

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

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

QUARTERLY REPORT

**JANUARY 01, 2021 THROUGH MARCH 31, 2021**

KATHRYN RICHARDS

INSPECTOR GENERAL

APRIL 15, 2021



April 15, 2020

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

Enclosed for your review is the 2021 First Quarter Report on the activities of the Chicago Housing Authority Office of the Inspector General (OIG) from January 1, 2021 through March 31, 2021. Pursuant to the *Office of the Inspector General Charter*, the report contains statistical data as well as summaries of investigations, audits, advisories, and reviews.

The OIG received 123 complaints in the first quarter of 2021. Of those complaints, the OIG opened 11 as investigations, referred 70 complaints to various relevant CHA departments; and declined 18 complaints. Three complaints remain pending further review. In response to 21 complaints, OIG provided investigative support to internal and external stakeholders. The OIG currently has 67 open investigative matters.

This report comes just ten days into my tenure as the newly appointed inspector general for the CHA. I thank Chairman Hurlock, Co-Chairman Chico, members of the Finance/Audit Committee, and the rest of the CHA Board of Commissioners for the honor and privilege of serving in this role, working to promote economy, efficiency, effectiveness, and integrity in the administration of CHA programs and operations. The CHA's mission of providing safe, affordable housing is critical to ensuring equitable, healthy, and thriving communities throughout the City of Chicago, and that work is all the more important in light of the devastating impact the pandemic has had, particularly on low-income families.

The enclosed information provides a brief snapshot of the outstanding work the dedicated staff of the CHA OIG are providing on a daily basis, all in service of the greater CHA mission. CHA OIG investigators are aggressively investigating fraud, waste, abuse, and mismanagement of CHA programs and operations, while CHA OIG auditors and analysts are providing first-rate audits and analytical work product designed to ensure CHA is making the best use of its resources and appropriately addressing and preventing fraud and abuse. The staff of CHA OIG is notably experienced and talented, and I, the OIG staff, and the CHA clearly owe a debt of gratitude to my predecessor, Elissa Rhee-Lee, for developing this excellent team and providing strong, principled leadership for the past eight years. We wish her a happy and fulfilling retirement.

Finally, the OIG depends upon open lines of communication and positive collaborative working relationships. I sincerely welcome your input and ideas, whether in the form of complaints for potential investigation, suggestions for potential audits, or thoughts on ways the OIG can use its specialized expertise to add even greater value to CHA and its many stakeholders throughout the City. I look forward to hearing from you. Please feel free to reach out anytime.

Respectfully submitted,

Kathryn B. Richards  
Inspector General

**TABLE OF CONTENTS**

**PAGE**

A. MISSION STATEMENT	4
B. INVESTIGATIONS AND PROGRAM REVIEW STANDARDS	4
C. COMPLAINTS	5
✓ COMPLAINTS BY METHOD	5
✓ COMPLAINT DISPOSITION	5
✓ SUBJECT OF COMPLAINT	6
✓ INVESTIGATIVE CLASSIFICATION	6
D. INVESTIGATIONS	6
✓ CLOSED INVESTIGATIONS	6
✓ INDICTMENTS/CONVICTIONS	6
✓ PENDING INVESTIGATIONS	7
✓ INVESTIGATIONS NOT CONCLUDED WITHIN SIX MONTHS	7
E. NOTABLE INVESTIGATIVE SUPPORT	7
F. INDICTMENTS	7
G. AUDITS AND REVIEWS	7
✓ PENDING AUDITS AND REVIEWS	8
H. ANALYTICS	9

This 2021 First Quarter Report provides an overview of operations of the Office of the Inspector General (OIG) during the period of January 1, 2021 through March 31, 2021. This report includes statistical and narrative summaries of OIG activities for the past three months.

**A. MISSION OF THE OFFICE OF THE INSPECTOR GENERAL**

The OIG is an independent oversight 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 reports 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 in CHA programs and operations.

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

The OIG conducts its investigations in accordance with the *Association of Inspectors General Principles and Standards for Offices 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 judgment 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, staff qualifications, direction and control, confidentiality, and quality assurance.

Every three years, the OIG submits to an independent peer review conducted by members of the National Association of Inspectors General to ensure compliance with these governing standards.

**C. COMPLAINTS**

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

The OIG received 123 complaints in the first quarter of 2021. Of those complaints, the OIG opened 11 as investigations, referred 70 complaints to various relevant CHA departments; and declined 18 complaints. Three complaints remain pending further review. In response to 21 complaints, OIG provided investigative support to internal and external stakeholders.

Matters may be declined for a variety of reasons including but not limited to: insufficient information, lack of resources, or lack of jurisdiction.

Below are a series of tables showing statistical information on the OIG complaints for the first quarter of 2021.

**Table # 1 Complaint by Method**

Source	Number
Emails	24
Website Submissions	79
Hotline	15
In Person	0
Dropbox	0
Mail	1
Fax	0
Analytics	4
<b>Total</b>	<b>123</b>

**Table # 2 Complaint Disposition**

Disposition	Number
Investigations	11
Investigative Support	21
Referrals	70
Pending review	3
Declined	18
<b>Total</b>	<b>123</b>

**Table # 3 Subject of Complaint**

Subject	Number
Program Participants	107
Contractors, Subcontractors, Vendor	4
Employees	2
Other	10
<b>Total</b>	<b>123</b>

**Table # 4 Investigative Classification of Complaints Opened as Investigations**

Classification	Number
Administrative	11
Criminal	0
<b>Total</b>	<b>11</b>

**D. INVESTIGATIONS**

An OIG investigation may 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 criminal investigations, if there is sufficient evidence gathered for potential prosecution, the investigation will be presented to a prosecuting agency for review.

**Table # 5 Investigations Closed During the Quarter**

Classification	Number
Administrative	5
Criminal	0
<b>Total</b>	<b>5</b>

**Table # 6 Indictments/Convictions**

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

**Table # 7 Pending Investigations**

Classification	Number
Administrative	43
Criminal	24
<b>Total</b>	<b>67</b>

**INVESTIGATIONS NOT CONCLUDED WITHIN SIX MONTHS**

Under the *Office of the Inspector General Charter*, the OIG must provide statistical data on pending investigations/matters open for more than six months. Of the 67 pending investigations, 30 have been open for at least six months. The following table shows the reasons why these matters remain open.

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

Reasons	Number of Investigations
<b>A.</b> Complex investigation, generally involves difficult issues of multiple subjects and/or under review by prosecuting agency	21
<b>B.</b> Indicted cases, but no criminal disposition	9
<b>C.</b> On-hold, to not interfere with another on-going investigation	0
<b>Total</b>	<b>30</b>

**E. NOTABLE INVESTIGATIVE SUPPORT**

**CHA Health Partnership Initiative**

In collaboration with CHA’s Resident Services Department, OIG has been providing investigative support through the review of entities seeking to participate in the CHA Health Partnership Initiative. This quarter, the OIG did not receive any requests for review of health partnership applications. The OIG will continue to review partnerships on an as needed basis and ensure activities provided by health partners are in the best interests of the CHA and its residents.

**F. INDICTMENTS**

OIG investigations resulted in two criminal indictments during the first quarter of 2021. The following is a summary of these cases.

**OIG Ref #2018-06-00038**

On February 25, 2021, Robert M. Kowalski was indicted by a federal grand jury in the United States District Court of the Northern District of Illinois. Kowalski was charged in a third

superseding indictment with Conspiracy to Commit Embezzlement (the three prior indictments have been previously reported). The indictment also renews tax charges and bankruptcy fraud charges against Kowalski.

Kowalski was a landlord from 2011 until 2018. Kowalski conducted business with the CHA through limited liability corporations including Indomitable LLC, Piorun Properties LLC, and Mountain Duck Properties LLC. From 2011 through 2018, these entities were paid over \$2,000,000 in Housing Assistance Payments (HAP) on behalf of CHA Housing Choice Voucher participants. From 2011 through 2018, Kowalski, through his LLCs, received HAP payments for over 90 CHA HCV participants, and during 2018, Kowalski had 15 units in which he was receiving HAP from the CHA.

The additional count, in part, involved the improper diversion and subsequent non-disclosure of legitimate CHA Housing Choice Voucher (HCV) Housing Assistance Payments (HAP). The indictment, as it relates to the CHA, alleges that Kowalski concealed from his bankruptcy creditors his interest in Mountain Duck Properties and five related land trusts. Between March 2018 through March 2019, Kowalski collected approximately \$34,600 in rent checks, which he concealed from his creditors. The indictment also alleges that the Piorun Properties LLC's 2015 US Corporate Income Tax Return filed by Kowalski understated income in that it did not report income that Piorun Properties LLC received from the CHA relating to the Mountain Duck Properties.

The CHA OIG has been working in partnership with the US Attorney's Office and other federal law enforcement agencies involved in this investigation.

**OIG Ref #2017-06-00022**

An OIG investigation revealed that, from November 2000 through February 2018, CHA HCV participant, Evelyn Massey fraudulently obtained housing benefits totaling over \$188,000 by concealing her ownership in the property that she resided in with her CHA voucher.

On January 20, 2021, a Cook County grand jury returned a multi-count indictment charging Massey with one count of Class X Felony Theft, three counts of Class 1 Felony Theft, one count of Wire Fraud (Class 4 Felony) and three counts of Forgery (Class 3 Felony).

Prosecution of the matter is being handled by the Illinois Attorney General's Office.

**G. AUDITS AND REVIEWS**

The OIG audit and analytics team continues to work on eight pending audits and additional analytical reviews, while also providing significant support to investigations, specifically on financial frauds and forensic accounting matters. During the first quarter of 2021, the OIG received responses from CHA management to the following five audits: Emergency Contract at Lake Parc Place Audit; CPD Intergovernmental Agreement Audit; HCV Inspections Audit; Audit



of PPM Tenant Accounts Receivable; and Follow Up Fleet Audit. Those responses are currently under review, and the audits will be issued in the second quarter of 2021.

**Table # 8 Pending Audits**

Audit Name	Estimated Time for Completion
Emergency Contract at Lake Parc Place Audit	6/30/2021
CPD Intergovernmental Agreement Audit	6/30/2021
HCV Inspections Audit	6/30/2021
Audit of PPM Tenant Accounts Receivable*	6/30/2021
Audit of Property Office’s Equipment, Appliances, and Materials on CHA sites	6/30/2021
Follow Up Fleet Audit	6/30/2021
HCV Abatement Audit	6/30/2021
HCV Demonstration Programs and Special Initiatives Admissions Audit	6/30/2021

**H. ANALYTICS**

The following are significant data analytic projects completed in the first quarter of 2021.

**Registered Sex Offender List Analysis**

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

The OIG identified 12 lifetime offenders who listed CHA addresses on the registry for this reporting period. Two of the offenders listed public housing addresses and ten offenders listed addresses of HCV participants.<sup>2</sup> None of the 10 offenders identified as living at addresses in the HCV program were listed as household members on the participant’s voucher, suggesting the participants have an unauthorized occupant living in their units. OIG notified CHA HCV and Public Housing of its findings for appropriate action.

*Status from Previous Analyses*

Enforcement Action	Total (106)
Terminated	8
Settlement Agreement	1

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

<sup>2</sup> Two of the offenders identified as living at an address in the HCV program had been identified in previous quarterly analyses.

Under Eviction	0
PAC Agreement or Warning Notice	15
ITT issued	14
Document Outstanding Notice Sent	15
After Inquiry, No Further Action Required	53