

2022 Quarter 1 Report



OFFICE OF THE INSPECTOR
GENERAL



CHICAGO HOUSING AUTHORITY
OFFICE OF THE INSPECTOR GENERAL
INSPECTOR GENERAL KATHRYN B. RICHARDS
60 E. VAN BUREN, 7th FLOOR, CHICAGO, IL 60605

April 15, 2022

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

Enclosed is the 2022 First Quarter Report on the activities of the Chicago Housing Authority Office of the Inspector General (OIG) from January 1, 2022, through March 31, 2022. Pursuant to the OIG Charter, this report contains statistical information and summaries of OIG investigations, audits, and other activities. This quarter saw important results in several long-running investigations and data analytics projects. Highlights include:

- Two guilty pleas in CHA OIG criminal cases involving CHA contractors:
 - Lester Coleman, of Coleman Development Corp., a former CHA contractor, pleaded guilty falsely representing the amount of work the company performed as a certified, minority owned business enterprise and falsely reporting it had paid prevailing wages.
 - Major Barrow, of Barrow Construction, a former CHA subcontractor, pleaded guilty to submitting to CHA fraudulent certified payroll reports, which falsely reported the payment of prevailing wages, dates of work, and method of payment.
- Two indictments in CHA OIG investigations involving a CHA participant and the employee of a CHA contractor, respectively:
 - Catherine Brown, aka Catherine D' Tycoon, a pastor and 2019 candidate for Chicago mayor, was indicted for fraudulently obtaining HCV benefits totaling over \$136,000 to live in a property she jointly owned with her parents. Rent voucher payments intended for Brown's landlord were directed to an account that Brown controlled.
 - Nekeia Spruill, a property manager at two CHA mixed-income properties, employed by a CHA contractor, was indicted for theft of tenant rent payments totaling over \$83,000, which she altered and deposited into her personal bank accounts.
- OIG Advisory #23 regarding the Paycheck Protection Program - OIG analytics identified 8,800 individual occupants of CHA subsidized properties who obtained more than \$190 million in forgivable loans based on questionable claims of lost income. In most cases, individuals claimed to have had business income of more than \$100,000 in 2019 to obtain the PPP funds. The OIG provided this data to CHA management for appropriate action.

These activities are just a sampling of the important work OIG staff tend to every day, working to ensure CHA programs are protected from fraud, waste, and abuse.

This quarter, the OIG is particularly pleased to be adding to our excellent staff in service of this mission. In March 2022, we completed the hiring process for three open positions and will welcome three new team members this month, one in the audit section and two in investigations. These new team members will make a significant impact in the efficiency and effectiveness of OIG investigations and audits. Also in March, the OIG issued its request for proposals for an upgraded case management database, which is anticipated to improve case management, tracking, and operational analytics.

I thank the Board of Commissioners for its support and commitment to an effective Office of the Inspector General. Together, we will pursue continuous improvement in the delivery of CHA services and operations. I look forward to your input and engagement. Please don't hesitate to contact me directly at krichards@thecha.org, with any thoughts, questions, or concerns.

Respectfully submitted,

A handwritten signature in blue ink that reads "Kathryn Richards". The signature is written in a cursive style with a large initial 'K'.

Kathryn B. Richards
Inspector General

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Mission of the OIG

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 and Fraud Prevention
- 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 prevent fraud and other misconduct, raise awareness of common fraud indicators, and provide multiple avenues for reporting such concerns 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

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, originally scheduled for April 2022, has been moved to September 2022. The OIG will publish results of that review as soon as it is available.

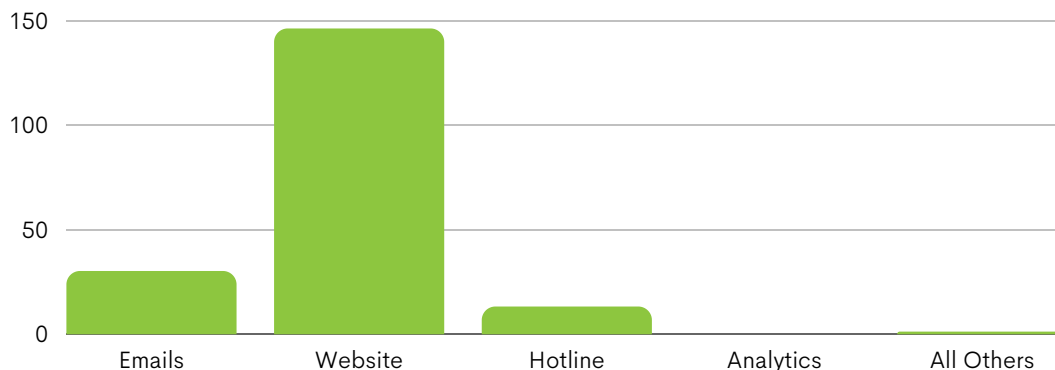
Complaints

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.

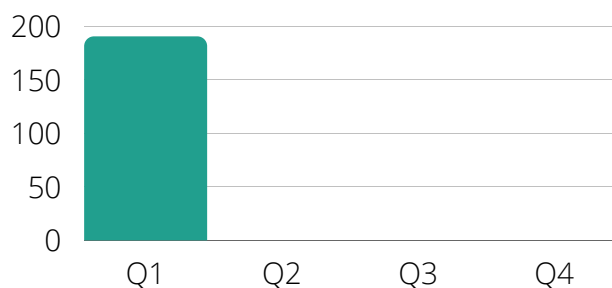
The OIG received 190 complaints in the first quarter of 2022. Of those complaints, the OIG opened 13 for investigation, referred 110 complaints to various relevant CHA departments and outside agencies; provided investigative support to internal and external stakeholders in response to 13 complaints, and declined 54 complaints. Additionally, in the first quarter, the OIG referred 6 complaints, identified one duplicate closed record, and closed one matter as an investigative support to the CHA PAM department, all of which were reflected as open investigations in the 2021 fourth quarter report.

Below are a series of tables showing statistical information on the OIG complaints received in the first quarter of 2022.

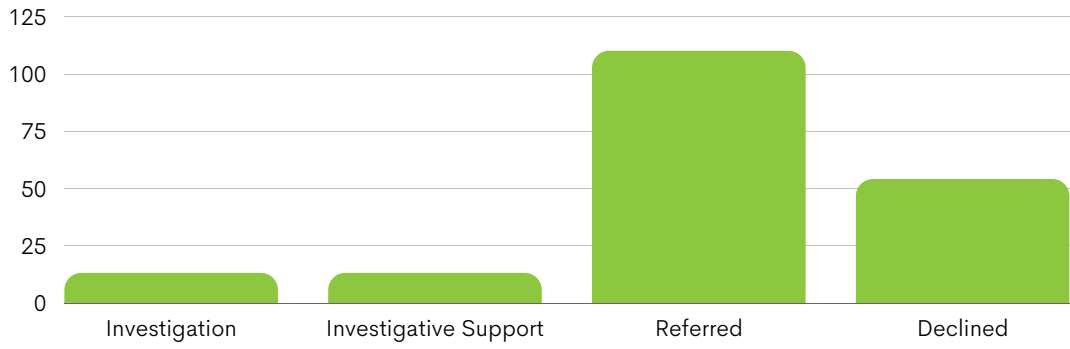
Complaints by Method



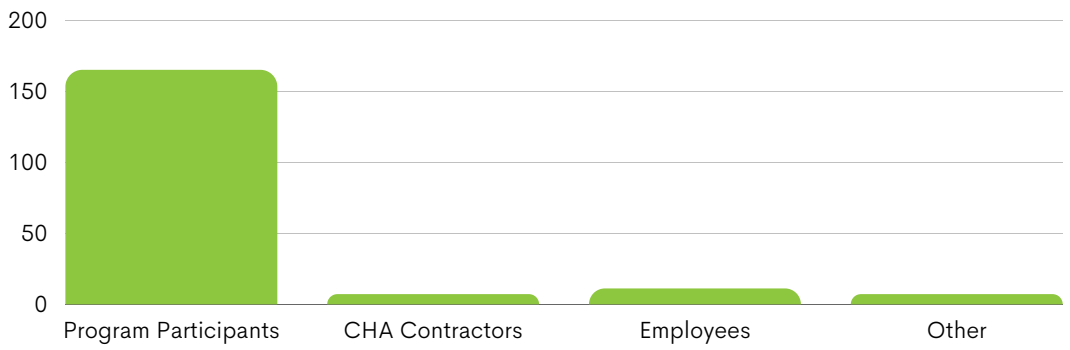
Total Complaints by Quarter



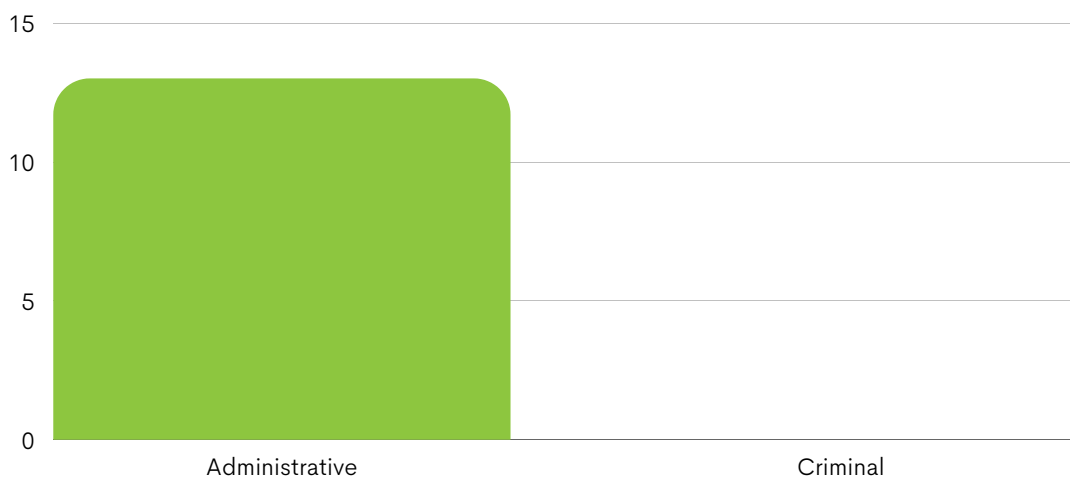
Complaints by Disposition*



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. An administrative case is sustained if the preponderance of the evidence establishes a violation or the case identifies a particular issue that warrants an advisory to CHA management. For sustained administrative investigations, the OIG produces either an advisory or summary report of investigation with findings and recommendations for appropriate disciplinary, administrative, or other action to the CEO and the impacted department. The OIG will report management's response in each quarterly report.

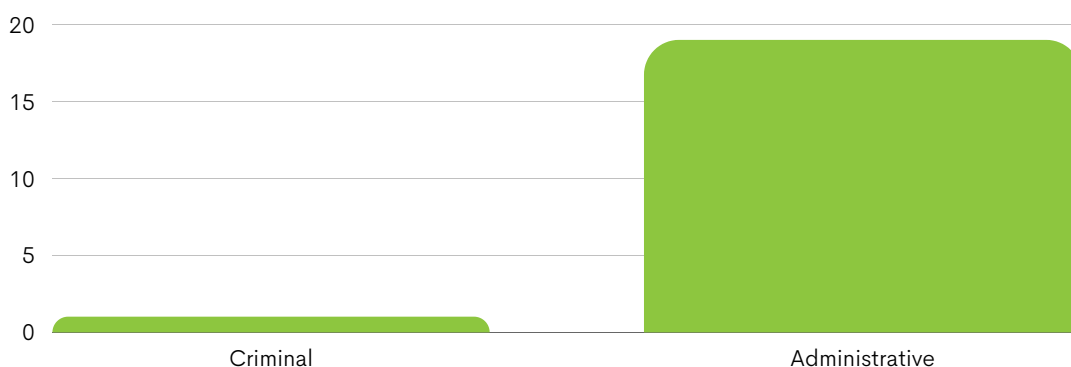
In criminal investigations, if there is sufficient evidence for potential prosecution, the OIG presents the evidence to a prosecuting agency for review. Investigations that result in criminal charges are reported to CHA management and the Finance and Audit Committee. A criminal matter that results in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

A case is not sustained when the OIG concludes that the available evidence is insufficient to prove a violation under applicable burdens of proof. A case is closed with no further action warranted ("closed -NFA") when, in OIG's assessment, the matter has been or is being appropriately addressed by another agency or department, the matter was consolidated with another investigation, or, the OIG determines that no further investigative action is warranted based on the specific circumstances presented.

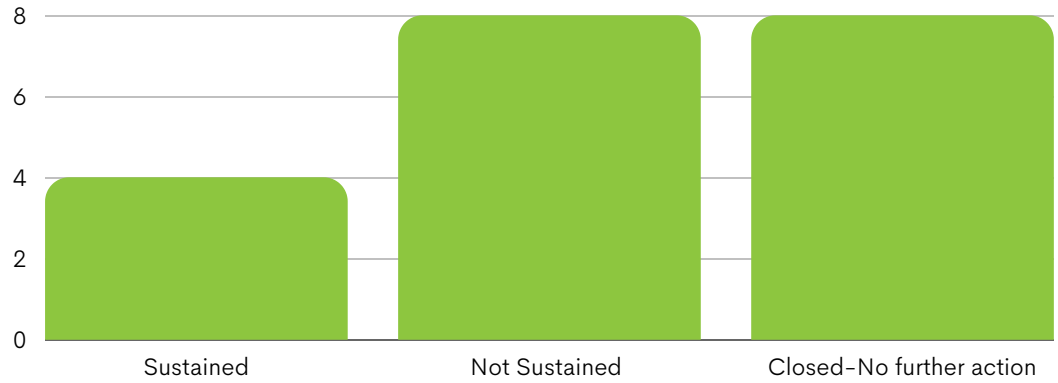
Investigations Closed During the Quarter

In the first quarter of 2022, the OIG closed 20 investigations. Of those cases, 4 were sustained for administrative violations, 8 were closed not sustained, and 8 closed with no further action warranted. Of the not sustained matters, one was criminal and 7 administrative.

Closed Criminal and Administrative Cases

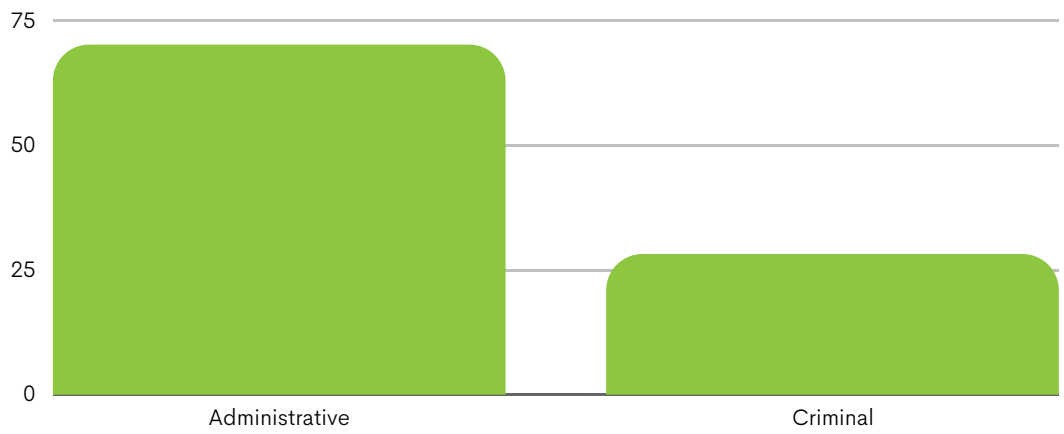


Disposition of Closed Investigations



Pending Criminal and Administrative Investigations

At the close of the first quarter, the OIG had a total of 98 pending investigations. Of the 98 pending investigations, 70 are administrative and 28 criminal.



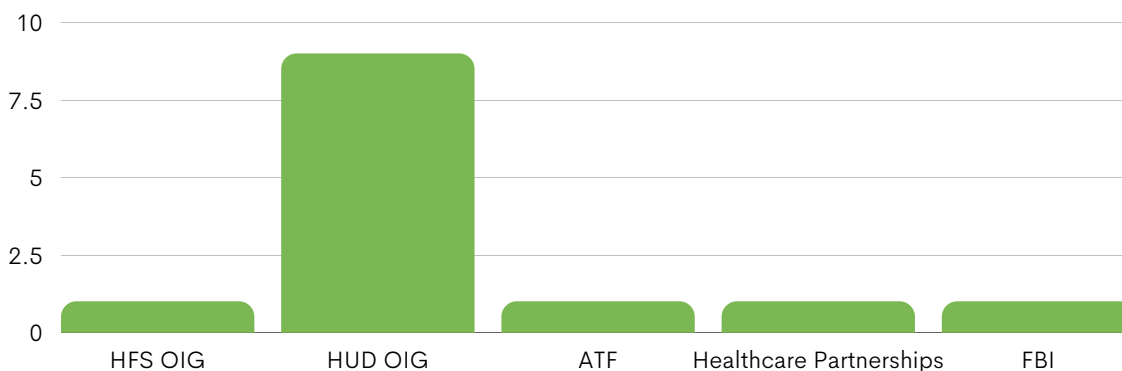
Investigations Not Concluded Within Six Months

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 98 pending investigations, 67 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	10
On-hold or delayed due to other ongoing time-sensitive investigations	36
Total	67

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 first quarter of 2022, the OIG provided investigative support in response to 13 complaints: 1 internal request from CHA Healthcare Partnerships, 9 from HUD OIG, 1 from the Federal Bureau of Investigations, 1 from the U.S. Bureau of Alcohol, Tobacco, Firearms and Explosives, and 1 from the Illinois Department of Healthcare and Family Services OIG.



Criminal Cases

This quarter, two OIG investigations resulted in criminal indictments, and two additional OIG criminal investigations resulted in criminal convictions, summarized in detail below. At the end of the first quarter of 2022, 9 OIG criminal investigations were pending in court. The chart below outlines the status of those cases. Please note that charges in an indictment are not evidence of guilt, and the defendant is presumed innocent until proven guilty in a court of law.

Indictments

Indictment of Nekeia Spruill, *People v. Spruill*, 22-CR-0228801, OIG #2020-02-00030

On February 16, 2022, the Grand Jury sitting in the Circuit Court of Cook County returned a nine-count indictment charging Nekeia Spruill, a former property manager for Leasing & Management Inc. (L & M) with theft, forgery, and wire fraud in connection with her management of two CHA mixed-income properties. Since 2011, L & M has managed Keystone Place Apartments (Keystone) and Dorchester Housing + Art Collaborative (Dorchester), both CHA mixed-income properties. Spruill was employed by L & M to manage these properties from December 2016 to October 2019.

The investigation revealed that, from February 2017 through October 2019, Spruill fraudulently deposited money orders totaling over \$83,000 into her personal bank accounts. The money orders were rent payments L & M received from tenants of Keystone and Dorchester, and which Spruill had altered to identify herself as the payee. The payments were from tenants that included CHA public housing residents, CHA Housing Choice Voucher (HCV) participants, and market rate renters. Spruill took various steps to conceal her theft from both L & M and the CHA. L & M has worked closely with the OIG to support the investigation and ensure no tenants were negatively affected.

The CHA OIG worked jointly on the investigation with the Chicago Police Department Financial Crimes Unit. Prosecution of the matter is being handled by the Illinois Attorney General's Office.

The OIG's investigation will remain open pending the outcome of the criminal court proceedings.

Indictment of Catherine Brown, *People v. Brown*, OIG #2017-04-00014

On March 2, 2022, the Grand Jury sitting in the Circuit Court of Cook County returned a four-count indictment charging former Housing Choice Voucher (HCV) participant Catherine Brown with Theft of Governmental Property Exceeding \$100,000 (Class X felony) and three counts of Forgery (Class 3 felony). The indictment stems from an investigation initiated by the Chicago Housing Authority (CHA) Office of the Inspector General (OIG), which found that, from September 2000 to May 2018, Brown fraudulently obtained housing benefits totaling over \$193,000. Brown has also used the name Catherine D' Tycoon. Brown is a locally known pastor and community activist, who unsuccessfully ran for mayor in the 2019 Chicago mayoral election.

The indictment contends that, from October 2006 through July 2017, Brown fraudulently received housing benefits totaling over \$136,000 by residing with her CHA voucher in a property she jointly owned with her parents. During this time, Brown was a signatory on both the P.O. Box and the bank account where Housing Assistance Payments intended for Brown's landlord were sent. Brown also failed to report her husband as a household member or his income to the CHA.

In addition, prior to her ownership of the property, Brown failed to report that she was renting her HCV unit from her parents, a violation of CHA's family obligations. This caused the CHA to incur an additional loss of approximately \$57,000 from September 2000 to September 2006.

The OIG initiated the investigation based on OIG analysis of HCV landlords whose last name matched the HCV participant and that had provided a Post Office (P.O.) Box as their vendor address. The CHA terminated Brown's voucher in May 2018.

Prosecution of the matter is being handled by the Illinois Attorney General's Office. The OIG's investigation will remain open pending the outcome of the criminal court proceedings.

Notable Developments in Criminal Cases

Guilty Plea and Conviction – U.S. v. Coleman, 20-CR-00099, (N.D. Ill.), OIG # 2014-03-00034

On January 19, 2022, Lester Coleman, owner of Coleman Development Corp. (CDC), pleaded guilty to one count of wire fraud before the U.S. District Court, Northern District of Illinois, relative to a scheme to defraud the CHA. Coleman, through CDC, obtained more than \$3,000,000 in construction and rehabilitation contract payments from CHA between 2010 and 2012, by intentionally overstating the amount of work performed by CDC as a certified, minority owned business enterprise (MBE) and falsely reporting it had paid its employees prevailing wages.

As he acknowledged at his plea hearing, Coleman caused CDC to bid on approximately six CHA contracts and falsely represented that CDC, as an MBE, would itself perform an amount of work sufficient to satisfy the CHA's MBE requirements, knowing that CDC did not have the capacity to perform the necessary amount of work. Coleman then entered into subcontractor agreements with Subcontractor A to perform substantially all of the services that Coleman represented to the CHA that CDC itself would perform. Coleman caused CDC to submit payment requests to the CHA that included supporting documents that falsely represented the amount of work done by CDC and others, inflated the labor and materials costs incurred by CDC, and falsely underreporting the amount of work done by Subcontractor A. Coleman also submitted to the CHA payment requests that falsely represented the identity of certain subcontractors. Coleman also caused CDC to falsely represent to CHA that the employees working on the projects would be paid the prevailing wages required by federal labor laws and later submitted to the CHA false certified payroll reports.

The OIG's investigation will remain open until the conviction is final at sentencing, scheduled for July 14, 2022. Coleman faces maximum penalties of 20 years in prison, three years of supervised release, and the greater between either a \$250,000 fine or twice the gross gain or loss resulting from his crime. Restitution is mandatory.

Guilty Plea and Conviction – U.S. v. Barrow, 19-CR-00650, (N.D. Ill.) OIG #2014-07-00043

On March 8, 2022, Major Barrow, owner of Barrow Construction, a former Chicago Housing Authority sub-contractor, pleaded guilty to one count of wire fraud in the U.S. District Court, Northern District of Illinois, relative to a scheme to defraud the CHA.

Barrow was the president and 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 Private Property Management (PPM) companies.

According to the indictment returned on August 15, 2019, Barrow obtained contracts totaling approximately \$345,532 in CHA funds, including wages purportedly paid to Barrow Construction employees. However, in documents submitted to the CHA, Barrow Construction falsely represented that it paid prevailing wages as set forth in federal Davis-Bacon labor regulations. Additionally, Barrow knowingly prepared weekly certified payroll reporting forms that contained materially false statements regarding 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. The indictment charged Barrow with two counts of wire fraud for transmitting fraudulent certified payroll reports to the CHA and the PPMs by means of wire communication through interstate commerce.

The CHA OIG initiated this investigation and worked in partnership with the U.S. Department of Labor OIG and U.S. Housing and Urban Development OIG. Prosecution of the matter is being handled by the U.S. Attorney's Office for the Northern District of Illinois. The matter will remain open pending the outcome of Barrow's sentencing, scheduled for June 8, 2022.

Criminal Cases Pending in Court

Case Name	Indictment	Summary of Charges	Updates
People v. Brown, 22-CR-0281301 (Cook Cty. Cir. Ct.)	3/2/2022	Class X felony theft and forgery	Brown was indicted on four felony counts on March 2, 2022. Brown's next court date is April 20th.
People v. Spruill, 22-CR-0228801 (Cook Cty. Cir. Ct.)	2/16/2022	Class 1 felony theft, class 2 felony theft, wire fraud, and forgery	Spruill was indicted on nine felony counts on February 16, 2022. Spruill's next court date is May 6th.
People v. Carney, 21 CR 1492801 (Cook Cty. Cir. Ct.)	12/21/2021	Felony theft, wire fraud, and forgery for fraudulent receipt of HCV benefits	Status hearing on May 27th.
People v. Massey, 21 CR 58201 (Cook Cty. Cir. Ct.)	1/20/2021	Felony theft, wire fraud and forgery	Bench trial set for June 6th.
People v. Lumpkins, 21 CR 0069001 (Cook Cty. Cir. Ct.)	12/30/2020	Class X felony theft	Status hearing on April 28th.
U.S. v. Coleman, 20-CR-00099 (U.S. District Ct.)	2/14/2020	Felony wire fraud	Coleman pleaded guilty to one count of wire fraud on January 19, 2022. Sentencing is set for July 14, 2022.
U.S. v. Barrow, 19-CR-00650 (U.S. District Ct.)	8/15/2019	Felony wire fraud	Barrow pleaded guilty to one count of wire fraud on March 8, 2022. Sentencing is set for June 8, 2022.
People v. Mong, 19-CR-1092601 (Cook Cty. Cir. Ct.)	8/6/2019	Class 1 felony theft and forgery	Jury Trial set for May 31st.
U.S. v. Kowalski, 19-CR-00226-01 (U.S. District Ct.)	3/10/2019 Multiple superseding indictments	Conspiracy to commit embezzlement, bankruptcy fraud, tax fraud.	Status hearing on May 5th.
People v. Hawthorne, 16-CR-1222901 (Cook Cty. Cir. Ct.)	8/8/2016	Six felony counts including theft, forgery and continuing financial crimes enterprise	Hawthorne pleaded guilty. Sentencing is delayed pending her payment of restitution.

Sustained Administrative Investigations

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.

Subleasing and Abandonment of Unit (Public Housing Participant) OIG # 2020-02-00031

On January 28, 2022, the OIG notified CHA management of an investigation, which found that a current resident of Bridgeport Homes had sublet their prior public housing unit in Altgeld Gardens for more than three years, from October 2016 until May 2020. For two of those years, the resident had been renting a market-rate apartment in Oak Park, Illinois. In 2020, the resident requested a move and relocated to a unit in Bridgeport Homes. The OIG recommended that the Property and Asset Management (PAM) Office refer the resident for eviction.

PAM responded that it referred the matter to the CHA's Office of General Counsel for review and further action as appropriate, and later issued the resident a 30-day notice of lease termination.

OIG Advisory #21 Addendum – City of Chicago Employee Income Reporting OIG #2021-08-00051 & 2021-08-00060 (HCV Participants)

On February 25, 2022, the OIG notified CHA management of two additional HCV participants identified through a data analysis of CHA participants employed by the City of Chicago for whom there appear to be discrepancies in the income recorded in Yardi and the actual income earned. On December 10, 2021, the OIG issued Advisory #21 regarding City of Chicago employee income reporting and provided information regarding 7 CHA participants who were employed by the City of Chicago but had not accurately disclosed their income to the CHA. The two additional HCV participants were identified through the same OIG analysis. The OIG's review found indications that these two individuals reported their City income but that both had gaps in service due to seasonal employment or a leave of absence, and as a result, their full income was not accurately recorded in Yardi.

The OIG recommended that the HCV Department review these individuals' records to ensure the housing assistance payments (HAP) are correctly calculated and actions taken during recertification complied with HCV rules and policies.

In response, HCV reviewed both matters and determined that the individuals had received overpayments in HAP in the amounts of \$9,062.00 and \$19,696.00 respectively. HCV issued both notices of intent to terminate the vouchers, with an opportunity to respond and enter a repayment plan. One participant requested a repayment plan and the other failed to respond, resulting in termination of the voucher.

Audits and Reviews

This quarter the OIG issued a revised draft report of the Demonstration Programs and Special Initiatives Admissions Audit and is allowing CHA management time to respond to the findings before publishing. The Resident Services Department responded to the first draft audit report, noting that the OIG's report was based on incomplete data and providing an updated dataset for analysis. The OIG completed that analysis and provided the revised findings to the Resident Services and HCV departments for review and response. 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, PAM Unit Vacancy Rate Audit, and Procurement Reform Task Force (PRTF) Audit. These audits are expected to be finalized by the end of next quarter.

Management Advisories and Memos

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 one advisory, OIG Advisory #23, summarized below. Additionally, Advisory #22, regarding recent Federal Guidance on Promoting Accountability through Cooperation among Agencies and Inspectors General, was issued in the fourth quarter of 2021, but management's response was not received until this quarter.

OIG Advisory #22 Federal Guidance on Promoting Accountability through Cooperation among Agencies and Inspectors General

On December 23, 2021, the OIG issued an advisory to the CHA Board Chairperson and Vice-Chairman, and CEO regarding recent relevant guidance from the federal government on best practices for promoting cooperation and communication with an agency's OIG office. In December 2021, the Executive Office of the President and U.S. Office of Management and Budget (OMB) issued a memorandum to all federal executive agencies on "Promoting Accountability through Cooperation among Agencies and Inspectors General," with specific steps agencies can take to better empower and support their IG offices, including regular and consistent communication from management to staff reinforcing the need for cooperation and collaboration with the OIG, and regular meetings between the IG and agency leadership to maintain open lines of communication.

The OMB memo notes the importance of independence for OIGs in being able to effectively perform their work, but further notes the importance of collaboration and communication between agency leadership and the IG. In that spirit, and with the goal of fostering transparent and effective collaboration, the CHA OIG recommended that CHA management consider adopting the following recommendations:

Establish regular reminders for all CHA staff and contractors on the duty to report fraud, waste, and abuse, and the duty to cooperate with the OIG, referencing many of the points in the attached OMB template.

Develop online training modules for CHA staff and contractors, including an orientation to the OIG for new hires, and an annual on-line training regarding the OIG, which could be combined with the CHA's annual ethics training module. The OIG would be happy to work with CHA management to develop such training.

Establish regular meetings between CHA management and the IG, whether one-on-one or in small groups, to provide regular opportunities for candid conversations about CHA operations.

Establish regular meetings between CHA management and OIG staff to specifically address any new or changed programs and enterprise risk management efforts. Such meetings would be designed to brief the OIG on new programs, initiatives, and risk management efforts and discuss the potential for fraud and risk mitigation. The OIG, however, is prohibited from participating in the design of CHA programs given its role as independent auditor.

In response, the CEO thanked the OIG for sharing the OMB memo and noted that CHA appreciates its relationship with the OIG and continues to collaborate to combat fraud, theft, waste, abuse, and misconduct. The CEO noted that CHA management "fortunately already routinely practice many of the memorandum's recommendations regarding collaboration, communication, and training," citing the OIG's new employee newsletter and coverage of the duty to report to OIG in employee annual, mandatory ethics training. The CEO distinguished between CHA and federal agencies, which she commented "often do not have internal auditors" and noted that CHA's internal auditor (augmented by its third-party internal audit firm) provides advisory services for CHA management when reviewing internal controls for new programs.

Finally, the CEO stated that she is "open to finding additional employee engagement and training opportunities," and invited the OIG to present and discuss OIG reports with CHA management. As a result, the Inspector General presented the OIG 2021 Annual Report to a meeting of the CHA executive leadership team in February 2022. The Board Chair and Chair of the Finance and Audit Committee have also established regular meetings with the Inspector General.

OIG Advisory #23 – Paycheck Protection Program Loan Certifications by CHA Participants Claiming Lost Business Income

On February 24, 2022, the OIG advised CHA management of a significant indicator of potential fraud among CHA program participants who have received over \$135 million in forgivable loans through the U.S. Small Business Association (SBA) Paycheck Protection Program (PPP). Through data analytics, the OIG identified CHA program participants who have received pandemic relief PPP loans based on assertions that they lost substantial income as sole proprietors, independent contractors, or self-employed persons. OIG's analysis identified the following:

- 6,280 individual borrowers (heads of households and family members) associated with 5,361 CHA households (i.e., tenant IDs) received a combined total of \$135,268,790 in forgivable PPP loans.
- Of those, 3,053 CHA participants received loans of \$20,830 or more, indicating they reported annual business income of at least \$99,984 (capped at \$100,000).
- Another 2,520 individual borrowers whose addresses match CHA participant addresses but are not authorized occupants at the respective addresses. These individuals received a total of \$55,028,184 in forgivable loans.
- Combined, the two categories represent 10,170 loans equaling \$190,296,975 for 8,800 documented and potential occupants of CHA subsidized properties.

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Given the widely reported, high level of fraud on the PPP loan program, particularly by those claiming to be sole proprietors or self-employed, the OIG views a vast number of these loans as suspect and potentially fraudulent, raising concerns about the credibility or truthfulness of these individuals' various submissions to the CHA, or conversely, that program participants failed to report legitimate business income to the CHA.

OIG Recommendation

The OIG provided a datafile listing the program participants and other individuals identified as having received PPP loans at a CHA subsidized address. The OIG recommended that HCV and PAM use this information as the basis for further inquiry during individual eligibility reexaminations going forward and consider other proactive compliance and enforcement initiatives.

HCV Program Response

In response, the HCV department reported that its contractor had mailed approximately 5600 letters to participants who may have received a PPP loan and 2700 letters to families with unauthorized occupants who potentially used the subsidized unit addresses on applications for a PPP loan. The letters notify the participants that they must provide documentation of the purported business income and the PPP loan. Failure to respond and/or provide the documentation may result in termination from the program. As of March 28, 2022, the contractor's staff were making attempts to call all of the families about the notice and any missing documents. On March 24, 2022, HCV issued CHA Advisory 2022-06 to give all HCVP staff guidance on how to handle removal of household member(s) and assumption of voucher for any PPP loan or fraud-related household under investigation.

The HCV contractor staff will review all documents to determine if participants submitted correct documentation and provide CHA-HCV a list of participants that require a notice of Intent to Terminate the voucher. Participants who fail to submit a hearing request will be terminated from the program. Participants who submit a hearing request will be granted the hearing.

Public Housing Program Response

The PAM department responded that it is reviewing the OIG's report and assessing the impact to the Authority and its public housing participants. PAM stated that it "will take the necessary measures identified under the HUD 24 CFR and the HUD [Handbook] 4350 to determine our next steps. We will provide an action plan to the OIG upon our complete evaluation."

Analytics

Registered Sex Offender List Analysis

As part of a routine quarterly analysis from 2017 through 2021, the OIG reviewed the Illinois lifetime sex offender registry to identify offenders listing a public housing or HCV tenant or landlord address. Federal law prohibits lifetime registered sex offenders from residing in public housing or participating in the HCV program. In this five-year period, the OIG identified a total of 184 offenders listing a prohibited address. In response to these findings, CHA requires the head of household to submit documentation to show the offender does not reside in the CHA unit and the CHA address is removed from the sex offender registry.

Of the 184 offenders identified, over 40% (75 out of 184) have removed the CHA address from the registry, and 18 participants have been terminated from CHA programs. The chart below provides a summary of administrative actions, and includes figures updated with the results from individuals identified in the fourth quarter of 2021.

In the first quarter of 2022, the OIG transferred responsibility for regular review of the registered sex offender list to the HCV and PAM departments. The OIG provided a detailed overview of its methodology for identifying CHA addresses on the list of sex offenders and has provided support as needed to ensure a smooth transition of the program to the business units as part of their routine compliance efforts. The OIG anticipates auditing these efforts in the future.

Action Taken on Previous Findings

Enforcement	Total (184)
Terminated	18
Settlement Agreement	2
Under Eviction	1
PAC Agreement or Warning Notice	15
Notice of Intent to Terminate Issued	35
Document Outstanding Notice Sent	20
After Inquiry, No Further Action Required	93