Failure to cooperate includes, but is not limited to, intentional omissions and knowing false statements. Failure to cooperate with an investigation pursuant to this Section is grounds for disciplinary action, including termination of employment. However, nothing in this Ordinance purports to limit or alter a person's existing rights or protections under State or federal law or any collective bargaining agreement.
7. The OIG shall prepare an annual written report to the Board, outlining the activities of the OIG for the preceding year. The OIG shall also make interim reports to the Board, as it deems necessary or as requested by the Board.
8. Upon passage and approval of this Ordinance, the Board shall designate a firm or individual ("Interim Inspector General") to staff and lead the OIG on an interim basis. The compensation of the Interim Inspector General shall be determined by the Board. The Interim Inspector General shall exercise and have the jurisdiction, duties, rights and responsibilities of the OIG until such time, if any, as a permanent Inspector General is designated. The Interim Inspector General shall also recommend to the Board a budget and any necessary rules that are required for the effective operation of the OIG.
9. The Chairman of the Board is hereby authorized to take such actions as necessary to implement this Ordinance.

May 26, 2010

APPENDIX D – A COMPREHENSIVE LIST OF U.S. FEDERAL OFFICES OF INSPECTORS GENERAL

Agency for International Development

The Honorable Donald A. Gambatesa, Inspector General
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