

# 2021 Quarter 4 Report

OFFICE OF THE INSPECTOR GENERAL



10/01/2021-12/31/2021



**CHICAGO HOUSING AUTHORITY  
OFFICE OF THE INSPECTOR GENERAL  
INSPECTOR GENERAL KATHRYN B. RICHARDS  
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January 15, 2022

To Chairperson Hurlock, Vice-Chairman Brewer, and Distinguished Members of the Finance and Audit Committee:

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

The fourth quarter of 2021 was a time for solidifying the foundation and laying the groundwork for an even more effective OIG in 2022. At its November 2021 meeting, the CHA Board of Commissioners approved updates and clarifications to the OIG Charter, the OIG Standards of Conduct, and Administrative and Procedural Policies. These three governing documents have been streamlined and revised in part to reflect current practices and to ensure our policies reflect best practices in our field. These documents have all been publicly posted to the OIG's webpage to provide added transparency regarding OIG operations and standards.

The November 2021 Board meeting also saw the approval of the 2022 CHA budget and, with the support of the Board Chairperson and Chairman of the Finance and Audit Committee, the OIG was able to reallocate funding traditionally reserved for the hiring of external contractors to the addition of two new staff positions, a staff investigator and staff auditor. The addition of these positions will allow the OIG to complete investigations and audits in a more timely manner and free up our senior investigators and auditors to concentrate on more complex matters. At the same time, we reduced our non-personnel budget to ensure our own operations are cost-effective and the budget reflects actual spending.

This quarter the OIG also launched several key communications and outreach efforts. In November, the OIG released the inaugural issue of *Integrity Watch*, an email newsletter directed at CHA employees, contractors, and other stakeholders. In December, the CHA OIG gained a presence on both LinkedIn (CHA Office of the Inspector General) and Twitter (@thechaog), to provide additional outlets for OIG reports and updates as well as additional methods of communication for those who might have an issue or concern to report. We hope you will follow us on social media!

Additionally, OIG staff continued to investigate allegations of wrongdoing and audit CHA programs. Highlights of completed work from this quarter include:

- Indictment of HCV Participant Jeannette Carney - On December 1, 2021, a Cook County Grand Jury returned a five-count indictment charging HCV participant Jeanette Carney with Class 1 felony theft, wire fraud, and forgery for her fraudulent receipt of HCV housing benefits totaling over \$90,000.00. For more than six years, Carney intentionally concealed her husband's presence as a household member and his substantial income from employment with the City of Chicago. Additionally, Carney falsely reported four dependents who did not reside in the unit, resulting in additional loss to the CHA in the form of a additional housing benefits to support the costs of a larger unit. Prosecution is being handled by the Illinois Attorney General's Office.
- OIG Advisory #21 - City of Chicago Employee Income Reporting - A recent OIG data analytics project identified multiple HCV and Public Housing tenants who work for the City of Chicago but whose self-reported income was less than that reported in the HUD Enterprise Income Verification (EIV) system. The OIG referred seven program participants to HCV and PAM and recommended further review of their eligibility and for administrative action, if appropriate. In response, the HCV and PAM divisions each initiated administrative proceedings to terminate housing benefits or evict the participants. Based on the HCV department's calculations, the 5 HCV participants failed to report income resulting in a total of \$117,145 in CHA overpayments.

Finally, as we all continue to ride the roller coaster of the Covid-19 pandemic, particularly with the increased transmission of the Omicron variant, I am proud of our OIG staff for continuing to serve the mission of the office while balancing all that life throws our way. Difficult times can sometimes highlight the more meaningful aspects of our work, and when work is meaningful, it provides a respite from the storm. I wish you and your families good health and success in your most meaningful endeavors in 2022. We look forward to helping make a difference for CHA in the coming year by fostering a culture of trust, integrity, and continuous improvement.

Respectfully submitted,



Kathryn B. Richards  
Inspector General

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## Mission of the OIG

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

The OIG achieves this mission through:

- Criminal Investigations
- Administrative Investigations
- Investigative Support to Partner Agencies
- Performance Audits
- Program Reviews
- Analytics
- Advisories
- Training
- Communications and Outreach

The OIG partners with law enforcement agencies to pursue criminal prosecutions where appropriate. In administrative matters, the OIG issues reports of findings and recommendations to ensure that CHA officers, the Board of Commissioners, employees, and vendors are held accountable for running an efficient, cost-effective operation. Through audits, reviews, and analytics, the OIG seeks to prevent, detect, expose, and eliminate waste, inefficiency, misconduct, fraud, and abuse in CHA's programs and operations. Finally, through training, communications, and outreach, the OIG seeks to raise awareness of common indicators of fraud or other misconduct, and to provide multiple avenues for reporting such concerns and issues to ensure the CHA remains responsive and accountable to its stakeholders.

Ultimately, the OIG seeks to ensure the CHA is best equipped to serve its overarching mission to "leverage the power of affordable, decent, safe, and stable housing to help communities thrive and low-income families increase their potential for long-term economic success and a sustained high quality of life."



## Investigations and Audit and Program Review Standards

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The OIG conducts 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 (AIG) to ensure compliance with these governing standards.

The OIG has been found to meet all relevant standards in each period reviewed. The OIG's next peer review is scheduled for early 2022.

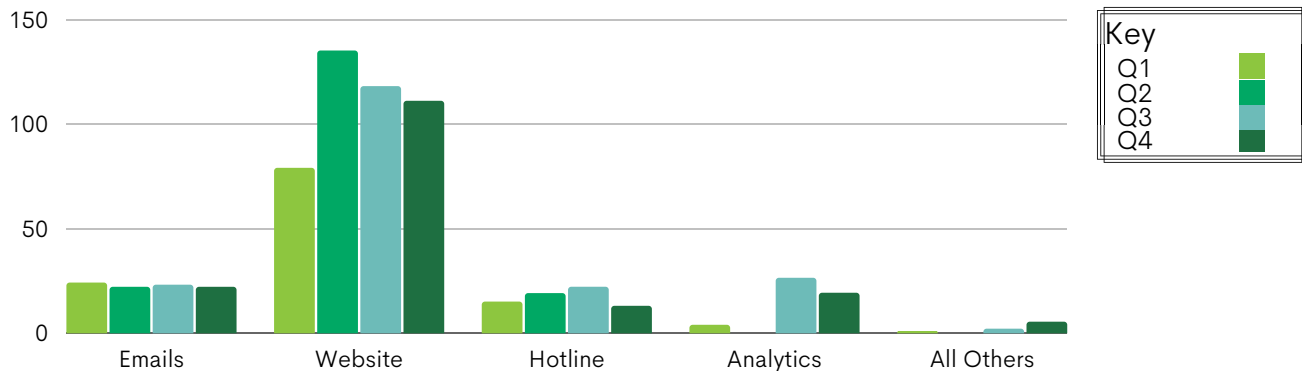
## Complaints

The OIG accepts complaints through its online web portal, by email, telephone hotline, employee complaint drop boxes, and in-person reports. Complainants may choose to remain anonymous. The OIG initiates investigations, reviews, and audits in response to complaints or concerns it receives or upon the OIG's initiative. Following a preliminary review and assessment of the complaint, OIG staff make a determination on whether to open an investigation or other matter. Matters may be declined for a variety of reasons including but not limited to: insufficient information, lack of jurisdiction, or no violation presented.

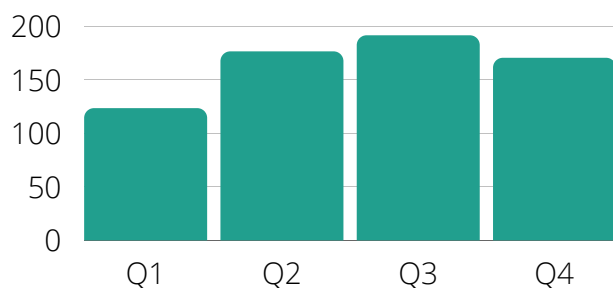
The OIG received 170 complaints in the fourth quarter of 2021. Of those complaints, the OIG opened 26 for investigation, referred 89 complaints to various relevant CHA departments and outside agencies; provided investigative support to internal and external stakeholders in response to 7 complaints, and declined 41 complaints. At the close of the fourth quarter 7 complaints remained pending for preliminary investigation.

Below are a series of tables showing statistical information on the OIG complaints for each quarter of 2021. As of the end of the fourth quarter, the OIG received a cumulative total of 660 complaints this year.

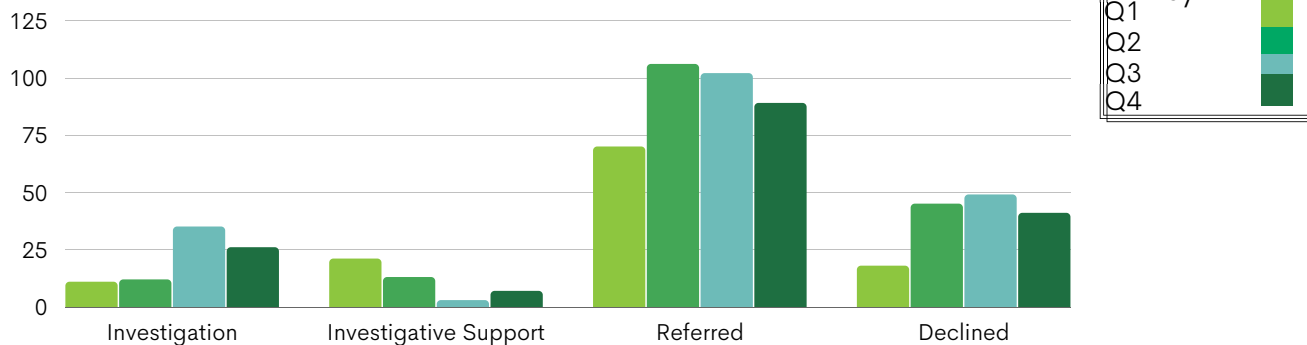
### Complaints by Method



### Total Complaints by Quarter

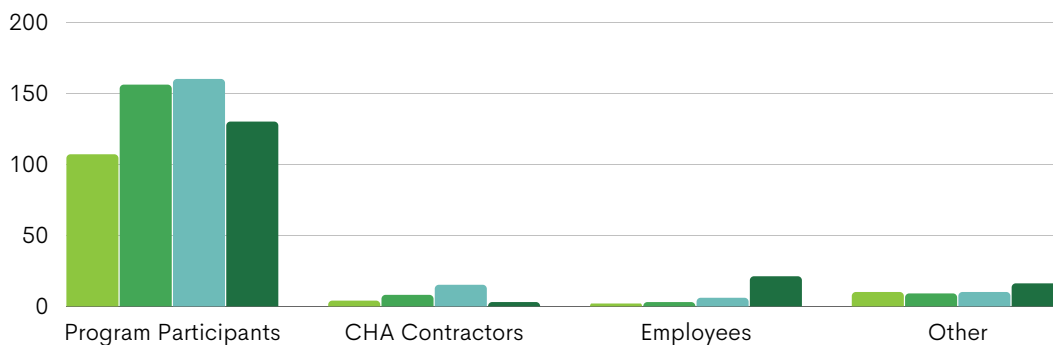


### Complaints by Disposition\*

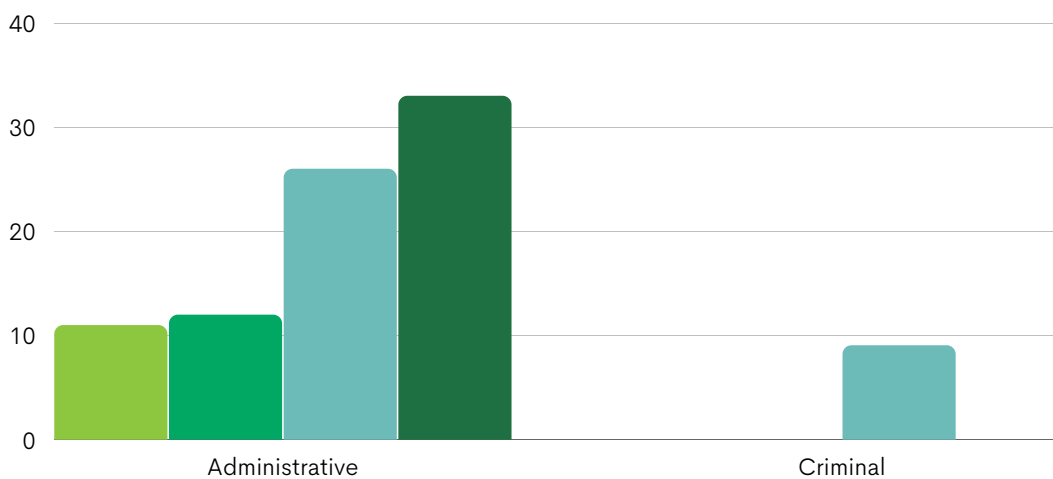


- Does not include complaints that were pending review at the close of each quarter.

### Subjects of Complaints



### Classification of Complaints Opened as Investigations





## Investigations

An OIG investigation may be 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 produces a summary report of investigation with findings and recommendations for appropriate disciplinary, administrative, or other action to the CEO and the impacted department. The OIG requests a response from management and will report that response in each quarterly report.

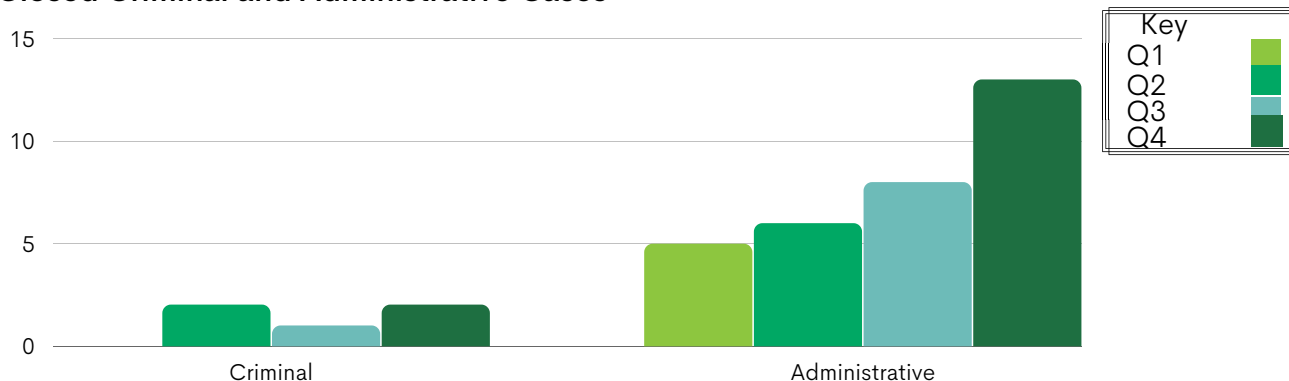
Within 30 days of the conclusion of a sustained investigation, the OIG provides the CHA Board of Commissioners Finance and Audit Committee a de-identified report summarizing relevant information of the investigation.

In criminal investigations, if there is sufficient evidence for potential prosecution, the OIG presents the evidence to a prosecuting agency for review. Investigations that result in criminal charges are reported to CHA management and the Finance and Audit Committee.

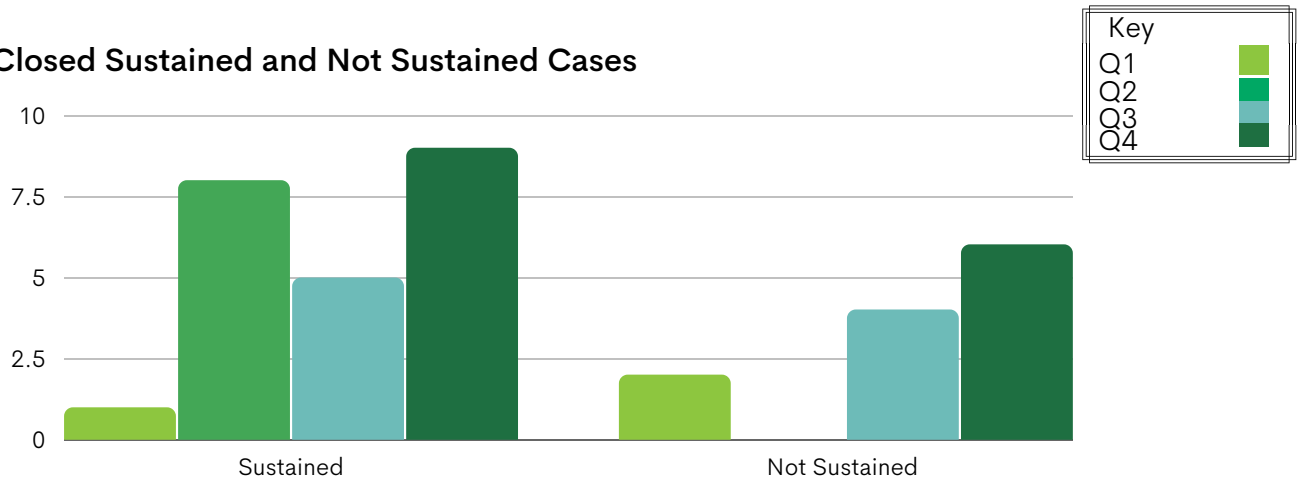
### Investigations Closed During the Quarter

In the fourth quarter of 2021, the OIG closed 15 investigations. Of those cases, 9 were sustained and 6 not sustained. Of the not sustained matters, two were criminal and four administrative. All 9 sustained investigations were administrative. Seven of these sustained matters are summarized below as part of OIG Advisory #21.

### Closed Criminal and Administrative Cases

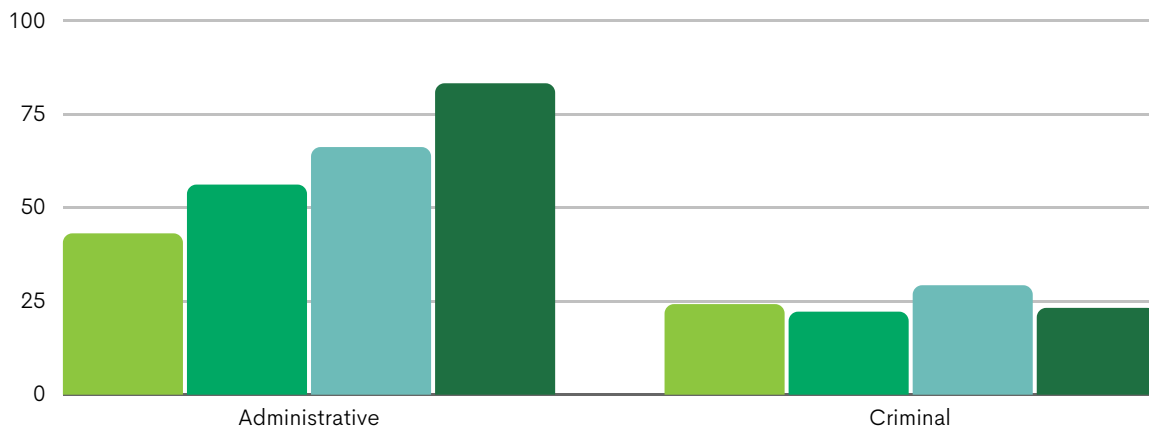


### Closed Sustained and Not Sustained Cases



### Pending Criminal and Administrative Investigations

At the close of the fourth quarter, the OIG had a total of 106 pending investigations, up from 95 in the third quarter. Of those pending investigations, 83 were administrative and 23 criminal.



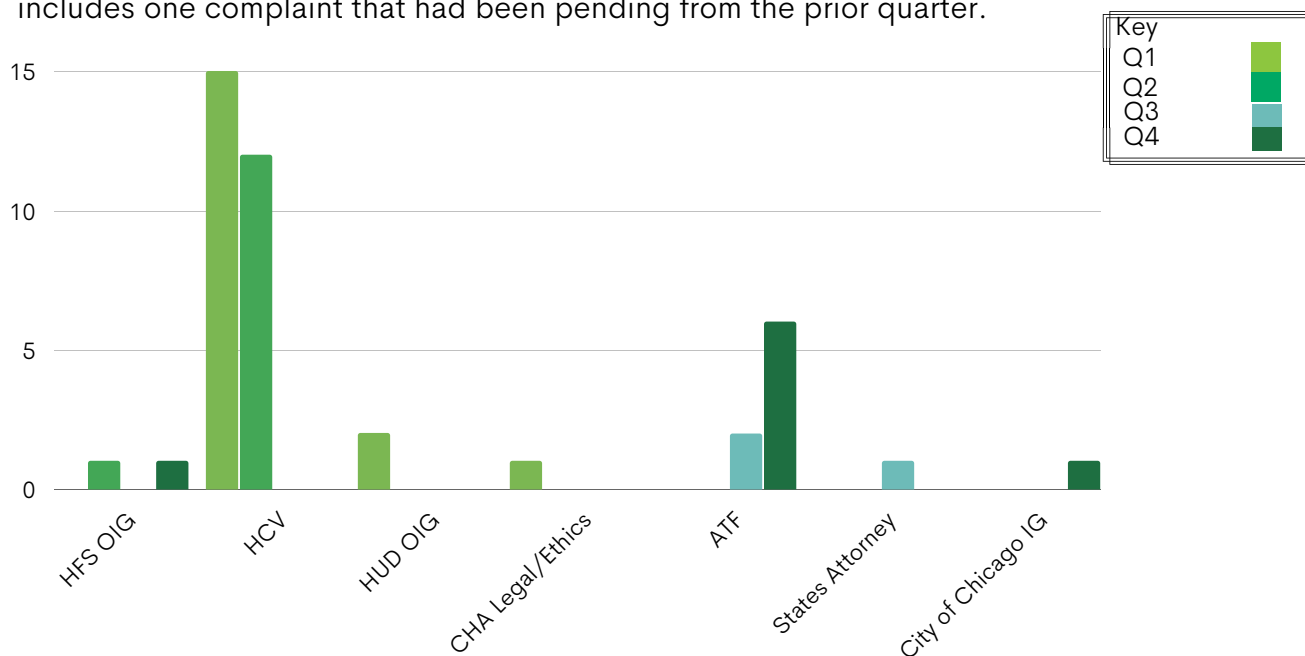
## Investigations Not Concluded Within Six Months

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 106 pending investigations, 56 have been open for at least six months. The following table shows the reasons why these matters remain open.

Reasons	Number of Investigations
Complex investigations, generally involve difficult issues of multiple subjects and/or under review by prosecuting agency	21
Indicted cases, but no criminal disposition	8
On-hold or delayed due to other ongoing time-sensitive investigations	27
<b>Total</b>	<b>56</b>

## Investigative Support

The OIG regularly receives requests from various external and internal partners for investigative support on matters within the OIG's jurisdiction. These requests often take the form of discrete requests for information, due diligence, or data analysis. In the fourth quarter of 2021, the OIG provided investigative support in response to 8 complaints: 6 from the U.S. Bureau of Alcohol, Tobacco, Firearms and Explosives, 1 from the Illinois Department of Healthcare and Family Services OIG, and 1 from the City of Chicago OIG. This number includes one complaint that had been pending from the prior quarter.



## Indictments

The OIG recorded one new criminal indictment stemming from an OIG investigation during the last quarter.

### **OIG #2019-08-00024 *People v. Carney*, 21 CR 1492801 (Cook Cty. Cir. Ct.)**

An OIG investigation revealed that from August 2015 through November 2021, HCV participant Jeanette Carney fraudulently received housing benefits totaling over \$90,000.00 by failing to report her husband as a household member or his income from employment with the City of Chicago. Additionally, Carney falsely reported four dependents, a daughter and four grandchildren, who did not reside in the unit. This resulted in additional loss to the CHA. The evidence shows that Carney has resided in three different HCV units since receiving her voucher. Carney reported between \$4,680.00 and \$21,600.00 in annual household income since 2015.



In fact, evidence shows that Carney's husband, a laborer with the City of Chicago Department of Transportation, earned as much as \$94,000.00, annually, while residing with Carney. Carney's husband, who was not charged, reported each HCV unit address to his employer, on signed City of Chicago employee residency affidavits.

On December 1, 2021, the Grand Jury sitting in the Circuit Court of Cook County returned a five-count indictment charging Carney with Class 1 felony theft, wire fraud, and three counts of forgery for her fraudulent receipt of HCV housing benefits. Prosecution of the matter is being handled by the Illinois Attorney General's Office.

The OIG also referred this matter to the HCV department for appropriate administrative action pending the outcome of the criminal case. The HCV department responded by issuing the family a notice of Intent to Terminate the voucher assistance. The family has 30 days to respond and may request an administrative hearing.

The OIG's investigation remains open pending the outcome of the criminal court case. The public is reminded that an indictment is not evidence of guilt. The defendant is presumed innocent and entitled to a fair trial at which the government has the burden of proving guilt beyond a reasonable doubt.

## **Sustained Administrative Investigations**

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The following summaries provide information regarding sustained administrative investigations and any management response received within 30 days of the matter's closing. An administrative investigation is sustained if a preponderance of the evidence establishes a violation of law, policies, rules, or regulations or finds waste or inefficiency. In such cases, the OIG issues recommendations to management for enforcement action, discipline, debarment, or other corrective action.

### **OIG #2016-04-00061 HCV Program Fraud – Concealment of Spousal and Business Income, False Statements on Application**

An OIG investigation found that a Housing Choice Voucher (HCV) program participant provided false information on her HCV applications for eligibility when she falsely declared she was not married and failed to disclose her husband's income. Additionally, evidence suggests she failed to disclose business income as the sole proprietor of a management consulting services company, which she claimed to have received for purposes of obtaining a Paycheck Protection Program (PPP) loan of \$20,000. This PPP loan information directly contradicts the participant's multiple statements to CHA going back to 2015, in which she reported having no personal income.

The OIG's investigation additionally found that the HCV participant's husband was also an HCV participant, receiving rental assistance at an address separate from his wife's. The OIG determined that the husband had also falsely declared to CHA that he was unmarried and falsely claimed additional household members to qualify for a voucher. In 2017, the OIG provided this information to HCV, and HCV initiated enforcement action against the husband, prompting him to relinquish his voucher. At that time, the HCV department declined to pursue administrative action related to the wife's voucher based on a lack of documentary evidence that the husband resided with her at the subsidized address.

The CHA OIG presented the findings of its investigation to the Cook County State's Attorney's Office (CCSAO) in April 2018 for potential criminal prosecution. In September 2021, after a period of joint investigation and additional delays outside the OIG's control, the State's Attorney's Office notified the OIG that it was declining to prosecute the matter. The wife, however, remained an active HCV participant.

The OIG recommended that HCV initiate enforcement action against the wife for providing false information to CHA and failing to disclose income, including business income.

In response, HCV initiated enforcement proceedings and ultimately issued a notice of Intent to Terminate the voucher. The family has requested an administrative hearing.

## **OIG # 2019-12-00042 – Excessive Tardiness, Repeated Absences, Failure to Supervise (CHA Employees)**

A recent OIG investigation found that a Quality Control HUD File Reviewer in the CHA HCV Division of Compliance and Operations engaged in a pattern of excessive tardiness and repeated absences and left the office without proper authorization on multiple occasions, in violation of CHA's Standards of Conduct. Additionally, the investigation found a lack of supervision by the file reviewer's direct supervisors who were both aware of employee's frequent late arrivals but failed to take any steps to correct the issue.

The OIG recommended that CHA impose discipline against file reviewer up to and including termination, taking into account any past disciplinary history and any other relevant factors. The OIG also recommended that CHA impose discipline against the two supervisors for their failure to appropriately supervise the employee.

In response, the HCV department placed the file reviewer on a 90-day performance improvement plan. The two supervisors were issued a written reprimand and a verbal warning, respectively, and management reset expectations with the supervisors regarding management protocol surrounding supervision and oversight of staff.

### **Audits and Reviews**

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The OIG issued a draft report of the Demonstration Programs and Special Initiatives Admissions Audit and is allowing CHA management time to respond to the findings before publishing. This audit is expected to be finalized by the end of next quarter. The OIG is looking forward to the responses and appreciates CHA management for their willingness to continue to improve CHA programs.

#### Pending Audits

Pending audits include the HCV Abatement Audit and PAM Unit Vacancy Rate Audit. These audits are expected to be finalized by the end of next quarter.

#### 2021-2022 Annual Audit Plan

In October 2021, the OIG finalized its Audit Plan for 2021 and 2022. This plan expresses OIG's priorities for the year and outlines a list of potential projects that fit those priorities. The Annual Audit Plan is a guiding document subject to change and does not prohibit the introduction of new priorities or topics throughout the year. Topics listed for potential audit in 2022 include: CHA Contractor System Access Controls, CHA Compliance with the Procurement Reform Task Force Recommendations, Manually Prepared Accounts Payable Checks, and Mixed Finance Tenant Accounts Receivable Recording in Yardi. The Annual Plan, including details of the proposed audits, is posted on the OIG's webpage.

## **Management Advisories and Memos**

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OIG management advisories and memos seek to notify the CHA of various management and operational issues identified by OIG through analytics, audits, or investigations. The OIG provides advisories to describe opportunities to strengthen program administration, improve program controls, or eliminate waste or inefficiencies. This quarter, the OIG issued two advisories. OIG Advisory #21 is summarized below. Advisory #22, regarding recent Federal Guidance on Promoting Accountability through Cooperation among Agencies and Inspectors General, will be summarized next quarter to allow management time to respond.

### OIG Advisory #21: City of Chicago Employee Income Reporting for Housing Choice Voucher and Public Housing Participants

A recent OIG data analytics project identified multiple HCV and Public Housing tenants who work for the City of Chicago ("the City") but whose self-reported income is less than that reported in the HUD Enterprise Income Verification (EIV) system. The OIG referred seven program participants to HCV and PAM and recommended further review of their income and eligibility and for administrative action, if appropriate.

The City of Chicago employs approximately 30,000 individuals, each of whom is required to live in Chicago as a condition of employment. In early 2021, the OIG conducted an analysis of publicly available salary information for City of Chicago employees and compared the data to CHA Yardi participant records for CHA heads of household. The OIG worked with the City of Chicago Office of Inspector General to confirm individuals' City employment and salary history. That review identified a number of City employee participants who may be underreporting income, including five HCV program participants and two public housing tenants who warranted immediate administrative review and action. The OIG continues to review a number of additional participants who may have deliberately concealed City income.

OIG Advisory #20, issued June 30, 2021, was based on a similar analysis for CHA participants employed by Chicago Public Schools (CPS) and identified specific gaps in program administration involving the seasonal nature of CPS employment, that resulted in significant underreported income. In this corresponding analysis of City employees, the OIG did not identify a clear gap in CHA's program administration, but in several specific instances, CHA's own review of the information reported in EIV likely would have identified the unreported City income.

In response, the HCV and PAM departments reviewed the individual participants and took the following action. PAM initiated eviction proceedings for the two public housing residents. HCV calculated appropriate housing assistance payments (HAP) for each

participant based on the accurate income information and identified a combined \$117,145 in HAP overpayments made by the CHA. HCV issued notices of intent to terminate participation in the HCV program to all five participants.

## **Analytics**

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

As part of a routine analysis each quarter, the OIG identifies the number of lifetime registered sex offenders listing a public housing or HCV address as their residence, and refers those findings to the HCV and PAM divisions for administrative action. Pursuant to the Quality Housing and Work Responsibility Act of 1998 (Section 578), lifetime registered sex offenders are prohibited from residing in public housing or participating in the HCV program.

In the fourth quarter of 2021, the OIG identified 10 potentially prohibited individuals, all of whom appear to be unauthorized occupants of CHA addresses. Three of the offenders listed public housing addresses, and 7 offenders listed addresses of HCV participants. The OIG notified the HCV and PAM divisions of its findings. The two divisions provided updates on their actions in response to the OIG findings from the prior quarter, which are summarized below as part of the running total of all OIG findings.

#### *Action Taken on Previous Findings*

<b>Enforcement Action</b>	<b>Total (154)</b>
Terminated	15
Settlement Agreement	2
Under Eviction	1
PAC Agreement or Warning Notice	15
Notice of Intent to Terminate Issued	28
Document Outstanding Notice Sent	18
After Inquiry, No Further Action Required	75