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December 20, 2010

Honorable Toni Preckwinkle
 and Members of the Board of Commissioners
 of Cook County
 118 North Clark Street
 Chicago, Illinois 60602

Re: OIIG10-0022 (Highway Department Operational Survey)

Dear President Preckwinkle and Commissioners:

This letter is written in accordance with Section 2-289(c)(2) of the Independent Inspector General Ordinance, Cook County IL, Ordinance No. 07-O-52 (2007) (the "Ordinance") in connection to a survey conducted in the matter of the Highway Department's operations (the "Survey"). In accordance with the Ordinance, this statement is made to apprise you of the completion and results of this Survey.

Background

In March, 2010, the Office of the Independent Inspector General initiated this inquiry by interviewing the Superintendent of the Cook County Highway Department and the Bureau Chiefs who serve as managers and supervisors within the various Bureaus of the Highway Department. During these interviews, the OIIG requested their cooperation and assistance in administering the Survey. The purpose of the Survey was to identify waste and mismanagement within the Highway Department. Moreover, the OIIG's scope was restricted to the attached questionnaire and inquiries that logically followed these specific questions.¹

Summary

The Cook County Highway Department was established in 1913 by the State of Illinois upon approval of the first officially recorded County highway system of maps. The present day system has evolved to include jurisdictional authority over 557 center line miles of highways. The Department has maintenance responsibilities for 1,474 lane miles of pavement, 130 bridges, 332 traffic signals and 5 pumping stations from five maintenance garages.² The Survey involved conducting interviews of 15 Highway Department managers and supervisors at the top level of

¹ Attached as *Operational Audit Questionnaire* (the "Survey").

² Extracted from the Highway Department records.



department management (“Respondents”); inquiries into the current Highway Department’s operations; and reviewing documentation.³

The U.S. Office of Management and Budget (“OMB”) has claimed that the public sector lags behind private industry in regards to utilizing effective management tools to boost productivity, cut costs, and deliver customer service. According to an OMB publication titled “Performance and Management,” the OMB recommended using three performance management strategies to improve public operations. These managerial best practices are: 1) managerial ability to use performance *information* to lead, learn, and improve outcomes; 2) managerial ability to *communicate* performance coherently and concisely for better results and transparency; and 3) managerial effectiveness in creating and strengthening *problem-solving* networks. The OIG used these guidelines established by the OMB to assist in assessing whether the Highway Department operations are consistent with best practices and/or to offer constructive guidance to assist management with operational improvements. Accordingly, the OIG has highlighted the following findings in connection with the OMB benchmarks:

- The preponderance of evidence reviewed in this inquiry reveals that the Highway Department has experienced substantial political patronage hiring and has been used as a “dumping ground” for problematic employees. These personnel drivers have created a substantial number of unutilized and/or inefficient employees assigned to the Highway Department.
- The preponderance of evidence provided by the Respondents reveals that there has been a severe lapse in applying progressive discipline for a prolonged period of time in the Highway Department. Respondents claimed that their managerial authority has been undermined which has created problems with employee morale and performance.
- Respondents stated there should be a better system to account for Cook County assets. The OIG has identified internal control weaknesses over County assets that do not include heavy equipment or other vehicles.

The Survey is included as an attachment for your consideration.

³ The Respondents were informed that they were obligated to answer questions truthfully and to maintain confidentiality in respect to the discussions that transpired during the interviews. Nonetheless, the OIG is fully aware of the inherent limitations that exist with this method of data collection. Specifically, there was ample opportunity for managers and supervisors to filter their responses in an effort to avoid criticism from this office. Despite such shortcomings, the OIG found that Respondents provided positive and negative statements during the interviews and that the Survey contains reliable information about Highway Department operations to be utilized for planning and development purposes.

OIIG Findings and Recommendations

Questions 1-6: Managerial Experience and Operational Structure

When the OIIG designed the Survey, the OIIG recognized that the Highway Department consists of very technical matters; thus, the OIIG deferred issues involving technical operations to the Highway Department's management team because they are the subject matter experts. As such, the Survey was conducted to assess general operations and managerial conduct that applies to any organization regardless of its subject matter.

Survey questions 1 through 6 apply to the OMB's guidelines that encourage government administrators to *learn, lead, and improve performance*. Accordingly, the OIIG gained an understanding of the overall Highway Department's organizational structure, management team, and operational priorities. The Highway Department has approximately 350 employees. The Department's organizational structure consists of five sub-departments referred to as "Bureaus" with the Superintendent as the Department Head presiding over these Bureaus.⁴ The five Bureaus are Construction, Design, Fiscal and Personnel Management, Transportation and Planning, and Maintenance. Bureau Chiefs are assigned to each of these five sub-departments. Additionally, the Bureaus consist of multiple operating divisions headed by supervisors.

According to the OMB's *Performance and Management* publication, agency leaders should set a few high-priority goals and review data to keep their organizations on track to deliver on these objectives.⁵ During the Survey, the OIIG discovered that the Bureau Chiefs and Division Heads were able to explain the goals and priorities of the Highway Department and how their respective Bureau's goals assisted with the overall goals of the Highway Department. The Bureau Chiefs discussed current projects underway and their plans to execute on their Bureau's goals. Additionally, the Bureau Chiefs produced employee listings for their Bureaus and were able to explain how most employees contribute to the Bureau's goals.

The OIIG identified, however, several inefficiencies within the Highway Department in certain areas. Of primary concern, the OIIG found it difficult to understand how tasks are assigned and tracked for those employees in the Permits Division. The lack of a tracking policy exposes the Permits Division to waste. In this regard, the Highway Department's upper management should consider implementing changes in the Permits Division in order to make it more transparent, productive, and efficient.⁶

⁴ The engineering Bureau reports to the Assistant Superintendent instead of the Superintendent.

⁵ The U.S. Office of Management and Budget, *Performance Management*, 2010 at 73.

⁶ These changes should include the creation of clear job descriptions with specific tasks assigned to people.

Additionally, the OIIG received information claiming that the Highway Department is currently overstaffed in many administrative positions.⁷ The OIIG received testimony claiming that the Highway Department has experienced a long period of political patronage appointments and has served as a “dumping ground” for unproductive and troubled employees. For example, several Respondents acknowledged that exempt employees were transferred into their departments without formal requests or the need for additional personnel. Moreover, a Respondent claimed that he lacked managerial support and would encounter managerial criticism for disciplining certain employees. Although Respondents generally explained that most Highway Department employees are productive, there remain a substantial number of employees who are unutilized and/or underutilized due to political patronage and/or the housing of ‘troubled employees.’”

Questions 7-11: Personnel Performance

According to the OMB’s benchmarks, *coherent performance information* contributes to more effective, efficient, and responsive government. Although a majority of Respondents claimed that everybody under their supervision was productive (88%), the OIIG received information from management and employees that the Highway Department employs a large number of unutilized and underutilized employees. A slight majority of Respondents stated that they currently use daily activity reports to assign and supervise work given to their subordinates (53%). Upon further inquiry, Respondents who do utilize daily activity reports or a similar tracking instrument to assign job duties were those employees in the Road Maintenance and Construction Bureaus. In fact, the OIIG obtained “Disposition Reports” from the Construction Bureau used those Reports to identify construction site activities. The OIIG subsequently conducted construction site visits to observe construction projects and interview Cook County employees who were assigned to those construction projects per the Reports. We were impressed by the documentation provided and its accuracy.

In contrast, many employees in administrative positions are not given specific duties nor are they subject to tracking for efficiency/management purposes. For instance, the OIIG received complaints that an employee had no duties to perform and “surfed” the internet for months before given a small task to perform. As such, the Highway Department should consider reassessing its workflow and staff appropriation to reflect current workloads and Cook County’s financial circumstances. Such reassessment should include defining and monitoring the specific duties to be performed by the Highway Department’s administrative staff.

⁷ As opposed to technical positions such as engineers, equipment operators, drivers, etc.

An organization can be negatively affected when there is a lack of fair and timely discipline implemented in the workplace. Specifically, discipline can affect productivity and efficiency. However, only a relatively small percentage acknowledged they were knowledgeable and comfortable with implementing progressive discipline when a subordinate violated Cook County policies and rules (65%).⁸ The Highway Department must focus its efforts to improve disciplinary procedures as a management tool. The evidence reviewed indicates that the low affirmative response is primarily due to the fact that many Highway Department managers and supervisors previously lost confidence in progressive discipline. The OIIG has determined that management's ability to implement and apply progressive discipline has been undermined by upper management in certain circumstances. To the Highway Department's credit, many Respondents stated that progressive discipline has improved in the last twelve months due to a managerial change in the Fiscal Management and Personnel Bureau. Since progressive discipline has been virtually ignored or ineffective for such a long period of time, upper management should consider reaffirming its commitment to supporting bureau chiefs and supervisors when they implement progressive discipline. Additionally, the department should ensure that all bureau chiefs and supervisors receive updated training on progressive discipline to ensure Cook County managers are prepared to address any disciplinary issues.

Questions 12-13: Assessment of Internal Controls over County Assets

The OIIG also reviewed the Highway Department's internal controls over County assets. According to the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"⁹), internal controls consist of policies and procedures that help ensure management's directives are properly executed. Specifically, the COSO states, "internal control measures include a range of activities such as approvals, authorizations, verifications, reconciliations, and segregation of duties." Based on information gathered from the Survey, the Highway Department's significant assets include County issued automobiles and equipment.

The Maintenance Bureau's Equipment Division, located in the LaGrange Field Office, is primarily responsible for repairing equipment and maintaining supplies for all five field offices within the Highway Department. Accordingly, most Respondents responded to an inquiry regarding inventory procedures as not applicable because the Equipment Division is responsible for tracking, repairing, and replacing equipment. Although there is a committee in place that tracks heavy equipment such as trucks, the inventory procedures related to supplies to repair trucks and other equipment are not efficient and effective. Albeit the Maintenance Bureau can track heavy equipment, there is an internal control deficiency for light equipment and maintenance supplies. The OIIG discovered credible evidence to support allegations that the

⁸ Progressive discipline initially begins with a verbal warning and additional steps are taken before discipline escalates to a written reprimand for employees who violate Cook County personnel rules.

⁹ The Committee of Sponsoring Organizations of the Treadway Commission (COSO) is a voluntary private-sector organization dedicated to providing guidance on fraud, financial reporting, internal controls and other business operational matters. The COSO also developed recommendations for public companies and their independent auditors, for the SEC and other regulators.

Highway Department suffers from theft.¹⁰ As such, the Highway Department should reassess the current inventory procedures and asset safekeeping policies and make necessary changes to ensure Cook County effectively maintains its assets.

Questions 14-15: Management Suggestions (strategic management)

According to the OMB's Performance and Management publication, a key strategic management directive is to strengthen *problem-solving* networks. As such, the OIG found that the Respondents were eager to provide suggestions for operational improvements in good faith. Unfortunately, it appears that the Highway Department does not have a formal process for encouraging and accepting recommendations from employees for operational improvements. From our interviews, we found that Respondents were comfortable discussing operational matters with their subordinates and managers. However, Respondents were not confident that management would take their suggestions seriously or would be able to follow through. For example, a Respondent asserted that the Highway Department currently performs sidewalk repairs which should be done by the city. Therefore, the County is incurring expenses that should be absorbed by the City of Chicago or other municipalities. Another Respondent claimed that Cook County could reduce operating costs with interdepartmental collaboration. For example, the Highway Department recently entered into a contract with John H. Stroger, Jr. Hospital to repair their vehicles, which eliminated the expense of hiring an external contractor to perform the work. These types of recommendations from Highway Department personnel should be regularly encouraged and timely reviewed for cost savings.

OIG Recommendations and Conclusion

The OIG recommends that the Highway Department and Cook County government consider the following recommendations in support of enhancing the department's operations.

- The Highway Department should reassess its current workforce needs to address existing inefficiencies due to unproductive and/or underutilized employees caused by political patronage with a specific eye toward the Highway Department's administrative staff. We recommend that an independent party conduct desk audits to identify those positions/employees that are not being utilized or severely underutilized. The independent party should subsequently submit a list of those positions/employees to the President and Board of Commissioners for further consideration.
- The Highway Department's upper management should affirm their commitment to supporting its managers and supervisors when progressive discipline is warranted. Additionally, the department should contact the Bureau of Human Resources to arrange managerial training to

¹⁰ In another OIG investigation, theft of County assets by a Highway Department employee was recently identified. The incidents of theft were not detected due to insufficient internal controls.

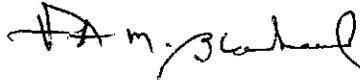
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ensure managers receive adequate training in applying progressive discipline appropriately and uniformly.

- The Highway Department should take steps to evaluate the current equipment and supplies inventory systems and implement internal controls where they are insufficient to effectively safeguard Cook County assets. Cook County government should consider utilizing professional support when assessing and/or implementing comprehensive inventory procedures to effectively account for Cook County assets.
- The Permits Division should be the subject of an institutional/operational audit to assess whether operational modifications are necessary to ensure appropriate levels of effectiveness and efficiency.

In accordance with section 2-285(e) of the OIIG Ordinance, this Office respectfully requests notification within 30 days of any action taken in response to the foregoing recommendations. Thank you for your cooperation and assistance with this matter. Please do not hesitate to contact me if you have questions or would like to discuss the scope and/or findings of this survey in further detail.

Very truly yours,



Patrick M. Blanchard
Inspector General

cc: Mr. Kurt Summers, Jr., Chief of Staff, Office of the President
Ms. Laura Lechowicz Felicione, Special Assistant to the President
Mr. Rupert F. Graham, Jr., Superintendent of the Highway Department

OPERATIONAL AUDIT QUESTIONNAIRE

Highway Department

1. How long have you worked for Cook County and what departments have you spent your time?
2. What is your current job title? How long have you been in this position?
3. Give us an overview of your Division and how it fits into the Highway Dept?
4. Please provide us with a practical explanation of your current job responsibilities and duties.
5. Who do you report to and how often?
6. Who reports to you? Do you have an employee listing and job descriptions for them?
7. Do you complete daily activity reports?
8. Is everybody busy in your District Office? Are you shorthand in any area? Do you think anybody should be reclassified? Why?
9. How do you perform time keeping? How and when do employees sign in and sign out? Who monitors this policy?
10. How do you track overtime? How do you determine who gets overtime? How do you track tardiness? What are the penalties for tardiness?

11. How often do you have to apply progressive discipline procedures?
12. Does the District Office maintain significant County assets and property? Do you perform inventories of such assets? When was the last time you had an inventory?
13. Do you keep records of employee reimbursements and/or travel vouchers? How many are submitted annually?
14. Are there any improvements you think can be made to improve operations?
15. Are you aware of any waste or mismanagement of resources?
16. We will like to conclude this interview by giving you notification that we plan to conduct a site visit for your District Office. Are there any typical times during normal business hours that you are not at the District Office?

Note: The attached spreadsheet titled "Highway Department Survey" is where the Respondents' answers to this questionnaire were totaled and quantified for statistical purposes. Additionally, the statistics were analyzed and compared to best practices in the Survey memoranda.

