




**MEMORANDUM  
CHICAGO HOUSING AUTHORITY  
OFFICE OF THE INSPECTOR GENERAL**

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**OIG Reference:** 2014-03-00034

**To:** Angela Hurlock, Chairperson, CHA Board of Commissioners  
Matthew Brewer, Vice-Chair & Chair of the Finance and Audit Committee  
Members of the Board of Commissioners  
Tracey Scott, Chief Executive Officer

**From:** Kathryn Richards, Inspector General 

**Date:** May 26, 2023

**Subject:** Significant OIG Activity – Sentencing of Former CHA Contractor Lester Coleman (US v. Coleman, 20-CR-99)

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The Office of the Inspector General (OIG) writes to notify you that, on May 25, 2023, Lester Coleman, owner of former Chicago Housing Authority contractor Coleman Development Corporation (CDC), was sentenced in the U.S. District Court for the Northern District of Illinois relative to his scheme to defraud the CHA. Coleman was sentenced to two years' probation and ordered to pay **\$389,779 in restitution to the CHA**. Coleman is required to serve the first nine months of his probation on home detention. As part of his sentencing, CDC is prohibited from entering any future contracts with the CHA or other housing agencies. As a result of the indictment, he and his firm were also permanently debarred by the City of Chicago.

Coleman previously pleaded guilty to one count of wire fraud on January 19, 2022. Coleman, through CDC, obtained more than \$3,000,000 in contracts with the CHA by misrepresenting the amount of work performed by CDC and the amount of wages it would pay employees. CDC was a certified minority-owned business enterprise (MBE).

As mandated by the U.S. Department of Housing and Urban Development (HUD), the CHA required that MBEs, along with women owned business enterprises (WBEs), had ample opportunity to participate in the performance of contracts financed in whole or in part with federal funds.

Accordingly, CHA rules required that a bidder or contractor awarded a CHA contract allocate certain percentages of the total contract price to participation by one or more MBE or WBE. CHA rules also required that employees working on a CHA project within specific trades had to be paid at least the prevailing wage rates set by the U.S. Department of Labor, pursuant to federal labor laws. The CHA required contractors to submit certified weekly payroll reports which, set forth, among other things: the name of each employee, the number of hours worked by each employee, the hourly rate of pay for each employee, and the gross wages earned by each employee.

According to the indictment returned on February 13, 2020, Coleman caused CDC to bid on approximately 6 contracts and falsely represent that CDC, as an MBE, would itself perform an amount of work sufficient to satisfy the CHA's MBE requirements, knowing that CDC did not have the capacity to perform the necessary amount of work.

Coleman then entered into subcontractor agreements with Subcontractor A to perform substantially all the services that Coleman represented to the CHA that CDC itself would perform. Coleman caused CDC to submit payment requests to the CHA on these projects that included supporting documents that falsely represented the amount of work done by CDC and others, inflated the labor and materials costs incurred by CDC, and falsely underreported the amount of work done by Subcontractor A.

Additionally, Coleman submitted to the CHA payment requests that falsely represented the identity of certain subcontractors. Coleman also caused CDC to submit to the CHA certified payroll reports which falsely represented that CDC had paid its employees prevailing wage rates and that particular individuals had performed work on projects, knowing that CDC had not paid its employees the prevailing wages and that certain named individuals had not performed work on the projects or had not performed the amount of work listed in the payroll reports.

The CHA OIG worked the investigation jointly with HUD OIG and the US Department of Labor OIG. The OIG's investigation is now closed.