

CHICAGO HOUSING AUTHORITY



OFFICE OF THE INSPECTOR GENERAL

2023 QUARTER 2 REPORT



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

July 15, 2023

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

Enclosed is the 2023 Second Quarter Report on the activities of the Chicago Housing Authority (CHA) Office of the Inspector General (OIG) from April 1, 2023, through June 30, 2023. Pursuant to the OIG Charter, this report contains statistical information and summaries of OIG investigations, audits, and other activities.

Highlights of OIG work this quarter include the following:

- **\$569,925.32 in restitution ordered to the CHA** – Three criminal cases stemming from OIG investigations resolved with sentencing orders this quarter. In each case, the OIG sought to ensure the defendants were ordered to pay restitution as a result of their frauds. This brings the year-to-date total restitution ordered to \$685,745.32.
- **Immediate suspension of an indicted construction contractor** – In March 2023, the owner of a construction firm that was actively engaged on two CHA contracts was indicted for bribery of a public official at another government agency. At the OIG's recommendation, and per the CHA debarment policy, CHA immediately suspended the contractor from work with the CHA.
- **Audit of the HCV Abatement Process** – the OIG's audit found the process used to enforce inspection standards at HCV units is working well but identified areas for improvement in data and process integrity as well as areas for additional quality control. Of note, the audit found that abatements for project-based voucher units more frequently exceeded the two-month duration, and in some cases extended for over a year with unresolved inspection issues, due in part to the more limited relocation options for PBVs than the traditional tenant-based vouchers.
- **Indictment of former HCV landlord** – the landlord fraudulently obtained over \$110,000 in benefits on behalf of her mother, the purported tenant, despite the fact that the mother had been living in a nursing home and later died, while the daughter continued collecting voucher payments.

- **Three management advisories based on OIG data analytics** – OIG advisories resulted in management improvements in the following areas:
 - **Better management of CHA procurement and contracting data** to facilitate proactive fraud monitoring;
 - **Improved oversight of CHA employees participating in CHA housing programs** to ensure employees are current on rent and avoid conflicts of interest in their daily work activities, and
 - **Increased HCV quality control** to prevent administrative errors, which allowed HCV landlords to receive two voucher payments for the same units or continued voucher payments after a tenant vacated the units.

Additional updates regarding the OIG office include:

- **Hiring of New Senior Investigator Michael Melcher** – Melcher recently retired from the FBI, where he last served as Acting Chief of the Crisis Management Unit at FBI Headquarters. Melcher also served as the Supervisory Special Agent for the Public Corruption/Civil Rights squad at the Minneapolis Field Office, where he supervised the federal civil rights investigation of the officers who killed George Floyd, resulting in convictions of all four officers. Melcher spent a number of years in the FBI Chicago field office, working terrorism, special events, and Russian Organized Crime matters. He previously served as a police officer in Sioux Falls, SD and also served in the US Air Force as a Russian interpreter and chemical weapons arms control inspector.
- **Senior Auditor Ellaye Accoh Celebrates 25 Years with the CHA** – This spring the OIG team celebrated the work anniversary of Accoh, who has served the CHA OIG with passion and dedication since 1998. Accoh is a Certified Fraud Examiner, Certified Inspector General Auditor, and a Certified Government Auditing Professional. He holds a Bachelor's degree in Finance and a Master's degree in Accounting.
- **OIG Participates in Bring Your Child to Work Day** – OIG staff welcomed children into the office with a scavenger hunt, candy, and information about how we work every day to root out fraud, waste, abuse to ensure CHA resources reach those who need it the most. It was rewarding experience for all involved!

Thank you to the Board of Commissioners for its continuing support of the OIG's work to seek continual improvement in CHA operations.

Respectfully submitted,



Kathryn B. Richards
Inspector General

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Mission

The OIG is an independent oversight agency, created by the CHA Board of Commissioners, to promote economy, efficiency, and integrity in the administration of programs and operations of the Chicago Housing Authority. The OIG achieves this mission through:

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

The OIG partners with law enforcement agencies to pursue criminal prosecutions of fraud or other crimes affecting the CHA. In administrative matters, the OIG issues reports of findings and recommendations to ensure that CHA participants and residents are in compliance with program requirements, and that officers, employees, and vendors are held accountable for operating with integrity and running an efficient, cost-effective operation. Through audits, reviews, and analytics, the OIG seeks to prevent, detect, and eliminate fraud, waste, abuse, and misconduct 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."





Professional Standards

OIG INVESTIGATIONS

The OIG conducts investigations in accordance with the Association of Inspectors General Principles and Standards for Offices of Inspectors General (the "Green Book"), 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. Additionally, the OIG always exercises due professional care and independent, impartial judgment in conducting investigations and the issuance of reports and recommendations.

OIG AUDITS & PROGRAM REVIEWS

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 (the "Yellow Book").

Yellow Book standards require that we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives.

The adherence to these standards ensures that audits and program reviews comprise the requisite independence, planning, staff qualifications, direction and control, confidentiality, and quality assurance.

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

The CHA OIG has been found to meet all relevant standards in each period reviewed, including the most recent review, which encompassed OIG's work for the years 2019-2021. The CHA OIG's next peer review will occur in 2025.

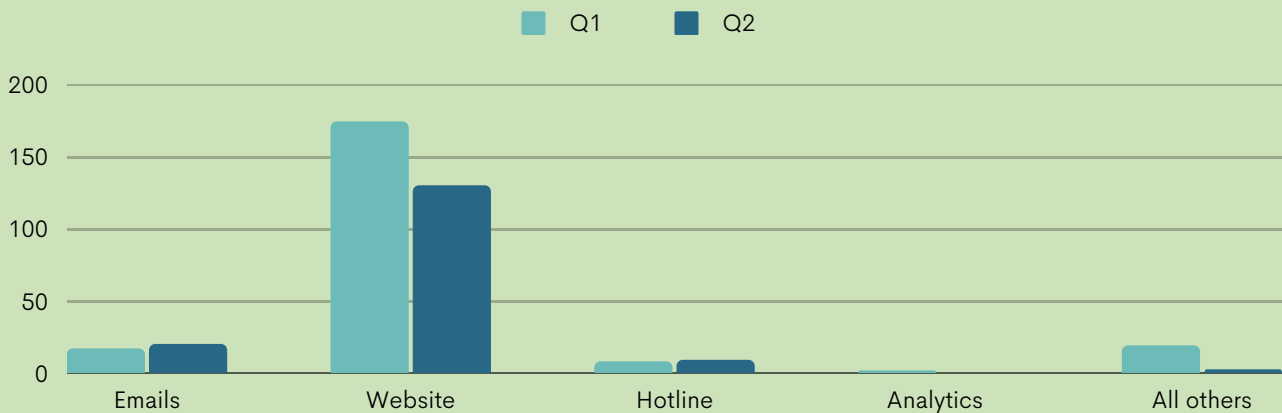
Complaints

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.

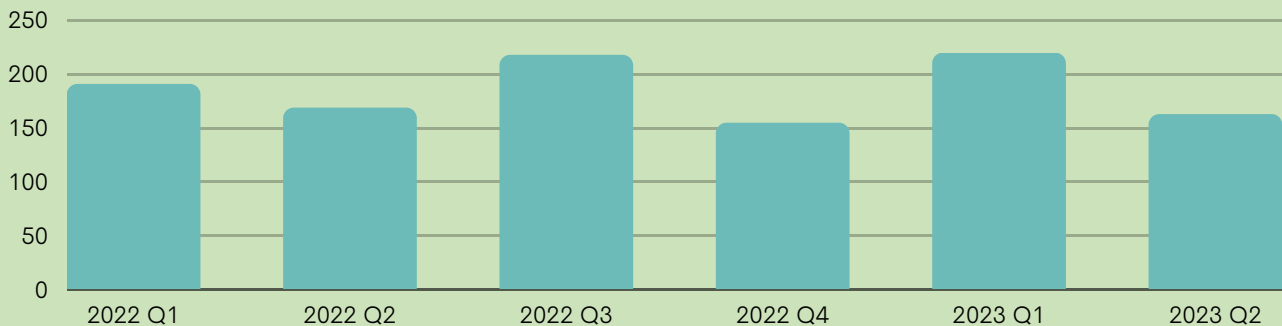
The OIG received **162** complaints in the second quarter of 2023. Of those complaints, the OIG opened **1** for investigation, completed **1** program review, referred **91** complaints to various relevant CHA departments and outside agencies; provided investigative support to internal and external stakeholders in response to **5** complaints, and declined **49** complaints. At the end of the quarter, **15** complaints received in Q2 remained pending for evaluation, and an additional **9** remained pending from previous quarters.

Below are a series of tables showing statistical information on the OIG complaints received in the second quarter of 2023.

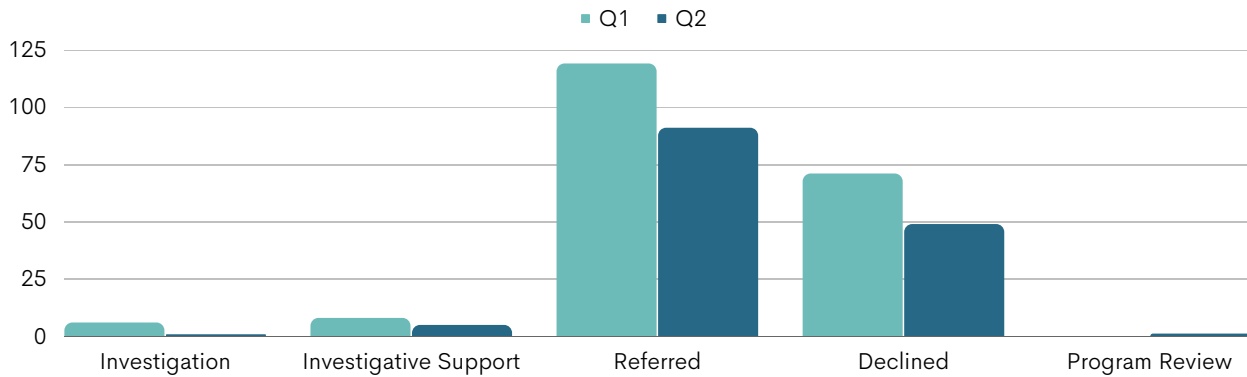
Complaints by Method Q2 2023



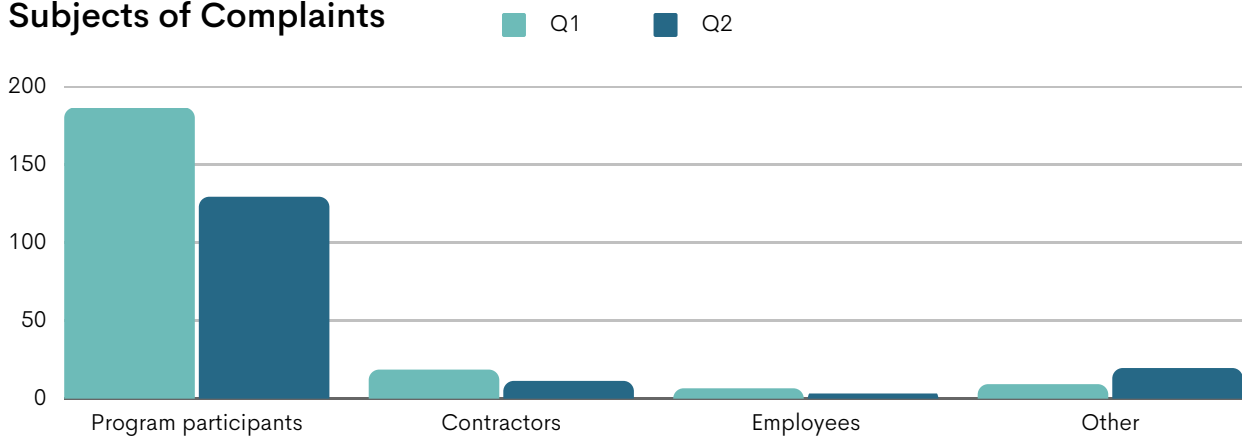
Total Complaints by Quarter



Complaints by Disposition

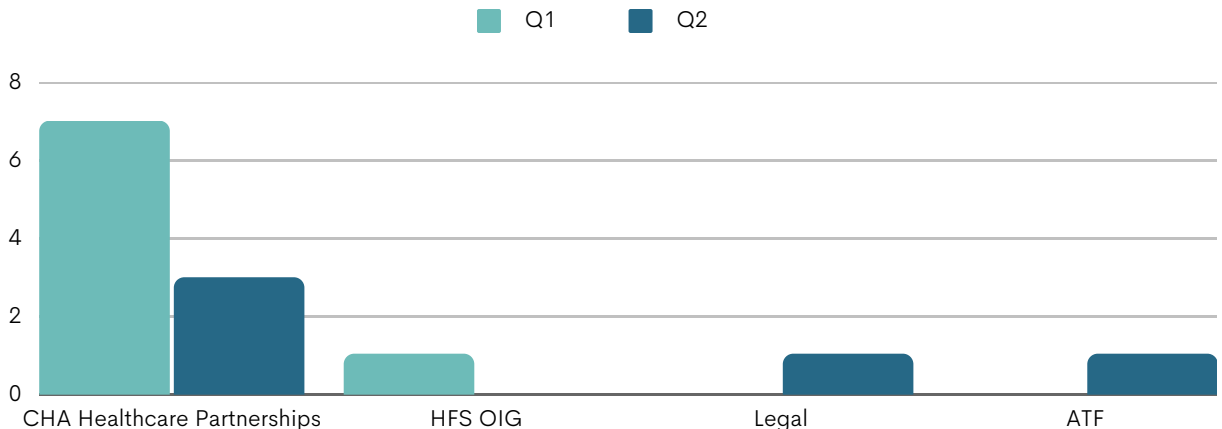


Subjects of Complaints



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 requests for information, due diligence, or data analysis. In the second quarter of 2023, the OIG provided investigative support in response to **5** complaints: **1** complaint from the Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF), **3** requests for support from CHA Resident Services Healthcare Partnerships, and **1** request from CHA's Office of General Counsel.



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.

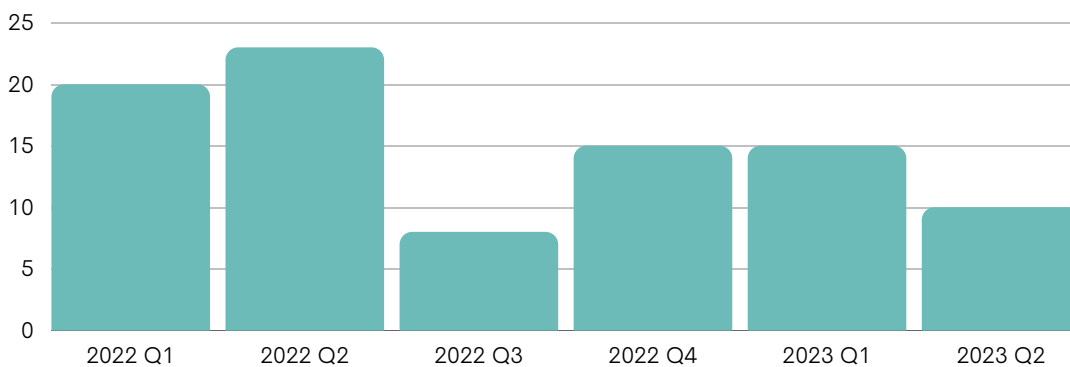
In criminal investigations, if there is sufficient evidence for potential prosecution, the OIG presents the evidence to a prosecuting agency for review. Investigations that result in criminal charges are reported to CHA management and the Finance and Audit Committee. A criminal matter that results in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

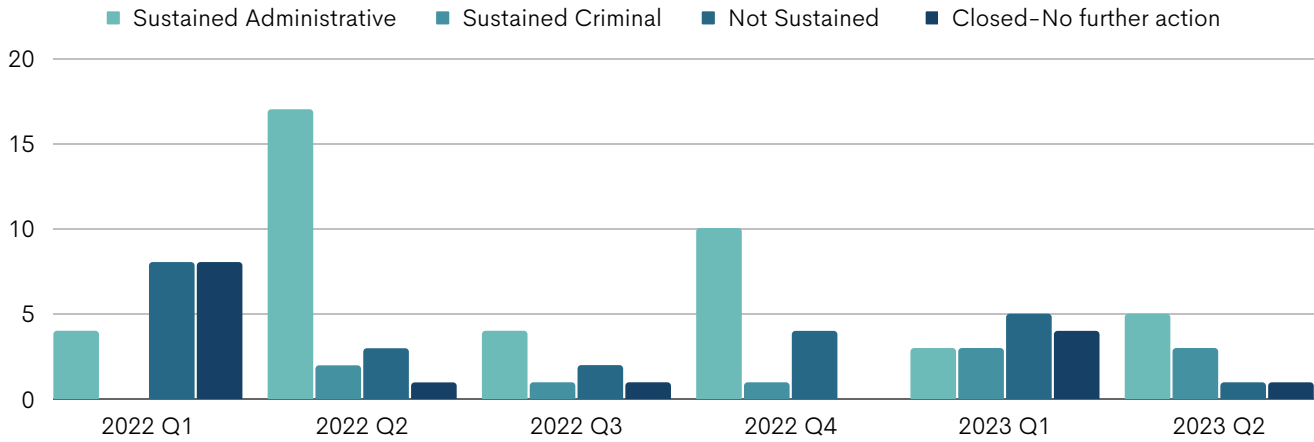
Investigations Closed During the Quarter

In the second quarter of 2023, the OIG closed **10** investigations. Of those cases, **8** were sustained, **1** was not sustained, and **1** closed with no further action warranted. Of the 8 sustained cases, **5** were sustained for administrative violations, and **3** were sustained with a criminal conviction.

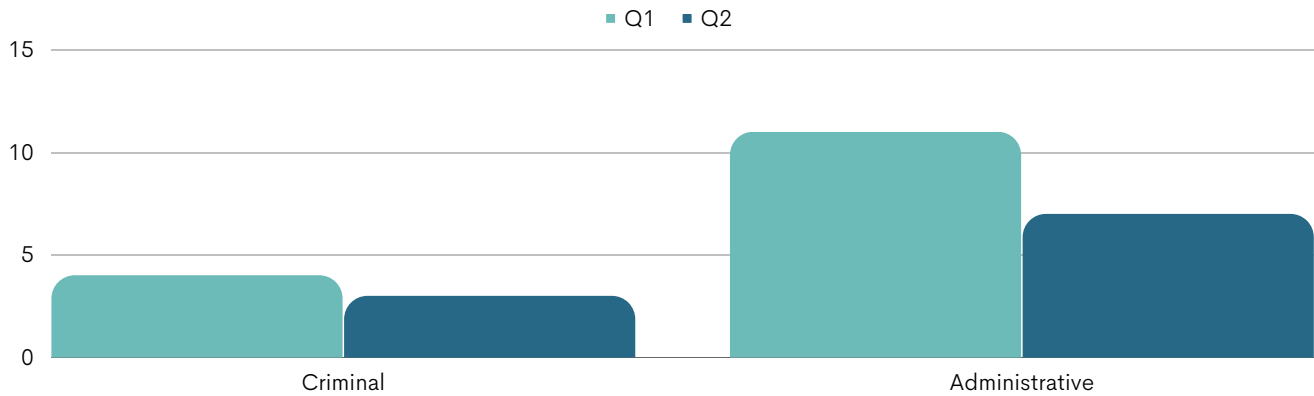
Closed Investigations by Quarter



Disposition of Closed Investigations

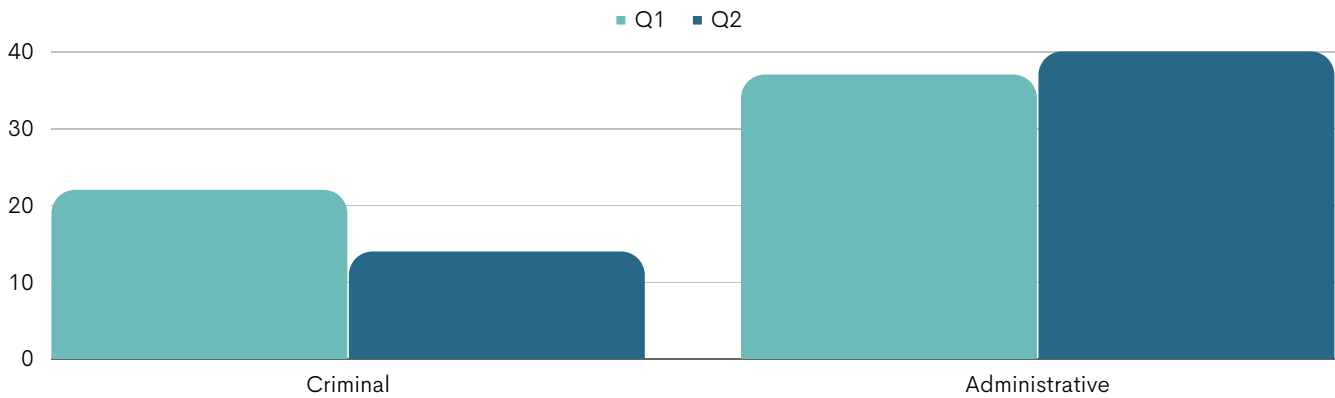


Closed Criminal and Administrative Cases



Pending Criminal and Administrative Investigations

At the close of the second quarter, the OIG had a total of **54** pending investigations. Of the 54 pending investigations, **40** are administrative and **14** 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 **54** open investigations, **46** 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	23
Indicted cases, but no criminal disposition	5
On-hold or delayed due to other ongoing time-sensitive investigations	18
Total	46

Criminal Cases

This quarter, OIG investigations resulted in one indictment and three criminal convictions and sentencing orders, including orders of restitution. These cases are summarized below.

Criminal Case Recoveries

This quarter, the OIG secured three new orders of restitution for the CHA following convictions for fraud on the CHA. The total restitution ordered to the CHA as a result of OIG cases for 2023 so far is **\$685,745.32**. The OIG received actual funds from three defendants. The OIG works in collaboration with the CHA's Office of General Counsel to ensure defendants pay restitution to the extent feasible.

Case Name	Date of Restitution Order	Amount
People v. Townsend 22-CR-0017401 (Cook Cty Cir. Ct.)	1/12/23	\$106,634
People v. Carney 21-CR-1492801 (Cook Cty Cir Ct.)	3/31/23	\$9,186
Q1 Total Ordered		\$115,820

Case Name	Date of Restitution Order	Amount
U.S. v. Jones, 22 CR 612, (N.D. Ill.)	4/27/23	\$29,644.00
U.S. v. Coleman, 20-CR-99 (N.D. Ill.)	5/25/23	\$389,779.00
U.S. v. Green, 22-CR-391 (N.D. Ill.)	6/7/23	\$150,502.32
Q2 Total Ordered		\$569,925.32
YTD Total		\$685,745.32

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The following charts show actual funds received by convicted defendants by quarter.

Case Name	Date of Restitution Payment	Amount
People v. Hawthorne, HCVP #9708719; (Cook Cty. Cir. Ct.)	3/14/23	\$500
People v. Wanda Goodloe 16-CR-0628801, (Cook Cty. Cir. Ct.)	3/13/23	\$200
Q1 Total Received		\$700

Case Name	Date of Restitution Payment	Amount
People v. Watts and Spivery	4/14/23	\$4,833
People v. Townsend 22-CR-0017401 (Cook Cty Cir. Ct.)	05/22/23	\$20,000
People v. Hawthorne, HCVP #9708719; (Cook Cty. Cir. Ct.)	5/16/23	\$500
Q2 Total Received		\$25,333
YTD Total		\$26,033



Criminal Indictments

This quarter, OIG investigations resulted in one indictment.

Indictment of Former HCV Landlord Edith Robins

People v. Robins, 23-CR- (Cook Cty Cir. Ct.), OIG #2019-12-00054

On May 31, 2023, the Grand Jury sitting in the Circuit Court of Cook County returned a one-count indictment charging former Housing Choice Voucher (HCV) landlord Edith Robins with Theft of Governmental Property exceeding \$100,000, a Class 1 Felony.

CHA OIG's investigation found that for 12 years, from January 2008 to January 2020, Robins fraudulently received Housing Assistance Payments (HAP) as an HCV landlord on behalf of her mother, Marie Gibson, a former HCV participant. Robins had power of attorney for her elderly mother and had obtained an accommodation due to Gibson's medical condition, which allowed Gibson to rent from a relative, as allowed under the HCV Administrative Plan in effect at the time.

Robins, however, actively concealed the fact that her mother was living in a residential nursing facility for 9 years until her death in January 2017. Robins also failed to notify the CHA of Gibson's death. Instead, Robins continued to collect HAP payments for Gibson's voucher until January 2020, when CHA ultimately terminated the voucher for failure to submit updated income documentation. In total, Robins fraudulently received HAP totaling over \$110,037.00. 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.

Criminal Case Updates and Sentencings

Sentencing of Lester Coleman, Coleman Development Corp. **US v. Coleman, 20-CR-99 (N.D. Ill.), OIG #2014-03-00034**

On May 25, 2023, Lester Coleman, owner of former CHA contractor Coleman Development Corporation (CDC), was sentenced in the U.S. District Court for the Northern District of Illinois relative to his scheme to defraud the CHA. Coleman was sentenced to two years' probation and ordered to pay \$389,779 in restitution to the CHA. Coleman is required to serve the first nine months of his probation on home detention. As part of his sentencing, CDC is prohibited from entering any future contracts with the CHA or other housing agencies. As a result of the indictment, he and his firm were also permanently debarred by the City of Chicago.

Coleman previously pleaded guilty to one count of wire fraud on January 19, 2022. Coleman, through CDC, obtained more than \$3,000,000 in contracts with the CHA by misrepresenting the amount of work performed by CDC and the amount of wages it would pay employees. CDC was a certified minority-owned business enterprise (MBE).

As mandated by the U.S. Department of Housing and Urban Development (HUD), the CHA required that MBEs, along with women owned business enterprises (WBEs), had ample opportunity to participate in the performance of contracts financed in whole or in part with federal funds.

Accordingly, CHA rules required that a bidder or contractor awarded a CHA contract allocate certain percentages of the total contract price to participation by one or more MBE or WBE. CHA rules also required that employees working on a CHA project within specific trades had to be paid at least the prevailing wage rates set by the U.S. Department of Labor, pursuant to federal labor laws. The CHA required contractors to submit certified weekly payroll reports which, set forth, among other things: the name of each employee, the number of hours worked by each employee, the hourly rate of pay for each employee, and the gross wages earned by each employee.

Sentencing of Maurice Green, Pillar Insurance

U.S. v. Green, 22-CR-391 (ND Ill.), OIG #2018-12-00002

On June 7, 2023, Maurice Green, owner of Pillar Insurance Services, LLC., was sentenced in the U.S. District Court for the Northern District of Illinois, relative to 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.

Green was sentenced to one day (time served) in the Federal Bureau of Prisons and three years' supervised release. Green is required to serve the first 90 days of his supervised release on home detention. Additionally, Green was ordered to pay restitution in the amount of \$263,116.74 to his victims, including, \$150,502.32 to the CHA.

Green had previously pleaded guilty to one count of wire fraud, in violation of 18 U.S.C. 1343, on November 28, 2022. As detailed in the information filed on August 11, 2022, 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 fees from 17 contractors related to 77 fictitious bonds, 60 of which were submitted to the CHA. The bonds 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.

The CHA OIG initiated this investigation and worked in partnership with the Federal Bureau of Investigation and U.S. Department of Housing and Urban Development OIG. Prosecution of the matter was handled by the U.S. Attorney's Office for the Northern District of Illinois. The OIG's investigation is now closed.

Sentencing of HCV Participant Brenda Jones

U.S. v. Jones, 22 CR 612, (N.D. Ill.), OIG #2018-07-00007

On April 27, 2023, Brenda Jones, a current HCV participant, was sentenced in the U.S District Court for the Northern District of Illinois, relative to her scheme to defraud the CHA and the Social Security Administration (SSA). Jones was sentenced to two years' probation and ordered to pay \$29,644.00 in restitution to the CHA and \$70,839.90 to the SSA.

Jones had previously pleaded guilty on December 27, 2022, to one count of theft of government funds, in violation of 18 U.S.C. § 641.

As Jones acknowledged in her plea agreement, from October 2004 to December 2017, she used two Social Security Numbers (SSN) to enable her to conceal her work activity, income, and assets from the CHA. While working using the second SSN, Jones used the first SSN in connection with her CHA applications and related benefits. Based on the false and misleading information provided by Jones, the CHA made Housing Assistance Payments to Jones' landlords. The plea agreement was entered pursuant to an Information filed on November 16, 2022.

The CHA OIG worked the investigation in partnership with the SSA OIG. Prosecution of the matter was handled by the U.S. Attorney's Office for the Northern District of Illinois.

Following Jones's guilty plea to defrauding the CHA, the HCV department issued Jones a notice of intent to terminate her voucher. Jones requested an administrative hearing, which occurred in May 2023. Jones acknowledged her guilty plea but asked for leniency. The hearing officer denied her request and the CHA terminated her voucher. The OIG's investigation is now closed.

OIG CRIMINAL CASES PENDING IN COURT

At the end of Q2 2023, the OIG had **6** criminal cases pending in court.

Case Name	Indictment	Summary of Charges	Scheme	Updates
People v. Hawthorne 16 CR 1222901 (Cook Cty. Cir. Ct.)	8/8/2016	Felony theft, forgery and continuing financial crimes enterprise	HCV Fraud	Sentencing is delayed pending her payment of restitution. Status hearing on July 19, 2023.
People v. Spruill 22 CR 0228801 (Cook Cty. Cir. Ct.)	2/16/2022	Class 1 felony theft, wire fraud, and forgery	Property manager theft of rent	Status hearing set for August 11, 2023.
People v. Brown 22 CR 0281301 (Cook Cty. Cir. Ct.)	3/2/2022	Class X felony theft and forgery	HCV Fraud	Trial date set for October 2, 2023.
People v. Rios 22 CR 0694301 (Cook Cty. Cir. Ct.)	6/15/2022	State benefits fraud, multiple forgery counts	HCV Fraud	Status hearing set for July 26, 2023.
People v. Rodriguez 22 CR 0694401 (Cook Cty. Cir. Ct.)	6/15/2022	Class 1 felony theft, forgery	HCV Fraud	Status hearing set for August 1, 2023.
People v. Robins 23 CR 0619301 (Cook Cty. Cir. Ct.)	6/7/2023	Class X felony theft	HCV Fraud	Status hearing set for August 30, 2023.

Sustained Administrative Case Summaries

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.

Abandonment of Unit, Failure to Disclose Real Estate Assets and Spouse, OIG# 2021-11-00005, HCV Participant

An OIG investigation found that an HCV participant had not resided in her unit for approximately four years. During that time, she was living in a house she owned with her then-husband. She did not disclose her marriage or real estate assets. OIG recommended that the HCV department seek to terminate the participant's voucher.

In response, the HCV department initiated the process to terminate benefits.

Abandonment of HCV Unit, Failure to Disclose Real Estate Assets, OIG# 2019-09-00059, HCV Participant

An OIG investigation found that a former HCV participant allowed her adult children to reside in her subsidized unit, while she and her husband resided in a house that she owned for over six years. The information was provided to HCV for any further appropriate action.

In response, the HCV department noted that the participant had already been terminated from the program for these violations.

Incompetence and Contract Violations by CHA Contractor, OIG #2022-07-00003, CHA Property and Asset Management Contractor

An OIG investigation found that a former CHA security contractor violated the terms of its contract and exhibited serious incompetence in the performance of its core responsibilities as a private security firm. Specifically, the OIG found that the company, in what was at a minimum extreme negligence, engaged in straw purchases of firearms for its employees, caused its employees to sign and submit false ATF forms, and failed to conduct background checks and drug tests on its employees working at CHA properties.

The OIG recommended that CHA's Department of Procurement and Contracts (DPC) and CHA management review the enclosed information for potential debarment or suspension of the company to prohibit the company from entering contracts with the CHA in the future. The OIG recommended that the report be retained in the contractor's vendor records.

In response, DPC stated that it intends to seek debarment of the contractor.

Audits and Reviews

Closed Audits

The OIG closed one audit during the second quarter of 2023. The OIG's Audit of CHA's Management of the Housing Choice Voucher Abatement Process is summarized below.

Draft Audits

The OIG did not issue draft Audits this quarter.

Pending Audits

The OIG is currently working on three pending audits. The Procurement Reform Task Force Audit is expected to be finalized by the end of Q3 2023. The Mixed Finance/Mixed Income Property Rent Collection Audit is expected to be finalized by the end of Q3 2023. The CHA's Public Housing Equipment Appliance and Materials Inventory Follow-up Audit is expected to be finalized by the end of Q4 2023.

The OIG appreciates CHA management for their willingness to engage in the audit process and continue to improve CHA programs.

Audit of CHA's Housing Choice Voucher Abatement Process

On May 10, 2023, the OIG issued a performance audit of CHA's Housing Choice Voucher (HCV) Abatement Process. An HCV abatement is the temporary stoppage of monthly rent payments to an HCV landlord for a unit where the owner fails to correct violations of Housing Quality Standards. If an owner fails to correct the failed inspection items after two months' time, the voucher holder is required to move. The OIG's audit sought to determine whether the CHA's abatement process was being implemented and managed in a timely and accurate manner.

The OIG's audit found that the Abatement process is largely working well. The audit findings, however, identified areas for improvement in data and process integrity as well as areas for additional quality control to avoid unnecessary errors, particularly those resulting in tenants residing in sub-standard housing. Of note, the audit found that abatements for project-based voucher units more frequently exceeded the two-month duration, in some cases extending for over a year with unresolved inspection issues, due in part to the more limited relocation options for PBVs than the traditional tenant-based vouchers.

Summary of Findings

The OIG identified audit findings that belong to one of two categories:

- Exceptions that reflect potential risks for overall process integrity and policy compliance, such as: the ability to delete abatement records in the Yardi database, delays in relocating PBV voucher holders, and retroactive corrections to inspection results requiring the cancellation of abatements.
- Rare exceptions compared to the populations tested, where slight process modifications or quality control efforts were recommended. Examples include HCV contractors erroneously resuming HAP payments without a successful reinspection, incorrect payments made following the change in ownership of an HCV unit, and inaccurate abatements because of concurrent inspection series occurring at the same unit.

Summary of Recommendations

The OIG recommended that CHA management consider the following actions:

1. Disable the ability to delete approved abatement records and utilize the Yardi "Cancel" function instead and enable Yardi database auditing of abatement record modifications.

2. For project-based unit abatements, implement similar monitoring and documentation processes currently in use to manage tenant-based unit abatement durations. Follow the updated voucher transfer protocols in a timely manner as cited in section 17-VII.B. Moves and Transfers of the 2022 HCV Administration Plan.
3. Implement additional verifications of inspection results (e.g., validate inspector "Drive Sheet" outcomes) prior to initiating and approving an abatement.
4. Review unit inspection and abatement statuses, as well as prior 50058 Yardi settings, during participants' reexaminations to ensure any changes, outstanding issues, or ongoing enforcements are addressed.

Summary of Management's Response

In response, management concurred with some findings and recommendations, concurred in part with others, and did not concur with one of the findings and recommendations. Management did commit to create guidance for staff to not delete abatement records, initiated the process to add an audit trail feature for abatement records, established a process to better identify PBV tenants in abatement for more than 30 days and add them to the transfer list, and review inspections labeled as fail but with no deficiencies (resulting in incorrect abatements and abatement cancellations). With respect to Finding 4, which identified various types of errors in the abatement process, HCV determined that these were isolated mistakes and did not accept any of the quality control recommendations provided by the OIG.

The full audit report may be located on the OIG's website:

<https://www.thecha.org/about/office-inspector-general/oig-audits>

OIG Management Advisories and Memos

OIG Advisory #26 – Tracking, Disclosure, and Handling of CHA Employee-Participants and Other Housing-Based Conflicts of Interest

On March 13, 2023, the OIG issued Advisory #26, which found that the CHA lacked effective procedures to identify CHA employees, employees' immediate family members, or applicants for CHA employment who are current participants in CHA housing programs. Such procedures are necessary to mitigate any conflicts of interest posed by CHA employees participating in CHA programs and to ensure employee compliance with CHA's personnel rule prohibiting indebtedness to the CHA, including overdue rent.

As of March 2, 2023, the OIG identified 27 current CHA employees with an apparent conflict of interest based on their own participation, or the participation of a family member, in CHA Public Housing or HCV programs. Of the 14 employees who were directly participating in CHA programs, 9 were Public Housing (PH) residents, and 5 were Housing Choice Voucher (HCV) participants.

Five of the 9 CHA employees residing in CHA public housing had unpaid rent balances greater than one month's rent. Three PH employee-participants were hired while having outstanding rent balances greater than one month's rent. Finally, a review of the annual income reflected on the employee-participants' most recent HUD Forms 50058 shows that the income reported by 10 CHA employee-participants was lower than the income reflected in CHA's personnel records.

The 5 HCV employee-participants and 13 employee family members had not had the administration of their vouchers ported out to the Housing Authority of Cook County (HACC) as described in the longstanding Memorandum of Understanding (MOU) that CHA has with HACC to avoid potential conflicts of interest.

The OIG recommended the following:

- Periodic review of all existing employee-participants and employees with family members participating in CHA programs to ensure compliance with applicable CHA policies, including CHA indebtedness policies and HCV port-out policies.
- CHA management confer internally with the CHA's Office of General Counsel and the Ethics Officer to determine the best way to mitigate risks for conflicts of interest for participants during the hiring process.

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- The CHA Ethics Policy and Statement of Financial Interests (SFI) form be amended to require disclosure of participation by employees or their family members in any CHA program, including PH and HCV.
- While CHA's web-based job application does ask applicants to disclose their participation in CHA programs, that relevant information is not always communicated to hiring managers before an employee is hired.

In response, CHA management committed to the following steps:

- Reviews of conflicts of interest at the time of hire, as well as on a quarterly and annual basis by Human Resources (HR) as well as CHA's Equal Employment Opportunity (EEO) and Equity Officer.
- On a quarterly basis, HR will provide a list of employee-residents to the department where the person is employed as well as Property and Asset Management (PAM), Housing Choice Voucher (HCV), and Resident Services departments to ensure that potential conflicts of interest and any arrearages in rent are appropriately addressed.
- HR has added a question to the CHA employment application asking if the applicant is a participant in a CHA program or a CHA resident. HR will notify the appropriate CHA departments if there is a positive response to this question. These departments could include the department managing the subsidy and the department where the individual is seeking employment.
- HR has begun administering the Statement of Financial Interests (SFI) as part of the onboarding process. Disclosures from the SFI submitted during onboarding as well as during the annual submission will be forwarded to CHA's EEO and Equity Officer in the General Counsel's Office, who will be responsible for contacting the appropriate CHA departments to ensure that potential conflicts of interest are appropriately managed.
- HCV has ported families that had not previously been ported to the Housing Authority of Cook County (HACC).
- PAM will follow standard procedures regarding public housing residents employed by CHA who are in arrears on their rent. These procedures include offering a payment plan, issuing the appropriate demand notices, and referring the resident for services. In addition, the department chief where the individual is employed will also be notified.

Management further wrote that these steps would "balance CHA's interest in ensuring that conflicts of interest are addressed and that CHA employees are not indebted to CHA, while not subjecting residents employed by CHA to inappropriate scrutiny and disparate treatment in their employment, potential employment or housing."

OIG Advisory #27 – CHA Procurement Data and Proactive Procurement Fraud Monitoring

On March 23, 2023, the OIG issued an Advisory notifying management that the CHA's current methods for collecting and storing its procurement and contracting data preclude the detailed analyses needed to proactively identify procurement fraud. Without complete and accessible procurement data, the CHA may be vulnerable to procurement fraud and anticompetitive vendor behavior, such as bid-rigging, price fixing, market allocation, and other collusive practices.

The OIG recommended that the CHA's Department of Procurement and Contracts (DPC) and Department of Information and Technology Services (ITS) work together to identify and implement a more comprehensive, centralized system for collecting, maintaining, and analyzing procurement data. Ideally, this information would be stored in a relational database that captures and stores detailed information from the beginning of the procurement process to contract close-out.

OIG Collaboration with DOJ Procurement Collusion Strike Force

The CHA OIG is committed to proactive integrity monitoring of CHA's procurement processes. In 2022, the OIG worked closely with the U.S. Department of Justice's Procurement Collusion Strike Force (PCSF), a coordinated national effort to combat antitrust crimes and related schemes in government procurement. A key initiative of the PCSF is to encourage public entities to begin capturing and analyzing procurement data, to identify potential collusion and anti-competitive practices.

Through contacts with the PCSF, the OIG was able to consult with international experts in the field of procurement analytics. Researchers at the Danish Competition and Consumer Authority provided pro bono assistance by subjecting anonymized CHA procurement data to a red-flagging dashboard, using a variety of statistical and machine learning-based calculations. This effort identified some potential red-flags for further OIG inquiry, but more significantly, identified gaps in the necessary data. OIG's analysis resulted in the following findings:

OIG Findings and Recommendations

- CHA's current organizational scheme for procurement data is decentralized. Various components of the procurement process and resulting data are split between Lawson, B2GNow, e-Builder, and CHA-wide shared drives. CHA's multiple different software platforms do not interact and cannot exchange data with each other.
- CHA's existing procurement data are inconsistent and incomplete, including the bid tabulations publicly posted to the CHA website as PDF documents, from which data cannot be efficiently aggregated.

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- The data that the OIG was able to aggregate from the CHA website and Lawson dated back only seven years and contained numerous gaps. According to DPC, assembling and publicly posting bid tabulation data and other information to the CHA website was a result of the Procurement Reform Task Force launched in May 2015, composed of the City of Chicago and its sister agencies. Procurement records from before 2016 are not as readily accessible. OIG's review also found that more than half (54%) of all procurement events issued by the CHA between October 2016 and June 2022 lacked bid tabulations on the CHA website.
- CHA's supplier and vendor records maintained in Lawson are incomplete and inconsistently maintained. DPC reported it was already making efforts to clean up the Supplier Portal and related supplier/vendor data, and had assigned two staff members to ensure all vendor records are current and accurate.

The OIG recommended that DPC continue to work with ITS staff to identify ways to improve existing procurement data collection practices and work to consolidate the procurement and contract management process in a single software platform.

Management Response

In response, CHA Management concurred with the recommendations overall and reported it is working to improve system processes. Management concurred that the current organizational scheme for procurement data is decentralized, and the agency would benefit from consolidating software platforms, databases, and document management. Because CHA's instance of Lawson ERP does not support procurement functions, CHA is in the process of exploring a new ERP which may include support for procurement activities.

CHA Management also concurred that the architecture for CHA's website constrains its ability by only accepting PDF documents. However, management noted that DPC does maintain all documents, and that not all solicitation events will have bid tabulations. This issue is expected to be addressed with a new CHA website structure soon.

Finally, management noted that it had provided staff a refresher training and that ongoing training is in place.

OIG Advisory #28 - Duplicate HAP and Potential Overpayments Related to Tenant Moves

On May 4, 2023, the OIG issued Advisory #28, based on a recent data analytics project, that identified 11 rental units where the owner was receiving two Housing Assistance Payments (HAP) for two separate voucher holders at the same time, as well as 137 participants listed in "Past" status in Yardi with corresponding "Move Out" dates preceding 2023, but for whom CHA was continuing to pay HAP. The OIG reviewed the Yardi records for the 11 duplicate HAP payments and a sample of (20%) of the 137 participants listed in past status, and identified a combined total of approximately \$138,6011 in HAP overpayments for these participants alone. These overpayments appeared to be the result of incorrect processing of tenant files during or after a tenant move, or a transfer from a traditional CHA program to the Family Self Sufficiency Program.

The OIG recommended that the HCV Department review the findings, correct the tenant records, and seek to recoup any overpayments. Additionally, the OIG recommended that HCV review this information with its HCV contractors and housing specialists to determine whether additional training or corrective action is warranted.

In response, the HCV department reported that it corrected the participant records identified in the OIG's reports with payment recoupments and other applicable actions. HCV reviewed the advisory with the HCV contractors, and took corrective action with the employee(s) that made errors regarding FSS families.

Additionally, the HCV department also revamped its process regarding units deemed vacant by an inspector. Going forward, the HCV department will ensure that its program integrity team is regularly receiving inspection reports where the result showed a vacancy to stop the payment the month the tenant moved out of the unit.

The department noted that it has a multiple subsidy report to identify records where duplicative payments occurred for the same client. This report prompted the HCV department to proactively correct the two of the cases identified by the OIG. The HCV department stated it will increase its oversight and use of this report to ensure that all cases with duplicative payments are corrected timely.

OIG Management Memo Re: Indictment of a CHA Construction Contractor

On March 29, 2023, the OIG issued a Management Memo to notify CHA management of the recent indictment of the owner of a current CHA construction contractor. Specifically, in March 2023, the owner was charged by information in the U.S. District Court for the Northern District of Illinois of conspiring to bribe a Cook County public official. In accordance with the CHA's Debarment Policy, which provides that an indictment may be grounds for immediate suspension, the OIG recommended that CHA immediately suspend the owner and the firm from all work with the CHA and monitor the case for potential future debarment of the company.

In response, CHA's Deputy Chief of Procurement issued the company a notice of immediate suspension, prohibiting further work on two pending prime contracts and suspending the company from entering additional contracts with the CHA.



The Office of the Inspector General (OIG) is an independent body within the Chicago Housing Authority (CHA). Its purpose is to investigate and audit matters concerning fraud, theft, waste, abuse, and misconduct within or affecting CHA. The OIG promotes economy, efficiency, and integrity in the administration of programs and operations of CHA. The OIG ensures that violations are investigated and prosecuted, as they relate to CHA residents and employees, contractors, subcontractors, or any entity receiving funds from CHA.

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