

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

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

QUARTERLY REPORT

**APRIL 1, 2020 THROUGH JUNE 30, 2020**

ELISSA RHEE-LEE

INSPECTOR GENERAL

JULY 15, 2020



July 15, 2020

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

Enclosed for your review is the quarterly *Report of The Office of The Inspector General* on the activities and initiatives of the Office of the Inspector General (OIG) from April 1, 2020 through June 30, 2020, pursuant to the mission and directives mandated in the OIG Charter. This report contains statistical data, summaries of investigations, audits, advisories and reviews.

The OIG received 117 complaints the past three months. The OIG provided 10 investigative support matters to internal and external stakeholders; referred 61 complaints to other CHA departments; declined 39 complaints; initiated two investigations and closed 12 investigations. The OIG had no indictments and closed no criminal cases during the second quarter of 2020. There were 12 closed administrative matters - four of which were sustained and eight which were not sustained.

The OIG had 47 pending investigations, of which 18 have been opened for more than six months due to the complexity of some of the cases and cases with indictments but no disposition.

Since March 2020 CHA operations have been drastically impacted by the government restrictions and by the business entities which either severely curtailed their operations or closed entirely. The OIG has not been immune to the effects of the pandemic as we have experienced a slow-down with incoming complaints and referrals. As of June 25, 2020, through its complaint intake portal, the OIG received 271 complaints year-to-date, compared with 300 incidents this same time last year - a drop of almost 30 complaints. The pandemic also forced an extraordinary curtailing of the operations of federal, state and local courts, investigative agencies, OIGs and prosecutors' offices. Although CHA OIG personnel continue to work on pending matters, many of the investigations have been impacted by the inability to obtain records and documents from government agencies or private businesses, and investigators have not been able to conduct face-to-face interviews with subjects, witnesses and investigative partners.

The OIG was a duly recognized law enforcement agency, certified by the Illinois State Police, and was able to receive and facilitate a broad spectrum of critical information and intelligence with other federal, state, and local law enforcement agencies. The OIG regularly conducted significant criminal investigations using tools only available to law enforcement agencies. Maintaining this status also increased cooperation and coordination within the law enforcement community and provided the OIG with the ability to obtain critical intelligence and access important databases otherwise not available.

At the May 2020 Board meeting, the Board of Commissioners voted to remove the law enforcement status from the OIG. While the OIG no longer possesses the powers conferred upon law enforcement agencies in the state of Illinois, we continue to aggressively promote economy, efficiency and integrity in the administration of programs and operations of CHA and ensure that violations are investigated and prosecuted, as they relate to CHA residents and employees, contractors, subcontractors or any entity receiving funds from CHA.

I thank Chairwoman Hurlock, Vice Chairman Chico and 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

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The Quarterly report provides an overview of operations of the Office of the Inspector General (OIG) during the period of April 1 through June 30, 2020. This report includes statistical and narrative summaries of OIG activities for the past three 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
- 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.

OIG operations are subject to an independent peer review conducted by members of the National Association of Inspector General every three years to ensure compliance with the aforementioned 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 117 complaints/matters during the second quarter of 2020. Out of the 117 complaints, the OIG provided investigative support to both internal and external stakeholders for ten matters. The OIG initiated two investigations, referred 61 complaints to other agencies or departments, closed 12 investigations, and declined 39 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.

**Table # 1 Complaint by Method**

Complaint by Method

Source	Number
Emails	20
Website Submissions	82
Hotline	12
In Person	0
Dropbox	0
Mail	2
Fax	0
Analytics	1
<b>Total</b>	<b>117</b>

**Table # 2 Complaint Disposition**

Complaint Disposition

Disposition	Number
Investigations	2
Preliminary Inquiry	1
Investigative Support	10
Referrals	61
Declined	39
Not yet assigned	4
<b>Total</b>	<b>117</b>

**Table # 3 Subject of Investigation**

Subject of Investigation

<b>Subject</b>	<b>Number</b>
Program Participants	1
Contractors, Subcontractors, Vendor	0
Employees	1
Other	0
<b>Total</b>	<b>2</b>

**Table # 4 Investigative Classification**

Investigative Classification

<b>Classification</b>	<b>Number</b>
Administrative	2
Criminal	0
<b>Total</b>	<b>2</b>

**Table # 5 Closed Investigations**

Closed Investigations During the Quarter

<b>Classification</b>	<b>Number</b>
Administrative	12
Criminal	0
<b>Total</b>	<b>12</b>

**Table # 6 Indictments/Convictions**

Indictments/Convictions

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

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

Pending Investigations / Preliminary Inquiries

Classification	Number
Administrative	24
Criminal	23
Preliminary Inquiry	0
<b>Total</b>	<b>47</b>

**Table # 8 Pending Audits**

Pending Audits

Audit Name	Time Frame
Emergency Contract at Lake Parc Place	9/30/2020
HCV Inspections	9/30/2020
CPD Intergovernmental Agreement	9/30/2020
Audit of PPM Tenant Accounts Receivable	9/30/2020
Job Order Contracting (JOC)	12/31/2020
Property Office's Equipment, Appliances, and Materials on CHA sites	12/31/2020
CHA Fleet Follow Up	12/31/2020

**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 47 pending matters, 18 were 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	11
B. Indicted cases, but no criminal disposition	7
C. On-hold, to not interfere with another on-going investigation	0
<b>Total</b>	<b>18</b>



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

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

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

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

There were no significant indictments during the second quarter of 2020.

#### **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. In order 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**

The OIG had no criminal cases that were closed during the second quarter of 2020.

##### **CLOSED ADMINISTRATIVE CASES**

The OIG closed 12 administrative cases during the second quarter of 2020. Four cases were sustained, and eight cases were not sustained. The following are summaries of the sustained cases.

###### **2019-08-00017**

A CHA OIG investigation was initiated in August 2019 involving two CHA Job Order Contracting (JOC) contractors.

The investigation revealed that between October 2017 and March 2018, Contractor #1, submitted numerous fraudulent documents to the CHA. The documents included false M/W/DBE and Section 3 Utilization Plan schedules, lien waivers, and certified payroll reports.

Contractor #1 also made numerous false statements to mislead the CHA and conceal the fact that they were not meeting the M/W/DBE and Section 3 requirement on CHA projects Contractor #1 had been awarded.

The investigation further revealed that Contractor #2 signed subcontractor compliance schedules and lien waivers for work their company did not perform on five projects for Contractor #1.

The OIG recommended that the CHA debar Contractor #1 and its owner and find them unresponsive for any future CHA contacts as a prime contractor or a subcontractor.

The OIG also recommended that the CHA take appropriate action against Contractor #2 and its owner, including, but not limited to, a period of debarment.

In addition, the OIG recommended the CHA's Department of Procurement and Contracts require JOC vendors to submit a "Sworn Statement for Contractor and Subcontractor to Owner" form when submitting a final invoice for payment for each project awarded.

The Department of Procurement and Contracts was in agreement with the OIG and, as a result, recommend a debarment period of 5 years and 3 years respectively.

#### 2020-01-00018

A CHA OIG investigation was initiated in January 2020 involving a security company contracted by the CHA to provide security services at several CHA properties.

The investigation revealed that employees of the security company had been disseminating and displaying fraudulent "CHA Official Business" parking placards on their vehicles to prevent them from being towed while parked at CHA properties.

The findings were referred to the CHA's Property Office, who advised that the following actions had been taken:

- Property Office staff visited all of the sites serviced by the security company to attempt to locate any parking placards being used.
- The Property Office notified all security companies utilized by the CHA that counterfeit parking placards were not to be used by their security officers and that they should confiscate any, if found.
- The Property Office notified CHA-contracted towing companies to be mindful that counterfeit parking placards were being used.

#### 2020-01-00053

A CHA OIG investigation involving a Housing Choice Voucher (HCV) participant was initiated in February 2020.

The investigation determined that from January 2019 through May 2020, the participant resided in an HCV property owned by her father, a violation of the CHA's HCV Administrative Plan.

The investigation revealed attempts by both the participant and the owner to conceal their relationship from the CHA. On the participant's 2019 CHA Application for Continued Eligibility form, she denied she was renting from a relative. The owner also signed a CHA Property Owner Certification form that included the following language:

*"I confirm that no member of the tenant family is a spouse, domestic partner, parent, child, grandparent, grandchild, sister or brother of the property owner, any principal, or the authorized agent without the CHA's prior approval of a Reasonable Accommodation."*

In addition, both the participant and the owner signed additional CHA documents that referenced the CHA's policy restricting a participant from renting from a relative.

Despite the violation of CHA policy, the investigation revealed that the owner was not residing in the HCV apartment with the participant. Due to this and several other factors, the matter was not referred for criminal prosecution.

On May 28, 2020, the matter was referred to the CHA's HCV Department for appropriate administrative action.

#### 2019-10-00061

On 10/16/2019, the OIG received a complaint alleging that since 5/1/2019, an HCV participant allowed her son to reside as an unauthorized occupant in her HCV unit. The complainant also advised that the son had been arrested and charged with Home Invasion in Markham, IL, on 10/6/2019.

A review of documents pertaining to the son, including a USPS SF-50, Change of Address labels, bank statements, State of Illinois Driver's License, and a Disposition Order from the Circuit Court of Cook County, all strongly indicated that, at least since 5/1/2019, the son was residing at his mother's HCV unit.

On 8/15/2019, during the 2019 re-examination, the HCV participant completed an Application for Continued Eligibility in which she certified that her family composition had not changed since her last reexamination and that the information she provided to the CHA regarding household composition, income, allowance and deductions was accurate and complete. During the re-examination, she made no mention of her son.

As a result of the minimal loss incurred by the CHA for this program violation, the OIG did not present this matter for criminal prosecution. However, based upon the above information, the OIG referred this matter to the HCV Department and recommended that HCV initiate

termination proceedings against the participant for violating the HCV agreement of not reporting her son as an occupant.

The OIG took no further action and closed the investigation.

2019-07-00028

On 6/12/2019, the OIG received a complaint regarding an allegation that an HCV participant subleased his HCV unit to an unauthorized occupant. OIG investigation confirmed the allegation and, as a result, on 4/30/2020, the participant was terminated from the HCV program.

Due to the minimal loss incurred by the CHA for this program violation, the OIG did not present this matter for criminal prosecution. However, based upon the results of the investigation, the OIG concurred with the HCV Department's decision to terminate the participant from the program.

The OIG took no further action and closed the investigation.

**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 did not close any audits during this reporting period. The OIG issued draft reports and is currently waiting for CHA management's response to the following four audits. The objectives of each audit are also detailed below:

Emergency Contract at Lake Parc Place (LPP) Audit

1. To assess whether Property Office (PO) complied with CHA's and HUD's policies, procedures and protocols as it relates to an Emergency Contract procured for LPP.
2. To assess the effectiveness of PO internal controls to monitor and manage services provided through Emergency Contract at LPP.
3. Review expenditures and payment of invoices associated with the LPP emergency project.
4. Assess the risk environment and determine whether the current internal controls are to minimize fraud, waste and abuse.

### CPD Intergovernmental Agreement Audit

1. Review the processes of the CHA and Private Property Management (PPM) firms to ensure procedures are in place and in compliance with the IGA as it relates to the additional police services at CHA developments.
2. Assess the effectiveness of CHA's internal controls as it relates to documenting, approving, and reallocating additional police services.
3. Assess the effectiveness of the additional police services.
4. Assess the risk environment and determine whether the current internal controls are sufficient to minimize fraud, waste and abuse within the framework of the IGA.

### HCV Inspections Audit

1. Determine whether CHA HCV inspections are scheduled, conducted, reported and invoiced in accordance with CHA Policy and Procedures and CHA's contract with Nan McKay & Associates.
2. Ensure program funds are used solely for units that are safe, decent and sanitary and meet HUD's HQS.
3. Assess the risk environment and determine whether the current internal controls are sufficient to minimize fraud, waste and abuse in the inspection process.

### Audit of PPM Tenant Accounts Receivable

1. To assess whether PPMs' ability to collect rent owed by residents conforms with the portion of the PPM agreement which states, "Activities that are customarily associated with third party multi-unit property management".
2. To ascertain whether PPMs are adhering to the CHA's minimum standards in rent collections.
3. To ascertain whether delinquent Past -Tenant Accounts Receivable (TAR) balances are electronically reported to HUD.
4. To ascertain whether TAR balances are properly reflected in tenant ledger.
5. To provide the CHA with an independent analysis of cash inflow processes that the PPM utilized when performing services and activities on behalf of the CHA as required by the contracts.
6. Assess the risk environment and determine whether the current internal controls are sufficient to minimize fraud, waste and abuse of the rent collection process at CHA Traditional and Mixed-Finance properties.

The OIG is looking forward to these responses and appreciates CHA management for their willingness to continue to improve CHA programs.

#### Notable Audit Support

An OIG Senior Auditor testified before the Police Review Board of the City of Chicago against CPD Officer Tabitha Tabb, who at the time was also engaged in secondary employment with Maverick Security, a former CHA private security firm. OIG auditors observed Officer Tabb responding to her secondary employment with Maverick on CHA property wearing her CPD uniform. The matter was investigated by City of Chicago OIG and charges against Officer Tabb were filed with the Police Board on June 18, 2019. Hearings on the charges took place from February 26 - 28, 2020, and on June 18, 2020, the Police Review Board found Officer Tabb guilty of various charges. It was determined that Officer Tabb allowed her secondary employment to infringe upon her sworn duties as a Chicago police officer by conducting Maverick business on CPD time. She was suspended from her position as a police officer for 120 days. In its opinion, the Police Review Board noted that the only witness with specific information about the meeting at issue was the OIG Senior Auditor and credited his decisive testimony as cause for finding Tabb guilty of the various charges and for suspending her from her position as a police officer.

#### Advisories

The OIG issued one advisory during the reporting period regarding mixed-finance management agents' rent collection processes. This advisory identified manual charge adjustments being entered to account for missing resident rent payment receipts. Many of these adjustments were created in late-2019 and early-2020 but backdated to reflect that the transactions occurred years earlier. The OIG noted that certain management agents have not been inputting rent receipts into the CHA's system of record (Yardi) in a timely and/or accurate manner. The advisory also cautions that these adjustments could be utilized to conceal rent payment thefts.

## **H. ANALYTICS**

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

#### Registered Sex Offender List Analysis

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

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

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

There was one offender registered at the same address as a Public Housing resident.

*Status from Previous Analyses*

<b>Enforcement Action</b>	<b>Total (95)</b>
Terminated	8
Settlement Agreement	1
Under Eviction	0
PAC Agreement or Warning Notice	15
ITT issued	5
Document Outstanding Notice Sent	15
No Further Action	51

**I. LAW ENFORCEMENT AND OIG PARTNERSHIPS**

Due to federal, state and local government mandates limiting gatherings during the pandemic, there were no scheduled meetings, seminars, or training sessions that were attended by OIG staff during the quarter.

**J. 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 is awaiting management response from the following departments:

- Department of Procurement & Contracts - 3 matters;
- General Counsel - 4 matters;
- Property Office - 3 matters.