

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

**REPORT OF THE OFFICE OF THE INSPECTOR GENERAL**

BI-ANNUAL REPORT

**JULY 01, 2019 THROUGH DECEMBER 31, 2019**

ELISSA RHEE-LEE

INSPECTOR GENERAL

JANUARY 15, 2020



January 15, 2019

To Chairwoman Hurlock, Co-Chair Chico and Distinguished Members of the Finance/Audit Committee:

Enclosed for your review is the Bi-Annual 2019 OIG Report on the activities and initiatives from July 1, 2019 through December 31, 2019 pursuant to the *Office of the Inspector General Charter*. This report contains statistical data, summaries of investigations, audits, advisories and reviews.

The OIG received 399 complaints the past six months. The OIG provided 116 investigative support matters to internal and external stakeholders; referred 160 complaints to other CHA departments; declined 89 complaints; initiated 26 investigations; and closed 10 investigations. Additionally, the OIG concluded 3 performance audits. There was 1 criminal indictment, 1 conviction, and 4 sustained administrative investigations during the second half of 2019. In 2019, the OIG received and reviewed 693 complaints.

Chair Angela Hurlock was appointed by the Honorable Mayor Lightfoot as the new Chairwoman of Chicago Housing Authority Board of Commissioners. She brings to CHA a long-distinguished commitment and knowledge about how best to provide affordable housing to those in need. On behalf of the Office of the Inspector General, we congratulate Chair Hurlock and look forward to her strategic leadership to further advance accountability to our citizens and promote transparency in support of good government.

The OIG operations completed its second independent Peer Review in August 2019. As with most Federal, State and local OIG's, the CHA OIG is a member of the National Association of Inspector Generals. It is imperative that the OIG's are assessed for compliance with the governing rules and procedures on the efficacy of OIG operations pertaining to investigations and audits. It is only through this independent process that we can ensure the OIG is practicing at the highest level of professionalism and implementing the best practices in the OIG industry. I am proud to report that the OIG was found to be compliant in all required standards without qualifications. The reviewing team noted many areas of distinctions including but not limited to, OIG investigative reports, credibility with external stakeholders (law enforcement and prosecuting agencies) and CHA's internal stakeholders.

In March 2020, we will present an amended *Office of the Inspector General Charter* for board approval. The amendment will reflect the change from quarterly reports to bi-annual reports. Additionally, the amended charter has specific language outlining the approval necessary from the Chair and Co-Chair as it relates to the Inspector General's requests for additional staff that is not part of the approved budget. This language will provide accountability for the Inspector General to justify the need for additional staff while at the same time, adhering to the independence of the Inspector General to backfill open positions.

I thank Chair Hurlock, Co-Chair Chico and the members of the Finance/Audit Committee for your interest and support for the OIG's mission.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Elissa Rhee-Lee', written in a cursive style.

Elissa Rhee-Lee  
Inspector General

**TABLE OF CONTENTS**

**PAGE**

A. MISSION STATEMENT	5
B. INVESTIGATIONS AND PROGRAM REVIEW STANDARDS	5
C. INVESTIGATIONS AND AUDITS – STATISTICAL TABLES	6
✓ COMPLAINTS BY METHOD	6
✓ COMPLAINT DISPOSITION	6
✓ SUBJECT OF INVESTIGATION	7
✓ INVESTIGATIVE CLASSIFICATION	7
✓ CLOSED INVESTIGATIONS	7
✓ INDICTMENTS/CONVICTIONS	7
✓ PENDING INVESTIGATIONS / PRELIMIINARY INQUIRIES	7
✓ PENDING AUDITS AND REVIEWS	8
✓ INVESTIGATIONS NOT CONCLUDED WITHIN SIX MONTHS	8
✓ 2019 ANNUAL COMPLAINTS AND FRAUD LOSS	9
D. NOTABLE INVESTIGATIVE SUPPORT	10
E. SIGNIFICANT INDICTMENTS	10
F. CLOSED INVESTIGATIONS SYNOPSIS	11
✓ CLOSED CRIMINAL CASES	11
✓ CLOSED ADMINISTRATIVE CASES	12
G. CLOSED AUDITS AND REVIEWS SYNOPSIS	16
H. ANALYTICS	17
I. LAW ENFORCEMENT AND OIG PARTNERSHIPS	18
J. FRAUD AWARENESS TRAININGS	20
K. ASSOCIATION OF INSPECTORS GENERAL’S PEER REVIEW	20
L. OUTSTANDING ITEMS PERTAINING TO CLOSED ADMINISTRATIVE INVESTIGATIONS	21

This Bi-Annual report provides an overview of operations of the Office of the Inspector General (OIG) during the period of July 1, 2019 through December 31, 2019. This report includes statistical and narrative summaries of OIG activities for the past six months.

#### **A. MISSION OF THE INSPECTOR GENERAL'S OFFICE**

The OIG is an independent oversight law enforcement agency whose mission is to promote economy, efficiency and integrity in the administration of programs and operation of the Chicago Housing Authority (CHA).

The OIG achieves this mission through:

- Criminal Investigations
- Administrative Investigations
- Investigative Support
- Program Reviews
- Performance Audits
- Analytics
- Advisories
- Fraud Awareness Training

From these activities, the OIG pursues criminal prosecutions when appropriate. Additionally, the OIG issues report of findings and disciplinary and policy recommendations to ensure that CHA officers, the Board of Commissioners, employees and vendors are held accountable for running an efficient, cost-effective operation. Furthermore, the OIG seeks to prevent, detect, identify, expose and eliminate waste, inefficiency, misconduct, fraud and abuse of public authority in CHA's use of funds.

#### **B. INVESTIGATIONS AND PROGRAM REVIEW STANDARDS**

The OIG conducts its investigations in accordance with the *Association of Inspectors General Principles and Standards for Office of Inspectors General*, generally accepted principles, quality standards and best practices applicable to federal, state, and local offices of Inspectors General. These include both general standards and qualitative standards as outlined in the above publication. Additionally, the OIG, always exercises due professional care and independent impartial judgement in conducting investigations and the issuance of reports and recommendations.

The OIG conducts audits of programs in accordance with *Generally Accepted Government Auditing Standards issued by the Comptroller General of the United States and Principles and Standards for the Offices of Inspector General*. Those standards require that we plan and perform the audit to obtain sufficient, and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. The adherence to these standards ensures that audits and program reviews comprise the requisite independence, planning, organizing, staff qualifications, direction and control, coordination, reporting, confidentiality and quality assurance.

The OIG operations undergo an independent peer review conducted by members of the National Association of Inspector General every three years to ensure compliance with the governing standards.

**C. INVESTIGATIONS**

The OIG conducts both criminal and administrative investigations into the performance of officers, employees, contractors, functions, and/or programs, either in response to complaints, audits or upon the OIG’s initiative.

The OIG received 399 complaints/matters during the past six months of 2019. Out of the 399 complaints, the OIG provided investigative support to both internal and external stakeholders for 116 matters. The OIG initiated 26 investigations, referred 160 complaints to other agencies or departments and declined 89 cases. Matters can be declined for a variety of reasons such as insufficient information provided, insufficient resources to address, no actionable information contained in the allegation, or not within the OIG’s jurisdiction. The OIG closed 10 investigations during the past 6 months.

**Table # 1 Complaint by Method**

Complaint by Method

Source	Number
Emails	94
Website Submissions	219
Hotline	73
In Person	6
Dropbox	0
Mail	7
Fax	0
Analytics	0
<b>Total</b>	<b>399</b>

**Table # 2 Complaint Disposition**

Complaint Disposition

Disposition	Number
Investigations	26
Preliminary Inquiry	8
Investigative Support	116
Referrals	160
Declined	89
<b>Total</b>	<b>399</b>

**Table # 3 Subject of Investigation**

Subject of Investigation

Subject	Number
Program Participants	14
Contractors, Subcontractors, Vendor	4
Employees	8
Other	0
<b>Total</b>	<b>26</b>

**Table # 4 Investigative Classification**

Investigative Classification

Classification	Number
Administrative	20
Criminal	6
<b>Total</b>	<b>26</b>

**Table # 5 Closed Investigations**

Closed Investigations During the Quarter

Classification	Number
Administrative	7
Criminal	4
<b>Total</b>	<b>11</b>

**Table # 6 Indictments/Convictions**

Indictments/Convictions

Action Category	Number
Indictments	1
Convictions	0
Restitutions	1
Debarment	0
<b>Total</b>	<b>2</b>

**Table # 7 Pending Investigations / Preliminary Inquiries**

Pending Investigations / Preliminary Inquiries

Classification	Number
Administrative	25
Criminal	25
Preliminary Inquiry	10
<b>Total</b>	<b>60</b>

**Table # 8 Pending Audits**

Pending Audits

Audit Name	Time Frame
CPD Intergovernmental Agreement Audit	3/31/2020
Public Housing Rent Collection Audit	3/31/2020
HCV Inspections Audit	3/31/2020

**INVESTIGATIONS NOT CONCLUDED WITHIN SIX MONTHS**

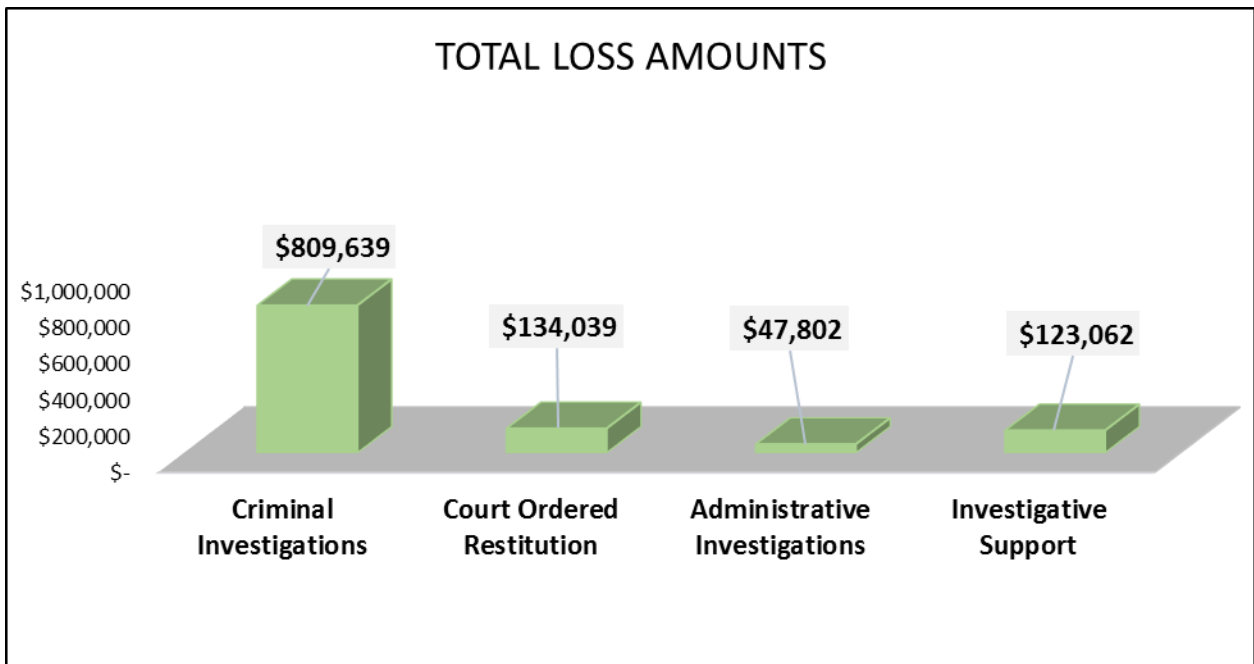
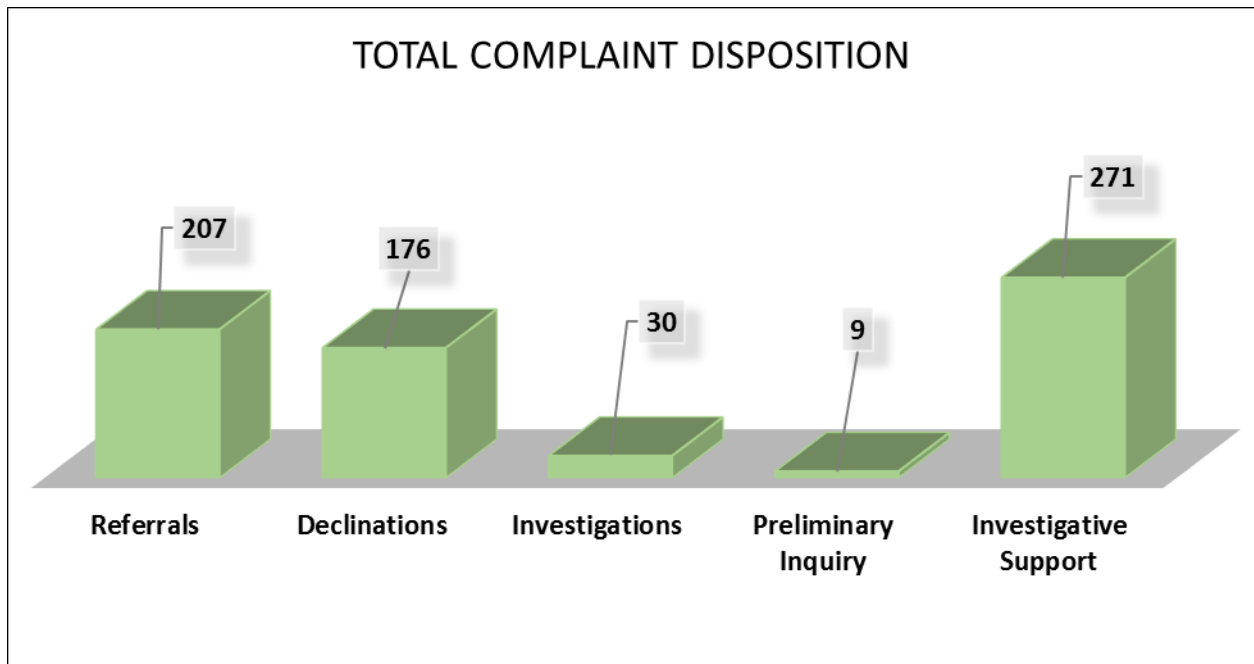
Under the *Inspector General Charter*, the OIG must provide statistical data on pending investigations/matters open for more than six months. Of the 50 pending matters, 20 have been open for at least six months. The following table shows the general reasons why these matters remain open.

**Table # 9 Investigations Not Concluded within Six Months from Initiation**

Reasons	Number of Investigations
A. Complex investigation, generally involve difficult issues of multiple subjects and/or under review by prosecuting agency	12
B. Indicted cases, but no criminal disposition	8
C. On-hold, to not interfere with another on-going investigation	0
<b>Total</b>	<b>20</b>



**2019 ANNUAL COMPLAINTS AND FRAUD LOSS**



#### **D. NOTABLE INVESTIGATIVE SUPPORT**

##### **CHA Health Partnership Initiative**

In collaboration with CHA's Resident Services Department, the OIG reviewed 19 health partnership applications this quarter utilizing open source information. Of the 19 applications reviewed, there was no derogatory information identified. The OIG will continue to review partnerships on an ad-hoc basis to ensure activities provided by health partners are in the best interests of the CHA and its residents.

#### **E. SIGNIFICANT INDICTMENTS**

One significant indictment occurred during the last days of June and one during the second half of 2019. The following is a summary of these cases.

##### **OIG Ref# 2019-06-00012- CHA employee**

A CHA OIG investigation was initiated in June 2019 involving former CHA Construction Inspector Carson Hughes (Hughes).

The investigation revealed that from 5/29/2019, through 6/15/2019, Hughes solicited bribes and kickbacks from contractor(s) hired to do rehab work for the CHA. Hughes proposed the contractor(s) submit fraudulent work orders and supplements for work that was never done. Hughes then offered to sign off on the fraudulent invoices in exchange for a portion of the payments generated by the submission of those false documents.

On 6/27/2019, the Grand Jury sitting in the Circuit Court of Cook County returned an eight-count indictment charging Hughes with four counts of Bribery and four counts of Official Misconduct.

Hughes criminal court case in Cook County is ongoing and his next court date is scheduled for 1/21/2020.

##### **OIG Ref# 2014-07-00043- Contractor**

On 8/15/2019, Major Barrow was indicted by the Federal Grand Jury sitting in the Northern District of Illinois. Barrow was indicted on two felony counts in violation of Title 18, US Code, Section 1343 (wire fraud) for defrauding the CHA.

Barrow was the president and sole owner of Barrow Construction, a business located in Oak Lawn, IL that provided maintenance and renovation services. Barrow Construction entered into multiple subcontract agreements to provide maintenance and renovation services to CHA sites managed by PPMs. The subcontract agreements entered between Barrow Construction and the PPMs contained an agreement that Barrow Construction would pay prevailing wages to employees as set forth in the Davis-Bacon regulation.

Barrow obtained contracts totaling approximately \$345,532 in CHA funds, including wages purportedly paid to Barrow Construction employees. In documents submitted to the CHA and the PPMs by Barrow, it was falsely represented that Barrow Construction paid prevailing wages as set forth in the Davis-Bacon regulation. Evidence showed that Barrow intended to pay hourly wages in cash, well below the amounts required by the Davis-Bacon regulation to his employees

Additionally Barrow knowingly prepared and caused to be prepared weekly certified payroll reporting forms submitted to the CHA and to the PPMs that contained materially false statements regarding, among other things, the dates of work performed by the employees, the wages paid to the employees, the financial instruments used to pay the employees, and the withholding of relevant taxes from the employees' wages.

Barrow was charged with transmitting by means of wire communication through interstate commerce on 8/18/2014 and 8/19/2014, fraudulent certified payroll reports to the CHA and the PPMs.

Barrow is awaiting sentencing.

#### **F. CLOSED INVESTIGATIONS SYNOPSIS**

An OIG investigation can be either administrative, criminal or both. Administrative investigations generally involve violations of HUD regulations and/or CHA rules, policies or procedures. For sustained administrative investigations, the OIG prepares a summary report of the investigation and its findings. These summary reports are presented to the CEO and the impacted department to facilitate an appropriate resolution. They are available upon request to the Audit Committee. To maintain confidentiality and integrity of the pending investigations, the OIG has omitted any information on pending/open investigations. In criminal investigations, if there is sufficient evidence gathered for potential prosecution, the investigation will be presented to a prosecuting agency for review.

#### **CLOSED CRIMINAL CASES**

Four criminal cases were closed during the second half of 2019. One case was sustained, One case was closed for administrative reasons and two cases were declined. The following is a summary of one closed sustained case.

#### **OIG Ref# 2015-12-00080 – HCV Participant**

A CHA OIG investigation was initiated in December 2015 involving former Housing Choice Voucher (HCV) participant Lorraine Johnson (Johnson).

The investigation revealed that between August 2003 and July 2016, Johnson used two different Social Security Numbers (SSN) to conceal her work activity, income and assets from the CHA and Social Security administration (SSA). Johnson received Supplemental Security

Income (SSI) and housing subsidies under one SSN, while working under a different SSN as a bus driver and a substitute school teacher.

Johnson also submitted false documents, including an altered warranty deed, to the CHA that falsely identified her infant granddaughter as the owner and landlord of one of her subsidized HCV rental properties that Johnson owned. In addition, Johnson used the scheme to fraudulently receive food stamps and Medicaid benefits from the state of Illinois.

On 6/21/2016, the Federal Grand Jury sitting in the Northern District of Illinois returned a six-count indictment charging Johnson with three counts of Wire Fraud and three counts of Frauds and Swindles

In July 2018, Johnson pled guilty in the Northern District of Illinois before the honorable Judge Charles R. Norgle to one count of Wire Fraud.

On 10/3/2019, Johnson was sentenced to two years' probation and ordered to pay restitution in the amounts of \$78,126.00 to the SSA, \$88,807.00 to the Illinois Department of Healthcare and Family Services and \$134,039.00 to the CHA, totaling \$300,972.00.

The OIG will continue to monitor the status of Johnson's restitution to the CHA but considers this investigative matter to be closed.

#### **CLOSED ADMINISTRATIVE CASES**

There were seven closed administrative cases during the second half of 2019. Four cases were sustained, and three cases were not sustained. The following are summaries of the significant sustained cases.

##### **OIG Ref# 2019-08-00033 – City of Chicago Employee**

In September 2019, CHA OIG was made aware of an allegation that a City of Chicago employee, earning over \$105,000 a year, was utilizing a CHA Scatter Site Region 1 address. An investigation was opened to determine if the City of Chicago employee resided in CHA housing. Additionally, during the investigation it was learned the City of Chicago employee submitted to the CHA's Section 3 portal a certification stating he/she qualified as a Section 3 low income Chicago area resident in order to obtain a position as a fair housing tester.

The investigation determined the City of Chicago employee maintained did not reside in CHA housing. Additionally, the investigation revealed the City of Chicago employee was approved by the CHA to be a fair housing tester in the Fall of 2019. The investigation determined the City of Chicago employee did not qualify as a Section 3, low income person and was not eligible to apply for job openings within CHA's Section 3 Opportunities. This individual obtained the position by submitting a false Section 3 certification concealing his/her income from the City of Chicago.

The OIG recommended the City of Chicago employee's appointment as a fair housing tester be rescinded and the individual's name be removed from the Section 3 portal. Additionally, the OIG referred the matter to the City of Chicago Inspector General for administrative action.

**OIG Ref# 2019-09-00049 – CHA Employee**

The CHA OIG received information from the CHA Property Office that a portfolio manager had a CHA resident remove a parking ticket "boot" from his personal vehicle while parked at a CHA property. The OIG initiated an investigation in September 2019. The OIG investigation concluded that the portfolio manager tampered with and removed a City of Chicago parking boot from a vehicle he/she had been operating. Shortly after the employee's interview with the OIG, the portfolio manager, who was a probationary employee, was terminated. The matter was also referred to the City Finance department for appropriate action.

**OIG Ref# 2018-04-00015 -Public Housing Resident**

On 4/5/2018 and throughout 2018, the CHA OIG received multiple allegations regarding a public housing resident who was also a Local Advisory Council President. An extensive OIG investigation determined that this resident: provided false and inaccurate information to the Chicago Housing Authority; failed to adhere to CHA Management's directives; misused LAC funds; and made numerous false statements to OIG Investigators.

The resident underreported his/her income on the Application for Continued Occupancy forms for 2015 and 2016 submitted to the PPM during his/her annual re-examinations. During this period, the resident had been receiving workers' compensation payments. However, the resident only reported 50% of his/her monthly workers' compensation to the PPM. The resident received housing benefits totaling \$5,559 (17 months) that he/she was not entitled to.

The resident provided false information on the Application for Continued Occupancy forms for 2014, 2015, 2016 and 2017 that were submitted to the PPM during the resident's annual re-examinations. The resident reported having no checking or savings account when in fact, this resident maintained a checking and saving account for the entire period that was verified by the OIG. Upon completing the questionnaire in the Application for Continued Occupancy, there is a certification above the signature line that states:

"I understand that any person who attempts to obtain housing assistance or rent reduction by making false statements, by impersonation, by failure to disclose or intentionally concealing any information of any act of assistance to such attempt has committed a crime under Federal and State law and may be punished under Federal and State Law. I also understand that if false statements or information are discovered after an offer for assistance, it may

constitute grounds for Termination of housing assistance and/or Termination of public housing tenancy.”

This resident, in his/her capacity as LAC President, failed to adhere to CHA Management’s directives for renting out the multi-purpose room at the property. The OIG Investigation established that in late 2016, former Chief Property Officer Derek Messier and/or his staff, including Eric Garrett (Garrett), Glenda Clark (Clark) and Rachael Bains (Bains) clearly communicated to this resident the following policy procedures regarding the use of the multi-purpose room:

- This resident and the LAC were not allowed to be directly involved in renting out the multi-purpose room.
- The LAC could continue to raise funds from the multi-purpose room, however, the PPM needed to control all aspects of the multi-purpose room rental, including; scheduling, securing the application forms and other necessary paperwork and collecting the rent.
- The PPM was to set up and control a tenant services bank account with the funds raised from the room rental. The LAC would be able to request funds from this account from the PPM.

The resident ignored all the above directives and continued to control all aspects of renting out the multi-purpose room. From 01/2017 through 06/2018, this resident collected over \$37,000 from individuals and organizations for the use of the multipurpose room.

The OIG investigation determined that this resident misused LAC funds that were primarily obtained from the rental of the multi-purpose room on the CHA property. From 10/2016 through 06/2018, over \$63,500 was deposited into the LAC bank account. During this same time period, this resident conducted the following transactions from the LAC Bank account:

- A withdrawal of \$13,638 in cash from the LAC bank account and was not able to provide documentation to support the purpose of these cash withdrawals.
- Purchases from Captain Hooks Fish and Chips, Binny’s Beverage Mart and Dunkin Donuts totaling \$1,384.
- An ATM cash withdrawal in Key West, FL, totaling \$120 and an ATM cash withdrawal in Ft. Lauderdale, FL, totaling \$63.50 in December 2017. The resident was not able to provide any justification for these withdrawals but did admit he/she had taken a cruise from Florida in December 2017.
- On 12/11/2017, the resident made 2 purchases totaling \$24.79 from Walgreens in Hammond, IN, and \$35 at Sheffield’s Restaurant in Dyer, IN.

The resident failed to report workers’ compensation benefits he/she received in 2019 until 4 months after the resident filed the claim and after receiving the benefits. On 1/14/2019, this resident reported to the PPM that he/she was out of work. As a result of reporting no income, the residents rent was reduced to \$41 per month. The very next day, the resident filed a

workers' compensation claim with the Illinois Workers' Compensation Commission. The resident began receiving workers' compensation payments totaling \$2,006 bi-weekly in February 2019.

The OIG interviewed this resident on 5/9/2019 and during the interview, the resident was asked about workers' compensation benefits. The very next day, the resident reported his/her workers' compensation benefits to the PPM. The resident's rent was increased to \$986 per month effective 7/1/2019. Thus, this resident received housing benefits totaling \$3,700 that he/she was not entitled to.

In summary, the OIG investigation determined that for the years 2015, 2016 and 2018 this resident received housing benefits totaling over **\$9,250** by providing false information to the CHA or by failing to provide the required information.

The OIG interviewed the resident during the investigation and determined that the resident made several false or misleading statements:

- The resident stated that he/she did not recall meeting with Messier, Garrett or Clark in 2016 to discuss CHA guidelines regarding the rental of the multi-purpose room. However, when interviewed on 11/21/2016 during a prior investigation, this resident did admit meeting with CHA management.
- When asked why he/she underreported his/her income during the 2015 and 2016 recertification's, the resident first stated that he/she a made a mistake. The resident then proceeded to blame the PPM for the error. The resident stated that since he/she signed an income verification form to allow the PPM to verify the reported income with the City of Chicago, the PPM should have determined the resident's correct income. One tool the PPMs use is the Earned Income Verification (EIV), a HUD program that identifies employment and income. However, the EIV does not capture workman's compensation benefits received by a resident.
- When asked about 2 purchases made with the LAC Debit card at Binny's Beverage Mart totaling \$141 and \$95, the resident stated that the LAC sponsored 2 wine tasting events for seniors. However, when asked to provide information and flyers for all events sponsored by the LAC, no information was provided regarding wine tasting events.
- When asked about the cash withdrawals totaling over \$13,000, this resident initially stated that when the LAC rented out the multi-purpose room, they needed cash to pay back the security deposit the renters put down. However, this was inconsistent with a prior statement made by the resident when he/she stated that the LAC collected a \$50 cash security deposit which was returned if the room was left in good condition. Thus, additional cash would not be needed.
- The resident then claimed that the LAC debit card stopped working at stores when he/she needed to buy items for LAC events. However, evidence showed the debit card was still working at the ATMs. The resident stated that he/she withdrew cash to reimburse individuals who purchased items for LAC events. A review of the debit card transactions from the LAC bank account revealed consistent merchant card debits from

10/2016 through 06/2018. In addition, the resident produced cash reimbursement receipts totaling only \$1,330 that the LAC provided to individuals.

- When asked about the ATM withdrawal from Key West, FL, the resident stated he/she recalled attending a CHA retreat in FL. However, this resident was not able to produce any information relating to a CHA sponsored retreat in Key West, FL. When asked about the ATM withdrawal totaling \$63.50 made in Ft. Lauderdale, the resident then admitted that he/she had gone on a cruise from Ft. Lauderdale but insisted he/she used his/her personal debit card to make an ATM withdrawal.

The OIG recommended that the CHA Property Office and Office of the General Counsel take legal action to evict this resident from public housing for numerous instances of providing false information to the CHA; failing to accurately report his/her true income on at least 3 occasions; failing to adhere to CHA directives, policies and procedures; misusing LAC funds; not maintaining proper accounting of the use of LAC funds on behalf of the residents; and for providing numerous false statements to the OIG. The Office of the General Counsel is reviewing the OIG's recommendations.

#### **G. CLOSED AUDITS AND REVIEWS SYNOPSIS**

The investigative team continues to rely heavily on the audit and analytics team for investigative support in financial frauds and forensic accounting matters. This support is critical to allow the OIG to conduct and lead multi-jurisdiction, complex investigations. The audit staff's support on investigative matters will continue to be an integral part of OIG investigations.

The OIG closed three audits during the bi-annual reporting period. Below contains a summary of the closed audit.

##### **CHA Elevator Services**

The OIG conducted an audit to determine whether elevator maintenance contracts, expenses and inspection reporting comply with HUD/CHA requirements, City of Chicago and State of Illinois regulations, and industry best practices. The audit also sought to identify whether the current internal controls were enough to not only minimize fraud, waste and abuse of elevator services at CHA properties, but to identify safety concerns for CHA residents.

The OIG did not observe any physical conditions that would pose an immediate safety concern for those entering and exiting the elevators. The OIG had five findings with additional sub-findings, such as non-compliance with HUD/CHA requirements for non-construction contracts, non-compliance with City of Chicago Ordinance, State of Illinois regulations and industry best practices, inconsistent hourly rates among vendors, and service charges beyond the rates agreed to in the contract.



In sum, the OIG recommended that CHA develop a comprehensive master contract for elevator repair and maintenance services and a Maintenance Control Program, required by ASME A17.1, for each elevator machine.

### **PPM Vehicle Use**

A performance audit on the use of vehicles by CHA's Private Property Management (PPM) companies revealed: 1) CHA does not provide adequate oversight over the PPM fleet; 2) PPMs did not employ the most economical and efficient methods in acquiring and maintaining the vehicles; and 3) opportunities exist to strengthen internal controls to prevent waste and abuse of CHA resources. The OIG recommended that CHA evaluate whether PPMs are using the most economical method of work-related travel and expenses and develop appropriate criteria to determine whether PPM vehicles are adequately used and serve a justified purpose. CHA management agreed with the OIG's findings and no longer allow PPMs to lease vehicles.

### **Follow-Up Construction Change Order**

The OIG completed an audit of the construction change order (CO) practices by CHA's Capital Construction Department (CCD) in 2016. A follow-up audit was conducted to determine the status of the OIG's recommendations. The original audit report had nine findings with 22 recommendations. Of the 22 recommendations, the OIG determined that 14 were implemented, two were no longer applicable, and six were not implemented. During 2017 and 2018, CCD initiated 15 construction contracts, for an initial cost of \$83,553,649.94. These construction projects had change orders totaling \$6,031,230.35 and averaging four change orders per contract (7% of the initial cost), which is within the reasonable range, according to scholarly research studies and construction best practices.

## **H. ANALYTICS**

The following are significant data analytic projects for the past six months:

### **Registered Sex Offender List Analysis**

As part of a routine analysis, the OIG continues to identify the number of lifetime registered sex offender names (offenders) listing a public housing or HCV address, pursuant to the *Quality Housing and Work Responsibility Act of 1998 (Section 578)*.<sup>1</sup>

---

<sup>1</sup> This Act became effective on June 25, 2001.

**Results**

The OIG found nine lifetime offenders who listed CHA addresses on the registry for this reporting period. Three of these individuals were identified in previous quarterly analyses. Six of the additional offenders registered at the same address as an HCV participant and were not listed as household members to the according participant’s voucher. This indicates that these CHA participants may have unauthorized occupants living in their unit. As a result, HCV sends each participant a notice requesting proof of residency for the offender and must provide documentation showing the subsidized address has been removed from the registry.

**Status from Previous Analyses**

<b>Enforcement Action</b>	<b>Total (82)</b>
Terminated	8
Settlement Agreement	1
PAC Agreement or Warning Notice	15
ITT issued	2
Document Outstanding Notice Sent	7
No Further Action	49

**I. LAW ENFORCEMENT AND OIG PARTNERSHIPS**

Throughout the year, the OIG staff participate in various professional meetings and seminars, in order to share intelligence, discuss case information, and obtain training. Below are meetings that staff attended the past six months.

**12<sup>th</sup> Annual Chicagoland Intelligence Training Seminar**

OIG staff attended the Intelligence Training Seminar on 8/14/2019, hosted by the Drug Enforcement Agency. In attendance were investigators and intelligence analysts from over 30 federal, state and local law enforcement agencies and corporate security entities. A variety of topics were covered, including social media investigations and white-collar crime tools and investigative resources.

**Cook County State’s Attorney’s Regional Organized Crime Task Force Training Conference**

OIG staff attended the 9<sup>th</sup> Annual Cook County State’s Attorney’s Regional Organized Crime Task Force Training Conference held on 9/4/2019 through 9/5/2019. The task force includes more than 1,000 participating members from over 140 law enforcement and over 100 private companies from various jurisdictions throughout the Midwest. Training topics included interview techniques, open source investigations, social media investigations, and forensic audits.

### **AGA/IIA GAC 7<sup>th</sup> Annual Chicagoland Fraud Conference**

OIG staff attended the Chicagoland Fraud Conference on behalf of the Association of Government Accountants (AGA) and the Institute of Internal Auditors (IIA) Government Advisory Committee (GAC) on 9/13/2019. Session objectives covered different types of fraud common in governmental organizations, strategies for detecting and preventing inefficient use of public funds, integrating IT auditing, and the importance of a fraud risk assessment in government organizations. CPE credits were awarded for those who attended the training.

### **Illinois Association of Inspector General's (AIG) Fall Training**

OIG staff attended the Illinois AIG Training Session held on 9/27/2019. The training was attended by over 150 inspectors general, analysts, investigators and auditors from federal, state and local agencies. Training topics included government employment compliance monitoring programs, grant monitoring, using technology in investigations, and case studies of public corruption. The training also provides an opportunity for OIG staff to earn CPE credits to maintain their professional certifications.

**OIG Agent Working Group** was formed to encourage OIG Agent/Investigator dialogue and agency collaboration which leads to an increase in joint investigations and federal prosecutions. Experience has shown that when an individual or group has committed fraud against one agency, it is likely that those same targets have committed fraud against other Federal, State or Local agencies.

The group is comprised of Federal and State OIG Agents and Investigators of OIG, and prosecutors from the U.S. Attorney's Office for the Northern District of Illinois. On 8/14/2019, the Deputy IG gave a presentation on the CHA OIG. Topics included an overview of the CHA; CHA OIG structure; OIG as a Law Enforcement Partner; OIG Investigations; and recent joint cases with other law enforcement partner agencies.

**Executive Leadership Group** meets on a quarterly basis to discuss various issues related to the participating agencies. The group is comprised of law enforcement executives from various federal agencies. The Deputy IG attended a meeting on 9/25/2019 at the US Department of Labor, Office of the Inspector General.

**Illinois Fraud Working Group** is a quarterly meeting of law enforcement investigators and provides presentations, training, and discussion of fraud matters within the Chicago area of responsibility. Attendees include representatives from federal and state law enforcement agencies and many of their related OIGs; the US Attorney's Office; and the Illinois Attorney General's Office. The Deputy IG attended a meeting on 10/10/2019 at the Federal Reserve Board.

**Benefits Fraud Working Group** is sponsored by the Cook County State's Attorney's Office (CCSAO) and meets on a regular basis. OIG investigators attended a meeting on 11/12/2019 to discuss the status of current CHA OIG Benefits Fraud cases with prosecutors from the CCSAO.

**J. FRAUD AWARENESS TRAINING**

The OIG presented fraud awareness training to Nan McKay inspectors on September 20, 2019. Nan McKay is a CHA contractor that provides inspection services for the HCV and Public Housing Programs. The training covered information on a variety of topics including fraud awareness, red flags, schemes and criminal case studies related to inspections investigated by the OIG.

**K. ASSOCIATION OF INSPECTORS GENERAL'S PEER REVIEW**

OIG operations were reviewed by the Association of Inspectors General's (AIG's) Peer Review Team in August 2019. They determined the CHA OIG complied with the standards set by the AIG's Principles and Standards for Offices of Inspector General (Green Book) and the Generally Accepted Government Auditing Standards (Yellow Book). The Peer Review Team identified several areas of distinction, including the following:

- Stakeholder Relationships
- Conflicts of Interest (Independence)
- Staff Qualifications
- Audit Division – Collaboration and Work Paper Organization
- Investigation Division – Outreach Program, Working Group Partnerships, and Work Product/Case Files

The Peer Review Team stated, “The sheer size of the governmental operations that your office oversees, and your office’s jurisdiction and responsibility are unparalleled by any other local government inspectors general office.” The AIG Peer Review Management Letter and the full peer review report is located on the CHA website. ( <https://www.thecha.org/>)

**L. OUTSTANDING ITEMS**

The OIG works collaboratively with CHA management after an investigation or audit is referred to their department for administrative follow-up. The OIG often recommends administrative actions be taken regarding a participant, contractor or employee and requests a written response after such action is taken. The OIG attaches a form that needs to be filled out by CHA with their course of actions within 60 days upon receipt of report.

<b>Business Units Responsible</b>	<b>Case #</b>	<b>Subject</b>	<b>Description</b>	<b>Date Sustained</b>
General Counsel, DPC & CCD	INC-2019-04-00034	Contractor	Debarment under consideration	6/24/2019
General Counsel	INC-2018-04-00014	Contractor	Debarment under consideration	2/21/2017
General Counsel	INC-2017-12-00001	Contractor	Debarment under consideration	9/17/2018
General Counsel	INC-2017-01-00015	Contractor	Debarment under consideration	6/24/2019
General Counsel	INC-2018-04-00015	Participant	Eviction under consideration	12/3/2019