

OFFICE OF THE INSPECTOR GENERAL

Quarter 3 REPORT





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

October 13, 2022

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

Enclosed for your review is the 2022 Third Quarter Report on the activities of the Chicago Housing Authority Office of the Inspector General (OIG) from July 1, 2022, through September 30, 2022. Pursuant to the OIG Charter, the report contains statistical information and summaries of OIG investigations, audits, and other activities.

This quarter, I highlight the following key OIG activities:

- **Successful 2022 Peer Review** – In early September, representatives from the Association of Inspectors General conducted a Peer Review of OIG investigations and audit activities and concluded that OIG’s work met all applicable professional standards.

The Peer Review team identified overall areas of distinction for the CHA OIG, noting that external stakeholders “commended the CHA OIG for a smooth transition during the period of change from one Inspector General to another. Stakeholders spoke highly of staff qualifications, professionalism, and commitment to excellence.” Additionally, the Peer Review team commended the OIG’s addition of staff, particularly analyst and investigator positions that provide significant resources to the rest of the staff and have improved OIG responsiveness. The team provided two overall areas of consideration, including recommendations that OIG prioritize completion of procedure manuals for the audits and investigations sections and the implementation of electronic case management systems for both investigations and audits to improve file management and productivity. Implementation of both recommendations is well underway. You can read the full Peer Review Management Letter on our webpage.

- **Employee PPP Loan Fraud Investigations** – In June 2022, the OIG issued summary reports of investigation, which found that 17 CHA employees had obtained Paycheck Protection Program (PPP) loans for small businesses that they had not declared on their respective statements of financial interests or secondary employment forms. As detailed in the enclosed report, OIG’s investigation determined that, in most cases, these loans were fraudulent, or the employees committed other significant personnel rule violations.

CHA management, with the support of the Board of Commissioners, provided a decisive response to the OIG's findings and recommendations, discharging the 16 active employees (one had already left CHA employment). I commend CEO Scott for making a statement to all CHA employees, in which she personally emphasized the importance of integrity and the pride we must all take in holding ourselves to the highest ethical standards as CHA employees. Additionally, all employees are receiving additional training from the CHA Ethics Officer and OIG before the end of the year. I and the rest of the OIG staff take no pleasure in seeing the termination of so many employees, but I am gratified that CHA management set the "tone from the top," that as government employees responsible for providing affordable housing to those in need, our honesty and trustworthiness is paramount.

- **Woman Charged with Defrauding the HCV Program Submits Forged Restitution Check –** Earlier this quarter, we were pleased to see a longstanding criminal case against former HCV participant Silk Lumpkins result in a guilty plea. While the judge imposed no incarceration, he ordered full restitution to CHA in the amount of \$105,762. In fact, Lumpkins personally appeared at the change-of-plea hearing and presented a cashier's check payable to the CHA in the amount of \$20,000 as a sign of good faith. However, when CHA attempted to deposit the check, it bounced and was later determined to be forged. The Illinois Attorney General's Office has moved to vacate Lumpkins's plea and sentence, and is working closely with the OIG to ensure she is held fully accountable for her crimes of diverting critical affordable housing resources from those who truly need them.

Additional investigations and audits concluded by OIG staff this quarter are detailed below.

It is our privilege to support the CHA in achieving its mission. As always, if you have any suggestions for areas of inquiry by the OIG or concerns regarding fraud, waste, or misconduct within or affecting the CHA, please feel free to contact me directly at krichards@thecha.org or 312-913-7114.

Respectfully submitted,



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 most recent peer review was completed September 2022. The Peer Review Team concluded, without reservation, that OIG's work for the years 2019-2021 met the applicable professional standards.

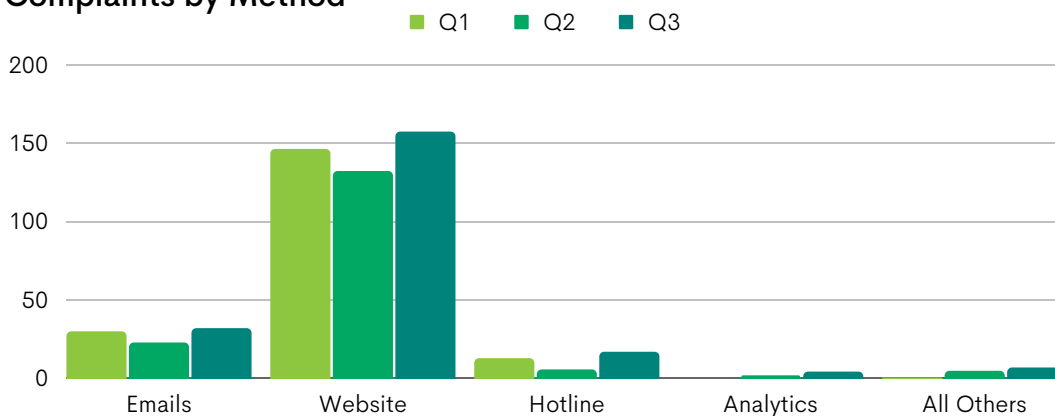
Complaints

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.

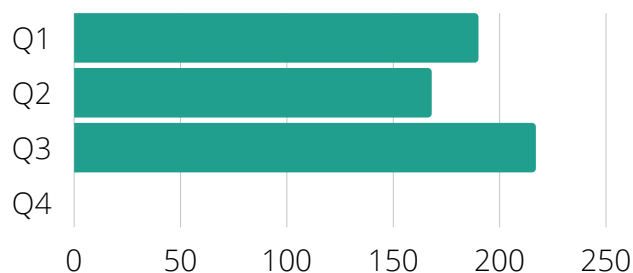
The OIG received 217 complaints in the third quarter of 2022. Of those complaints, the OIG referred 119 complaints to various relevant CHA departments and outside agencies; provided investigative support to internal and external stakeholders in response to 3 complaints, and declined 69 complaints. The OIG opened 11 new investigations this quarter. As of September 30, 2022, a total of 22 complaints, including 1 received in the first quarter, 6 in the second quarter, and 15 from the third quarter of 2022 remained pending for further evaluation.

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

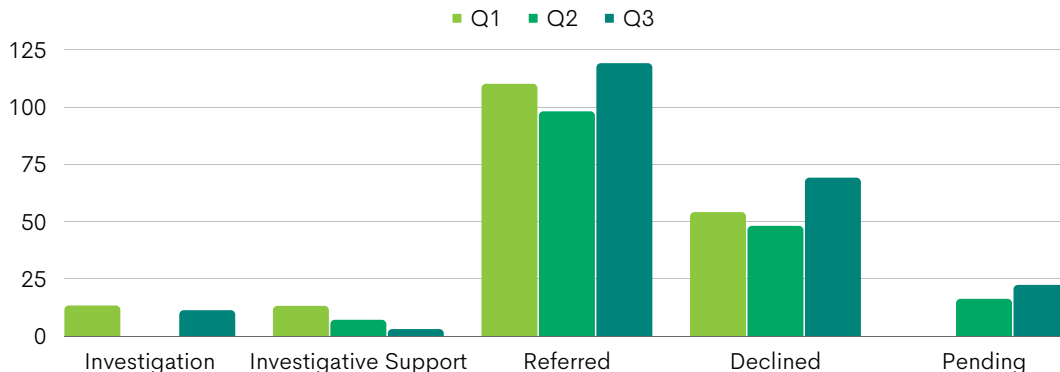
Complaints by Method



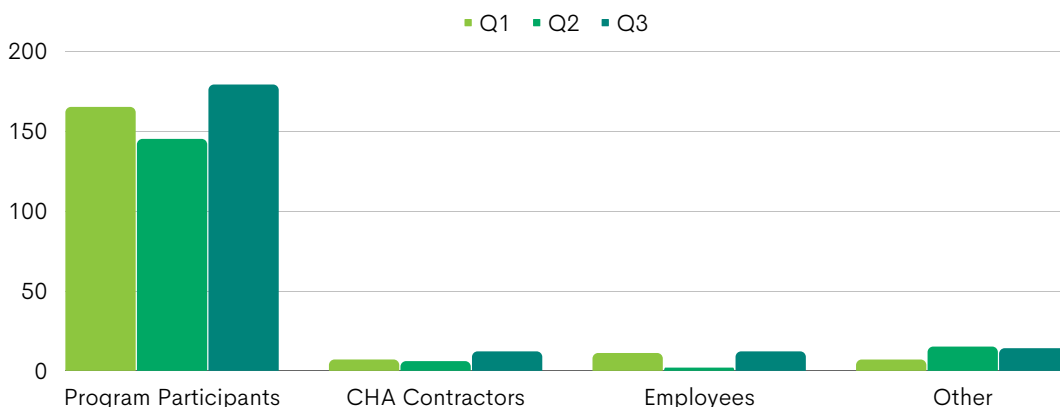
Total Complaints by Quarter



Complaints by Disposition

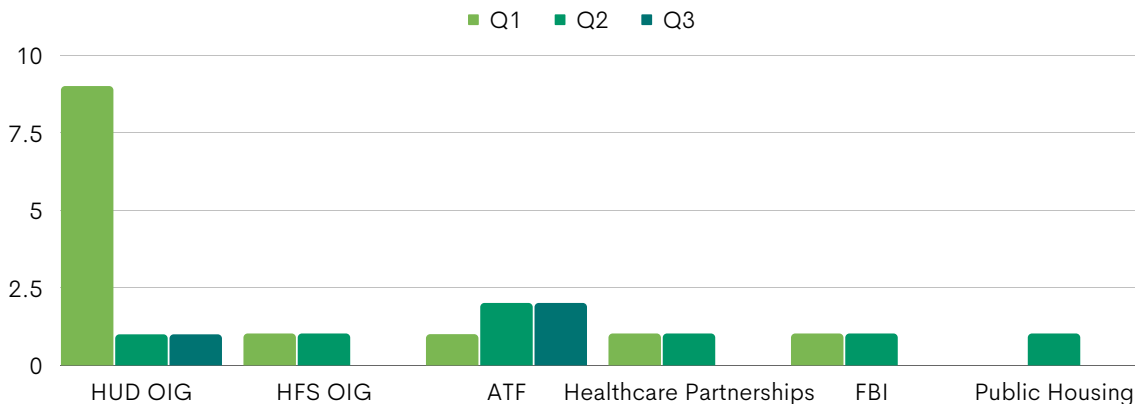


Subjects of Complaints



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 third quarter of 2022, the OIG provided investigative support in response to 3 complaints: 1 from HUD OIG and 2 from the U.S. Bureau of Alcohol, Tobacco, Firearms and Explosives.



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.

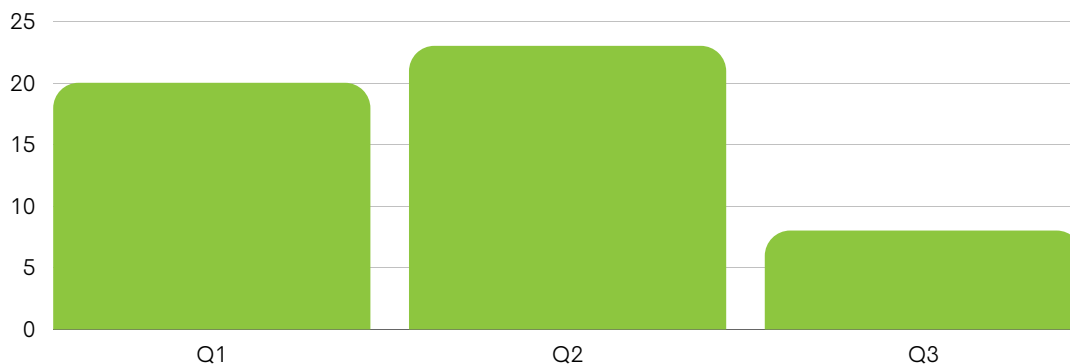
In criminal investigations, if there is sufficient evidence for potential prosecution, the OIG presents the evidence to a prosecuting agency for review. Investigations that result in criminal charges are reported to CHA management and the Finance and Audit Committee. A criminal matter that results in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

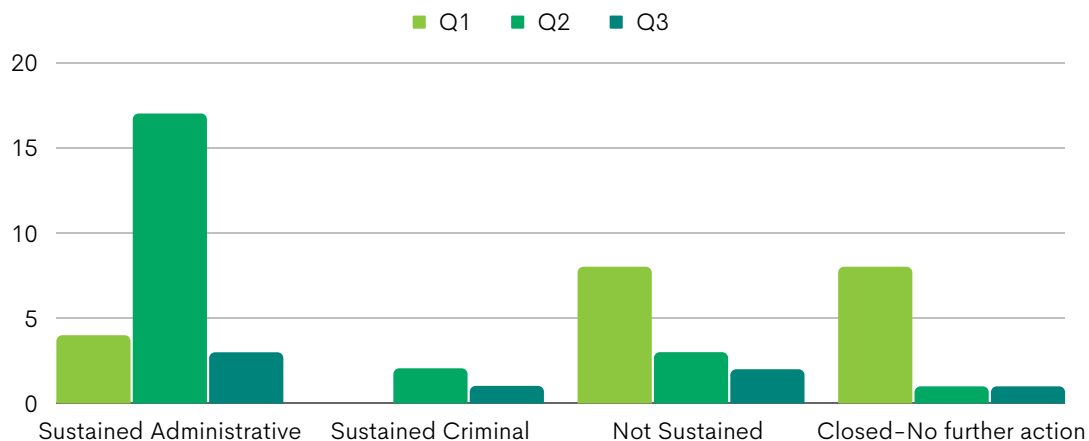
Investigations Closed During the Quarter

In the third quarter of 2022, the OIG closed 8 investigations. Of those cases, 5 were sustained, 2 were not sustained, and 1 closed with no further action warranted. Of the sustained cases, 4 were sustained for administrative violations, and one was sustained with a criminal conviction and sentencing.

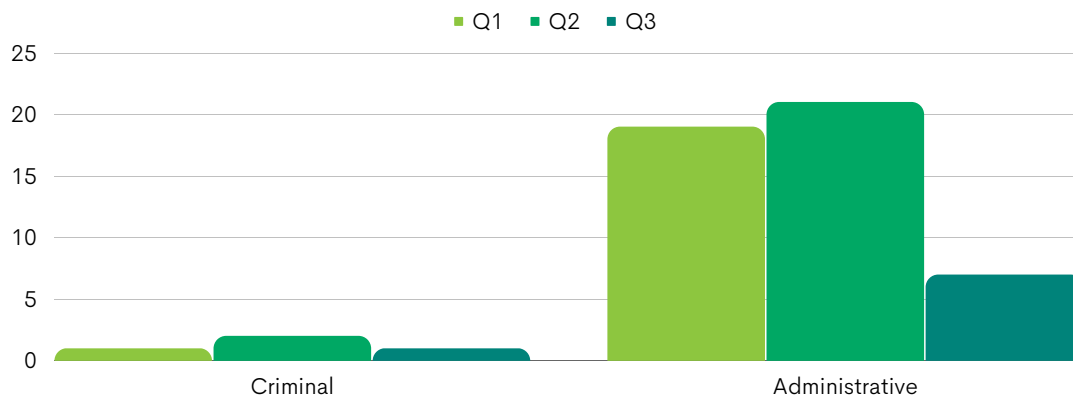
Closed Investigations by Quarter



Disposition of Closed Investigations

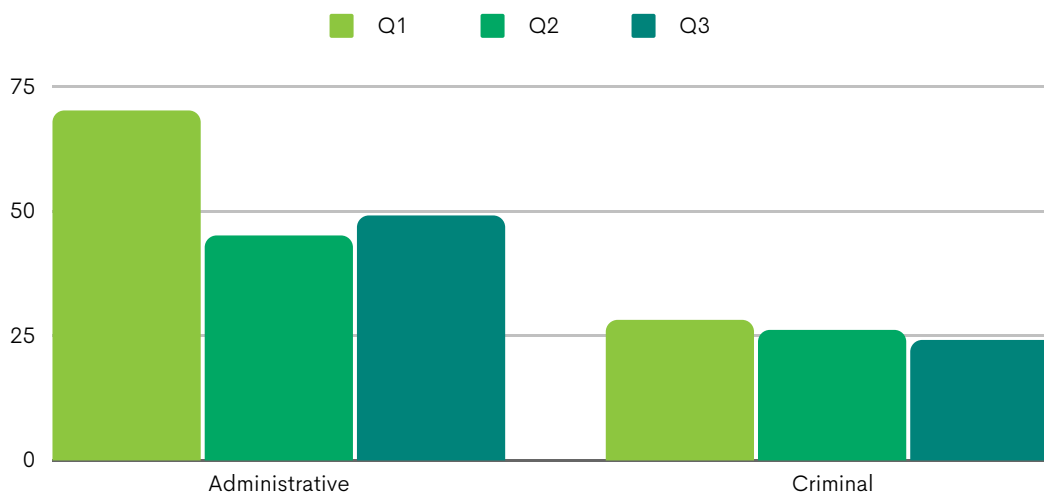


Closed Criminal and Administrative Cases



Pending Criminal and Administrative Investigations

At the close of the third quarter, the OIG had a total of 73 pending investigations. Of the 73 pending investigations, 49 are administrative and 24 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 73 open investigations, 61 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	24
Indicted cases, but no criminal disposition	9
On-hold or delayed due to other ongoing time-sensitive investigations	28
Total	61

Recoveries

This quarter, the CHA received funds from two defendants ordered to pay restitution as a result of prior OIG criminal investigations. The recoveries are listed below.

Case Name	Date of Restitution Order	Amount
People v. Charles Watts, 19CR1107902 OIG # 2017-06-00011	8/15/22	\$47,500
State of Illinois v. Wanda Goodloe, 2016CR0628801, (Cook Cty. Cir. Ct.) OIG #2014-04-00056	7/15/22	\$250
Q3 Total		\$47,750

Criminal Cases

This quarter, OIG investigations resulted in one new criminal charge and the sentencing of a defendant in an existing case. In a third case, a defendant pleaded guilty and was sentenced, but the Attorney General's Office has since moved to vacate the plea. These cases are summarized in detail below.

At the end of the third quarter of 2022, 9 OIG criminal investigations were pending in court, including one investigation that resulted in two separate criminal indictments. 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

Criminal Information filed against Maurice Green, Pillar Insurance Services, LLC U.S. v. Green, 22-CR-391 (N.D. Ill.); OIG #2018-12-00002

On August 11, 2022, Maurice Green, owner of Pillar Insurance Services, LLC, was charged by information in the U.S District Court for the Northern District of Illinois, with one count of wire fraud, in violation of 18 U.S.C. 1343, for his scheme to sell fraudulent surety bonds to CHA construction contractors. The contractors believed they were purchasing legitimate surety bonds, which were required for their work on CHA contracts.

As detailed in the information, from approximately October 2015 through December 2018, Green and his company Pillar Insurance sold fictitious surety bonds and insurance policies purporting to be from legitimate insurance companies, when in fact those insurance companies had not issued the policies, and Pillar had not been authorized to sell them.

Green collected approximately \$270,776 in fees from CHA contractors for the fictitious bonds and policies, which had a combined purported coverage value of \$6,764,078. The CHA required certain contractors performing work for the Authority to obtain surety bonds, which would insure against those contractors' failure to perform on the contract or to pay any subcontractors. As described in the single count charged, Green defrauded a CHA construction contractor, which believed it was purchasing a legitimate surety bond.

This charge stems from an investigation by the CHA OIG in partnership with the U.S. Department of Housing and Urban Development OIG and the FBI. The U.S. Attorney's Office for the Northern District of Illinois is prosecuting the case. The CHA OIG's investigation remains open pending a final resolution of the criminal case.

Notable Developments in Criminal Cases

Sentencing of Evelyn Massey, HCV Program Fraud

People v. Massey, 21 CR 58201, (Cook Cty. Cir. Ct.) OIG #2017-06-00022

On August 31, 2022, Evelyn Massey, a former HCV participant, was sentenced to two years' incarceration in the Illinois Department of Corrections. Massey had pleaded guilty, on the eve of trial, to one count of wire fraud after having fraudulently obtained over \$188,000 in housing subsidy to live in a house she owned.

The CHA OIG's investigation revealed that from November 2000 through February 2018, Massey concealed her ownership in the property that she resided in with her CHA voucher. Massey became a CHA HCV participant in 1994. She rented a house owned by her father, which, at the time, was permitted under the program. Massey's father died in October 2000, and the home was ultimately deeded to her. Instead of notifying the CHA, Massey repeatedly submitted documents continuing to identify her father as the owner of the property and failed to disclose her ownership of the property, despite being the recorded owner and receiving a loan secured by a mortgage on the property. Massey further submitted documents directing the housing assistance payments be deposited to a bank account she controlled.

Massey was charged on January 20, 2021, 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 was handled by the Illinois Attorney General's Office, Public Integrity Bureau.

The HCV department stopped payment of Massey's voucher in 2018, but termination of the voucher was held pending the outcome of the criminal case. Following an administrative hearing, in which Massey did not participate, CHA formally terminated Massey's voucher in October 2022. The CHA OIG's investigation is now closed.

After Defendant Submits Forged Cashier's Check to the Court, AG's Office Moves to Vacate Guilty Plea and Sentence of Silk Lumpkins, Charged with HCV Program Fraud
People v. Lumpkins, 21 CR 0069001 (Cook Cty. Cir. Ct.) OIG #2019-09-00060

On July 13, 2022, Silk Lumpkins pleaded guilty to one amended count of State Benefits Fraud, a Class 3 Felony, and admitted to defrauding the CHA of more than \$100,000 in HCV housing benefits. The Honorable Judge Arthur Wesley Willis of the Circuit Court of Cook County sentenced Lumpkins to 30 months' standard probation and restitution payable to the CHA in the amount of \$105,762.00, including \$20,000 payable on the date of the plea. Per the restitution order, Lumpkins was to make monthly payments of \$2,859.00 for the 30 months of probation.

Lumpkins appeared in court that day, per a prior agreement between parties, with a cashier's check payable to the CHA, purportedly for \$20,000. However, when the CHA deposited the cashier's check to its bank account, the bank returned it as unpayable. According to the branch manager at the issuing bank, Lumpkins personally appeared and purchased a \$20 cashier's check, which had apparently been altered to reflect the amount of \$20,000. Lumpkins then presented this cashier's check to the court.

Upon learning of the forged restitution payment, the Illinois Attorney General's Office moved to vacate the plea and sentence. A petition for violation of probation has also been filed. Both motions are pending, and a hearing is scheduled for November 2, 2022.

The CHA OIG's underlying investigation revealed that from November 2015 through March 2020, Lumpkins fraudulently received housing benefits totaling approximately \$110,000 by concealing the following income and assets:

- Income from employment with several major companies, through the use of an alias (Pauline Williams) and a second social security number.
- Ownership of a residential home in Crystal Lake, IL.
- Monthly rent payments she had received since 2015 for the Crystal Lake property.
- Monthly child support payments.
- The income of her current husband, who was also an unauthorized household member.
- In addition, Lumpkins failed to disclose on her March 2015 CHA application a federal felony conviction for a bank robbery she committed in May 2010.

Lumpkins was originally indicted on December 30, 2020, with one count of Class X felony theft. Prosecution of the matter is being handled by the Illinois Attorney General's Office, Public Integrity Bureau.

Criminal Cases Pending in Court

Case Name	Indictment	Summary of Charges	Scheme	Updates
U.S. v. Green, 22-CR-391 (ND Ill)	8/11/2022	Wire fraud	Sale of Fraudulent Surety Bonds to CHA Contractors	Change of plea hearing on October 27, 2022
People v. Rodriguez, 22-CR-0694401 (Cook Cty Cir Ct)	6/15/22	Class 1 felony theft, forgery	HCV Fraud	Status hearing on November 29, 2022
People v. Rios, 22-CR-0694301 (Cook Cty Cir Ct)	6/15/22	State benefits fraud, multiple forgery counts	HCV Fraud	Status hearing on November 29, 2022
People v. Brown, 22-CR-0281301 (Cook Cty Cir Ct)	3/2/2022	Class X felony theft and forgery	HCV Fraud	Status hearing on November 16, 2022
People v. Spruill, 22-CR-0228801 (Cook Cty Cir Ct)	2/16/2022	Class 1 felony theft, class 2 felony theft, wire fraud, forgery	Property manager theft of rental receipts	Status hearing on October 14, 2022
People v. Carney, 21-CR-1492801 (Cook Cty Cir Ct)	12/21/2021	Felony theft, wire fraud, and forgery	HCV Fraud	Status hearing on November 3, 2022
People v. Lumpkins, 21-CR-0069001 (Cook Cty Cir Ct)	12/30/2020	Class X felony theft	HCV Fraud	Hearing on motion to vacate plea on November 2, 2022.
U.S. v. Coleman, 20-CR-00099 (U.S. District Ct)	2/14/2020	Felony wire fraud	Contractor MBE Fraud	Sentencing continued to November 10, 2022.
U.S. v. Kowalski, 19-CR-00226-01 (U.S. District Ct)	3/10/2019	Conspiracy to commit embezzlement, bankruptcy fraud, tax fraud	HCV Owner Fraud	Jury Trial set for February 13, 2023.
People v. Hawthorne, 16-CR-1222901 (Cook Cty Cir Ct)	8/8/2016	Felony theft, forgery, continuing financial crimes enterprise	HCV Fraud	Hawthorne pleaded guilty. Sentencing is delayed pending payment of restitution. Status hearing on November 17, 2022.

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.

CHA Employee PPP Loan Fraud Investigations

The OIG concluded an investigative initiative, which found that 15 CHA employees each committed federal program fraud when they submitted falsified Small Business Administration (SBA) Paycheck Protection Program (PPP) applications to receive SBA covid relief funds to which they were not entitled. Two additional CHA employees who also obtained PPP loans were found to have violated other CHA personnel rules and policies. The OIG's investigation focused on all active CHA employees who were identified as having obtained a PPP loan as a sole proprietor or self-employed but had not previously obtained authorization for secondary employment or disclosed business income on their annual Statement of Financial Interests.

The OIG's investigation stemmed from an analysis, which matched publicly available SBA PPP loan data to CHA HR data and identifying those records which matched on both full name and home address. As of March 2022, 17 active CHA employees appeared as having received PPP loans as sole proprietors.

The PPP program provided forgivable loans of up to 2.5 times the monthly average business income (net or gross) up to \$100,000. Individuals who had net profit of zero or less, were not eligible for a PPP loan. The maximum amount a self-employed individual could receive was \$20,833.33, if they had \$100,000 or more of business income. OIG's analysis identified the following:

- Nearly all of the loans were for more than \$20,000.00, indicating the employee reported an annual business income of approximately \$100,000.
- Almost all employees listed their businesses as existing for more than two years.
- The employees identified a wide range of businesses to include janitorial services; taxi service; catering; beauty salon; and new multi-family housing construction.

OIG Case ## 2021-07-00013, -00014, -00015, -00016, -00017, 00018, 2021-11-00015, -00016, -00019, -00021, -00022, -00025, -00027, -00029, -00046, -00047, -00074.

- The 17 employees served in 4 CHA departments in various titles, with three holding mid-level supervisory responsibilities:
 - Resident Services (two supervisors of resident programs, a program specialist, Section 3 coordinator, and two Central Advisory Council administrative employees)
 - Property and Asset Management (front desk monitors and front desk supervisor, emergency dispatcher, facility/event staff, project manager),
 - Human Resources (project manager),
 - Office of General Counsel (one administrative employee).

The CHA OIG interviewed all 17 employees in one week in April 2022.

- All but one of the employees admitted to knowingly applying for and taking the loans.
- One employee asserted a family member used the employee's name to obtain a loan for a legitimate business without the employee's knowledge, but the employee reportedly knew the family member was working under the employee's social security number.
- One employee appeared to have had a very active, licensed catering business that the employee claimed had earned over \$100,000 in one year, but did not disclose the income or obtain approval for secondary employment. The same employee used their CHA email address to apply for a PPP loan for another individual and provided false statements in their OIG interview.
- One employee was also a CHA public housing tenant who had been delinquent on rental payments since 2019 and had failed to arrange a payment plan with property management.
- Multiple employees claimed they had planned to start a business with the money, but these statements directly contradicted the signed attestations on the PPP loan applications.
- Several employees stated they had small, unreported side businesses, but had no evidence of having made \$100,000 in a calendar year.

Based on the evidence, OIG issued its summary reports of investigation to CHA management in June 2022, recommending that management discharge 16 employees and mark them ineligible for rehire; in one instance the OIG recommended CHA impose discipline up to and including termination.

One month later, CHA management responded that it concurred with the OIG's findings, and terminated the employment of 16 employees. The 17th employee had already left CHA employment prior to CHA management receiving the OIG report. CHA management declined to categorize the terminated staff as ineligible for rehire.

CEO Tracey Scott addressed all CHA employees in a live TEAMS meeting to address the terminations and the importance of integrity in CHA operations. CEO Scott announced that all CHA employees would be required to complete annual ethics training by the close of the third quarter of 2022, department heads had been instructed to discuss the CHA Ethics Policy at their upcoming team meetings, and the OIG would be providing training to all CHA departments on the role of the OIG before the end of the year. To date, the OIG has provided training to five departments and has scheduled all remaining departments for training in the next two months.

Unauthorized Occupant of HCV Unit, OIG #2021-10-00034, HCV Participant

An OIG investigation found that an HCV participant may have an unauthorized occupant at their unit, because public websites show a \$17,083 Paycheck Protection Program (PPP) loan issued to another individual at the subsidized address. The investigation stemmed from an anonymous complaint that the participant had undisclosed business income. While the OIG found no evidence of businesses in the participant's name, the participant's address was used to obtain the substantial PPP loan.

The OIG recommended the HCV department review the matter for appropriate administrative action. In response, HCV stated its Enforcement Team would attempt to confirm whether the PPP loan recipient is an unauthorized occupant. HCV sent the participant a request for documentation regarding the individual's residence.

Failure to Reside in Subsidized Unit, Failure to Disclose Marriage, OIG #2019-09-00011, HCV Participant

An OIG investigation found that an HCV participant committed fraud against the CHA's HCV program by failing to reside in their HCV unit for well over six years and failing to provide truthful information to CHA, including the fact that they had married. The participant began receiving HCV subsidy in 2009, but between 2011 through 2022, the participant in fact lived in market-rate apartments with their spouse in South Holland, Illinois, Decatur, Georgia, and Romeoville, Illinois. The OIG obtained multiple leases signed by the participant and their spouse, for a market-rate apartment in Romeoville. The participant also appears to have unreported income, having received a \$20,833 PPP loan as a sole proprietor of a beauty salon in 2021.

The OIG recommended the HCV department review the matter for appropriate administrative action, including termination of the participant's voucher. In response, the HCV department stated it would work expeditiously to issue an ITT to the participant.

Audits and Reviews

The OIG closed one audit during the third quarter of 2022. Below is a summary of the closed audit.

Demonstration Programs and Special Initiatives Admissions Audit

The CHA OIG conducted an audit of CHA Demonstration Programs and Special Initiatives ("demonstration programs") to determine whether CHA's Resident Services Division (RS) and CHA contractor Nan McKay & Associates (NMA) admitted participants to the Housing Choice Voucher (HCV) Program in accordance with CHA policy and program criteria and to assess current internal controls in the admission process for CHA's demonstration programs.

As of September 9, 2021, CHA's nine demonstration programs had issued 1,825 (94%) of the 1,943 housing subsidy vouchers set aside for individuals such as veterans, survivors of human trafficking, and people with disabilities. Such individuals receive a voucher through a referral process rather than the traditional waitlist process. The CHA's Board of Commissioners approves all CHA Demonstration Programs and the respective program criteria by board vote.

Findings: The OIG found that CHA demonstration program admissions are fully supported by agency referral letters that appropriately document participant eligibility. The OIG tested 10% of all demonstration program participants identified by RS and NMA to ensure appropriate documentation of the participant's eligibility in the form of referral letters from partner community organizations or other government agencies. Of the 185 participants tested for referral letters, 100% of the letters were identified, and no exceptions were noted. The OIG's review found that each referral letter appropriately lists the name of the demonstration program and the referring agency.

During this audit, the OIG identified discrepancies between the RS/NMA spreadsheet and the Yardi report of information recorded in the participants' HUD Form 50058 lines 2q and 2r as of September 9, 2021. First, the Excel spreadsheet of demonstration program participants RS/NMA provided the OIG was incomplete. The OIG found 32 or 2% (32 out of 1,454) of active demonstration program participants did not appear on the RS/NMA Excel spreadsheet. Second, the OIG identified inconsistent data entry practices for demonstration program information recorded in Yardi. As of September 2021, CHA was recording demonstration program participation in both HUD-50058 lines 2q and 2r, using multiple different acronyms for the same programs, and in approximately 26% of cases, did not record demonstration program participation on the most recent 50058.

Recommendations: The OIG recommended that the RS and HCV Divisions review data entry and program tracking practices for the demonstration programs. Specifically, the OIG recommended that RS and HCV review all current demonstration program participants to ensure the manual tracking spreadsheet is complete; ensure the use of consistent acronyms for each demonstration program going forward, and periodically conduct a review and reconciliation of all current demonstration program participants to ensure the relevant demonstration program is recorded consistently, in each participant's current 50058-line 2q or 2r, to improve data analysis and reporting capabilities.

Response: CHA management concurred with all findings and pledged to adopt all OIG recommendations, including better record keeping to ensure the identified risks and issues were addressed.

Draft Audits Issued

One OIG Audit is pending management response, due in the fourth quarter of 2022. The OIG issued a draft report of the CHA's Tracking and Management of Vacant Public Housing Units Audit. The audit is expected to be closed by the end of next quarter.

Other Pending Audits

Other pending audits include the HCV Abatement Audit and Procurement Reform Task Force Audit. These audits are expected to be finalized by the end of next quarter. The Mixed Finance/Mixed Income Property Rent Collection Audit is expected to be finalized by the end of first quarter 2023. The OIG appreciates CHA management for their willingness to engage in the audit process and continue to improve CHA programs.

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 two advisories. OIG Advisory #24 regarding Public Housing Waitlist Status and Application Date Issues and Advisory #25 regarding HCV Suspensions of Building Code Scofflaws will be summarized next quarter to allow management time to respond.

Update regarding OIG Advisory #23 – PPP Loan Certifications by CHA Participants Claiming Lost Business Income

As previously reported in the first quarter of 2022, the OIG advised CHA management on February 24, 2022, that OIG data analytics had identified a large number of CHA program participants who received forgivable loans through the U.S. Small Business Association (SBA) Paycheck Protection Program (PPP), 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.

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 and Public Housing Program Responses

Initially, the HCV department reported that it mailed a total of approximately 8300 letters to HCV households that may have received a PPP loan, notifying the participants that they must provide documentation of the purported business income and the PPP loan. Failure to respond and/or provide the documentation could result in termination from the program. As of March 28, 2022, HCV contractor staff were calling the families to follow up on the notices and reviewing any documentation submitted.

The PAM department responded that it was 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."

Update

As of September 2022, CHA management reported to the OIG that "both the HCV and PAM divisions will review PPP loans as Participants complete recertification. While the process will be protracted, CHA will not ignore fraud cases. During the recertification process a determination will be made whether the Participant should be terminated from the subsidy program." Additionally, management reported that those households identified as receiving PPP loans will be required to provide an annual recertification rather than wait another two or three years. Management provided the following timeline:

As of August 29, 2022	HCV	PH & RAD
Documents Outstanding Notices Sent	5,648 Households	
- Participant Submitted Documents	2,849 households	
- No Documents Submitted	2,799 households	
Recertification – Annual or Interim		
- To be completed in 2022	1,314 households	297
- To be completed in 2023	2,933 households	909
- Scheduled in 2024 – to be rescheduled	1,440 households	
Unauthorized Use of a CHA Address	1,989 households	9
- Out of total number		

HCV program management also noted that it had initiated enforcement proceedings prior to the OIG advisory. As of September 1, 2022, HCV had issued notices of Intent to Terminate to 69 participants. Termination was executed after 85% (30) of the 34 hearings were held. Three lawsuits are pending as a result of terminations due to PPP loans.

PPP Loan Enforcement (as of 09/01/22)	#'s
Total Intent to Terminate (ITT) Notices	69
Termination: Hearing Not Requested	15
Hearing Requested	54
Pending: 30 days to request hearing	0
Hearing: Status # of cases	54
- Intent to Terminate Rescinded	1
- Hearing Not Scheduled	14
- Hearing Date after 8/29	5
- Hearing Held:	34
○ Hearing Conducted with No Decision	1
○ Hearing Decision: Re-instate Conditions	1
○ Hearing Decision: Re-instate	2
○ Hearing Decision: Termination	30
Voucher Relinquished (Not part of PPP loan project)	1

* Intent to Terminate Notice proceeds a hearing.