



## **OFFICE OF THE INSPECTOR GENERAL**

### **2017 ANNUAL REPORT**

**JANUARY 1 THROUGH DECEMBER 31, 2017**

ELISSA RHEE-LEE

INSPECTOR GENERAL

FEBRUARY 1, 2018



February 1, 2018

Chairman Hooker, Chair Markowski and the Members of the Finance/Audit Committee:

Enclosed for your review, is the 2017 Annual Report on the activities and initiatives of the CHA Office of the Inspector General (OIG) pursuant to the mission and directives mandated in *The Office of the Inspector General Charter*. This Annual Report contains statistical data, summaries of significant investigations (criminal and administrative), audits, advisories, data analytics, and fraud awareness trainings, as well as significant OIG operational matters in 2017.

During the 2017 reporting period, the OIG processed 663 complaints, initiated 32 investigations, and provided investigative support on 370 matters. OIG investigations resulted in 8 convictions, 2 indictments and 16 closed administrative investigations for a combined total loss of \$1,410,259 and approximately \$165,522 in restitution to the CHA. This reflects an increase of 29% from 2016, which identified a total loss just over a million dollars. The OIG also completed 4 audits, issued 6 Advisory Reports, and increased the amount of departmental investigative support provided from 2016 by 62%. Notable support on 35 matters identified a combined potential waste of \$1,944,794. The remaining 335 investigative support matters are being addressed administratively by the relevant CHA departments. Since 2014, the OIG has almost tripled the number of self-initiated investigations, decreased the number of complaints that are declined, and decreased the number of un-sustained investigations. This is indicative of the OIG receiving more detailed actionable complaints and being more proactive in identifying potential fraud red flags through analytics, investigations, audits and advisories.

For 2018, the OIG will continue to pursue criminal investigations and seek restitution and/or forfeiture where appropriate. Fraud awareness training will be provided to new vendors, contractors and employees. The OIG also plans to enhance its knowledge on newer CHA programs, directives and initiatives including but not limited to such programs as Rental Assistance Demonstration (RAD), Section 3, and Job Order Contracting (JOC).

In 2017, I evaluated the OIG resource needs to effectively carry out the mandates of the OIG mission. This was discussed with the Finance/Audit Committee in the closed session held in May 2017. With the encouragement and support of CEO Eugene Jones, Jr. and concurrence by the Audit Committee members, the OIG will add another Investigator position in 2018. With the addition of another investigator, the OIG will have 9 full time employees. The OIG may have an additional change in the organization structure to enhance efficiencies. This has been discussed and concurred by CEO Eugene Jones. The matter has been discussed with the Chief Administrative Officer from a timing perspective.

The OIG will continue to maintain and protect its independence to accomplish our mission through comprehensive investigations, audits, advisories, investigative support and analytics.

I thank Chairman Hooker, Chair Markwoski, members of the Finance/Audit Committee and CEO Eugene Jones, Jr. for your continued support in recognizing the important work of the OIG. CHA is facing challenging times ahead and I feel confident that with enhanced commitment and vigilance to operational transparency and accountability, there will be greater public trust in the administration of CHA programs.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'El Rhee-Lee', written in a cursive style.

Elissa Rhee-Lee  
Inspector General

- I. OIG YEAR IN REVIEW
- II. SIGNIFICANT INITIATIVES AND ACTIVITIES
- III. STATISTICAL CHARTS AND GRAPHS OF COMPLAINTS
- IV. SIGNIFICANT INVESTIGATIONS, REFERRALS, AUDITS AND ADVISORIES
  - A. INVESTIGATIONS
    - ✓ CRIMINAL
      - ✓ INDICTMENTS
      - ✓ CONVICTIONS
    - ✓ ADMINISTRATIVE
  - B. NOTEABLE INVESTIGATIVE SUPPORT / REFERRALS
  - C. ADVISORIES
    - ✓ ATTACHMENT 1
  - D. AUDITS AND REVIEWS
    - ✓ ATTACHMENT 2
  - E. 2018 OIG PRELIMINARY AUDIT PLAN
    - ✓ ATTACHMENT 3
  - F. ANALYTICS
- V. FRAUD AWARENESS TRAINING
- VI. INTERNAL OPERATIONS
  - A. BUDGET INFORMATION
  - B. OIG STAFF CREDENTIALS
  - C. OIG STAFFING CHANGES
  - D. OUTSTANDING ITEMS

ATTACHMENT 1

Advisory #	Description/Summary
9	Recommendation for Employment Action
10	Recommendation to CHA based on an analysis of P.O. Boxes
11	Recommendations for CHA's Lead Inspection Process
12	Security Recommendations for Master Keys
13	Security Recommendations for Identification Badges
14	Recommendations for Compliance with Illinois Identity Protection Act

ATTACHMENT 2

AUDITS & REVIEWS: PUBLIC HOUSING OVER INCOME, FOLLOW-UP CHA EMERGENCY CONTRACTS, OCCUPANCY RATE, FOLLOW-UP SECURITY GUARD SERVICES, CAC SECTION 3 GRANT PROGRAM

ATTACHMENT 3

2018 OIG PRELIMINARY AUDIT PLAN

## I. OIG YEAR IN REVIEW



- 8 convictions, 2 indictments
- 16 administrative investigations
- Combined total loss of \$1,410,259
- Approximately \$165,522 in court-ordered restitution
- 1 vendor debarred and 1 CHA Contract terminated

- Issued 6 OIG Advisory Reports
- Completed 4 Audits

- Provided departmental support on 370 matters
- Out of this total, appropriate action has been taken on 35 matters, up to and including termination, for a combined potential waste of \$1,944,794

### In comparison to 2016:

Number of **sustained** investigations has stayed CONSISTENT with 2016

Number of investigations that were **not sustained** has decreased by **60%**

Total fraud loss amount identified as a result of OIG investigations increased by **29%**

Number of complaints that resulted in departmental support increased by **62%**

## II. SIGNIFICANT INITIATIVES AND ACTIVITIES

### 2017 Accomplishments

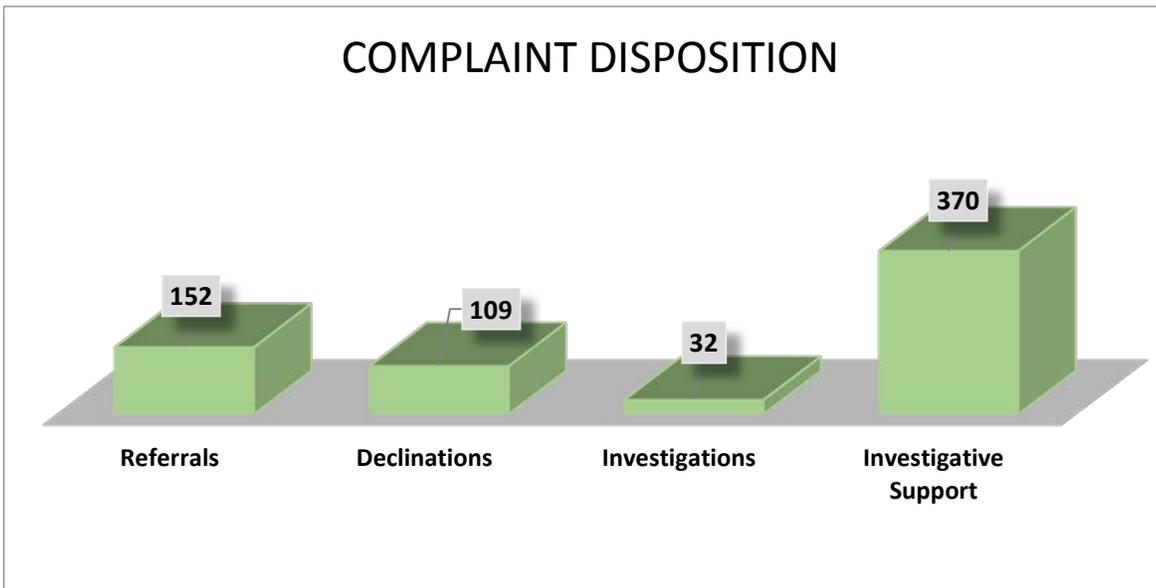
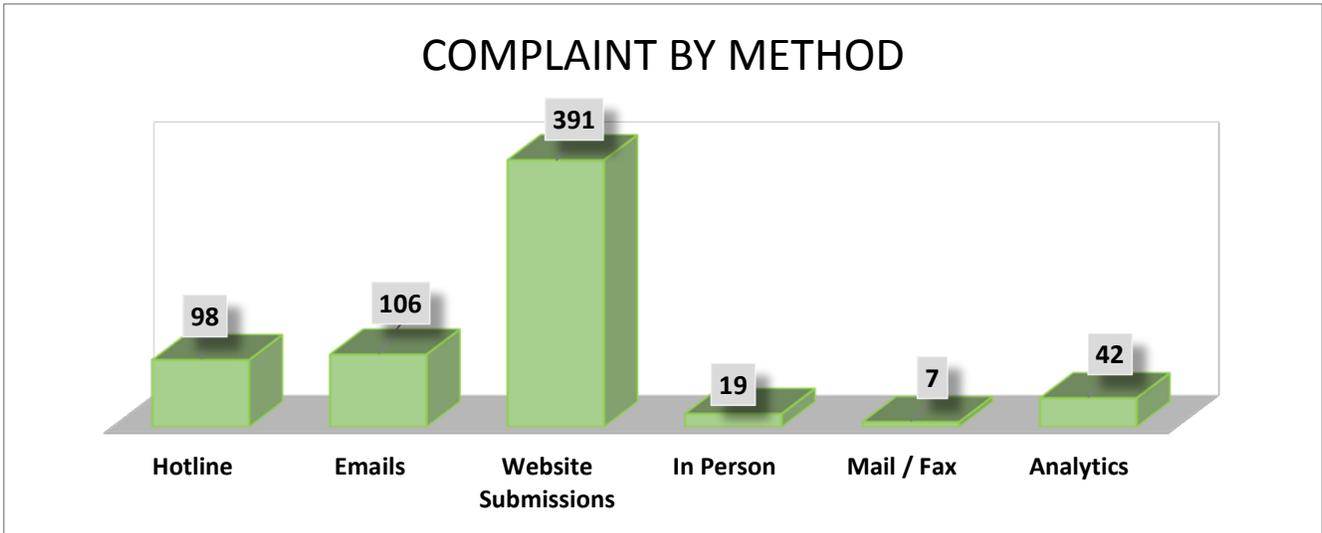
- Provided evidentiary and investigative support to various CHA departments for 370 matters.
- The OIG's criminal investigations resulted in 2 indictments and 8 convictions at the state and federal level, for a combined total loss of approximately \$668,032. Sentences from the 8 convictions ranged from 24-month probation to 78 months' confinement with the IL Department of Corrections. Some of those convicted were also required to pay a combined total of \$165,522 in restitution to the CHA.
- The OIG closed 16 administrative investigations, resulting in the debarment of a CHA vendor for 5 years by HUD, a termination of a CHA contract, recommendations to amend the CHA Employee Handbook and take certain disciplinary actions (up to including terminations), and referrals (after completion of investigative support by the OIG) to the HCV department for termination for a combined total loss amount of \$692,937. The CHA also received approximately \$49,000 in restitution from a HCV participant as a result of an OIG investigation in support of an Intent to Terminate (ITT) hearing.
- The OIG conducted analytics on various red flags of potential landlord/tenant collusion and 7 investigations were opened, while 27 matters were referred to the HCV Department for appropriate action. The combined potential loss amount is \$1,494,136 pending the result of the referrals.
- The OIG completed 4 audits in 2017. Further research and analysis on a closed 2016 audit of construction change orders uncovered a significant amount of potential waste of CHA funds. The OIG is working with the vendor and CHA to evaluate the recovery options.
- The OIG has expanded collaboration and knowledge sharing by creating several initiatives that provide support to internal and external departments on a variety of topics, including a quarterly analysis of registered sex offenders in CHA which has resulted in 4 terminations from the HCV program, totaling approximately \$75,000 in HAP overpayments.
- Additional initiatives include information sharing to other law enforcement agencies which requires mapping of CHA public housing buildings and HCV sites. The OIG and Internal Audit also facilitated a Yardi working group with CHA stakeholders to identify operational concerns and to address risks associated with Yardi, such as security access controls and the protection of personally identifiable information.
- The OIG conducted due diligence for the Resident Services Department regarding Health Care Partnerships on 30 occasions. It was discovered that one provider was convicted of Health Care Fraud charges and was removed from the list of Health Care Partnerships.
- Provided fraud awareness training to approximately 70 Resident Service Coordinators (RSC).
- The OIG issued 6 Advisory Reports on various problems/concerns observed by the OIG which provide recommendations that could significantly improve CHA's programs and/or operations (See attachments).

### 2018 Goals

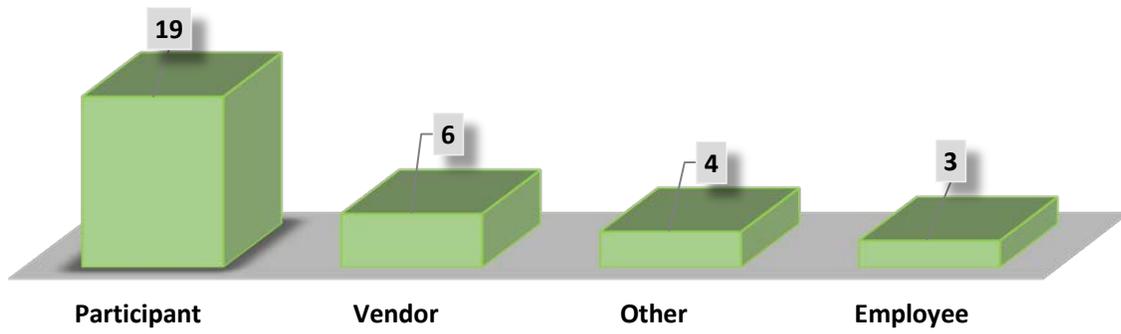
- Pursue criminal investigations and seek restitution and/or forfeiture where appropriate.
- Provide fraud awareness trainings to new vendors, contractors and employees.
- Expand the use of analytics to identify and detect fraud, waste and abuse.

- Advance the use of technology in OIG operations to promote efficiency.
- Maintain OIG staff training and expertise in audits and fraud investigations.
- Enhance knowledge on new CHA programs, directives and requirements, such as the RAD, Section 3 and JOC Programs.

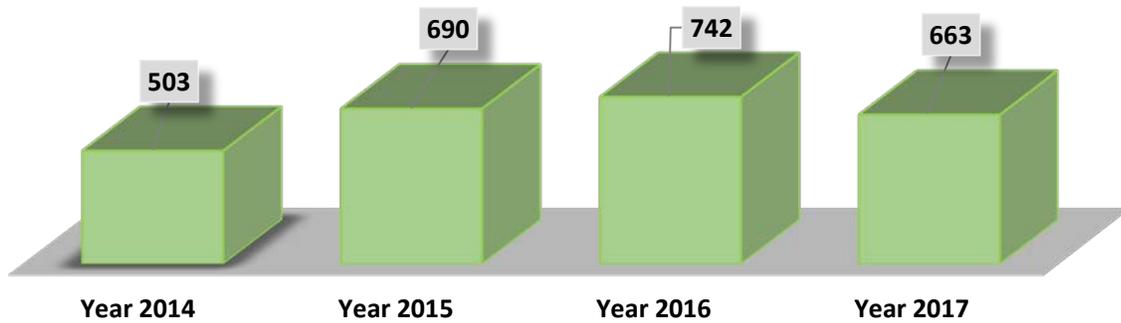
### III. STATISTICAL CHARTS AND GRAPHS OF COMPLAINTS



## SUBJECT OF INVESTIGATION



## YEARLY COMPLAINT COMPARISON



#### IV. SIGNIFICANT INVESTIGATIONS, AUDITS, AND ADVISORIES

##### A. INVESTIGATIONS

In 2017, the OIG conducted investigations that led to criminal prosecutions and administrative sanctions. In addition to some of the cases highlighted in this report, the OIG is currently conducting 28 criminal and 11 administrative investigations. Of those investigations, 30 have not been concluded within six months from initiation. See the table below.

Reasons	Number of Investigations
A. Complex investigation, generally involve difficult issues of multiple subjects and/or under review by prosecuting agency.	26
B. Indicted cases, but no criminal disposition.	4
C. On-hold, to not interfere with another on-going investigation.	0
<b>Total</b>	<b>30</b>

#### CRIMINAL INDICTMENTS

##### Participant/Landlord Fraud

###### **Olumide Runsewe**

Olumide Runsewe (Runsewe) was indicted on 10/03/2017 by a Cook County Grand Jury for fraudulently obtaining housing benefits from the CHA. Runsewe was charged with two felony counts of theft and two felony counts of forgery. The indictment alleged that between December 2013 and April 2017, Runsewe failed to disclose income, failed to notify the CHA of changes in household dependents and failed to notify the CHA of his marriage in 2014 as well as his spouse's income. It was further alleged that Runsewe presented a false document to the CHA that was purportedly from the United States Post Office as well as a false document that was purportedly a court order signed by the Honorable Judge Cheryl D. Cesario (Judge Cesario retired prior to the date of the court order). The case is being prosecuted by the Cook County State's Attorney's Office.

#### CRIMINAL CONVICTIONS

##### Contractor/Vendor Fraud

###### **Charles Thomas**

On 10/1/2009, the OIG received a complaint that Charles Thomas (Thomas), a CHA contractor d/b/a Thomas Painting, was not paying wages in compliance with the Davis – Bacon Act. An

investigation by the OIG revealed that Thomas Painting fraudulently reported in excess of \$450,000 for wages that were not paid in accordance with the Act. In July 2010, this matter was referred to HUD-OIG. Charles Thomas was indicted for Davis – Bacon violations by a Federal Grand Jury in November 2012.

On 12/18/2014 the United States Attorney’s Office filed a Superseding Information charging Charles Thomas with one misdemeanor count of Title 18 USC 1012, Fraud against HUD. The superseding indictment was based upon Davis-Bacon violations and Thomas submitting approximately 92 false certified payrolls to the CHA. On 1/22/2016 Charles Thomas was sentenced to 2 years’ probation, 400 hours of community service, and was ordered to make restitution totaling \$282,172.72. On 1/22/2017, HUD debarred Charles Thomas for a period of 5 years.

### **Cassandra Evans**

The OIG initiated an investigation on 3/11/2016 regarding former CHA property manager Cassandra Evans (Evans), of Eastlake Management & Development Corporation (Eastlake).

The investigation revealed that between 1/6/2016 through 2/9/2016, rent checks made payable to Eastlake and/or Lowden Homes were endorsed by Evans and deposited into her personal account via ATM machines. The total amount of the theft of rent money was determined to be \$8,922.

On 5/31/2016, the Illinois Attorney General’s Office filed a three count indictment against Evans charging her with Theft of Government Funds, Theft, and Wire Fraud (Case Number: 16CR0845501).

On 8/22/2017, Evans pled guilty before the Honorable Judge Diane G. Cannon to one count of Theft of Government Funds, a Class 2 Felony. Evans was sentenced to 24-months’ probation, 30 hours of community service, and was ordered to pay \$8,922 in restitution to the CHA via a cash bond refund.

### **Participant/Landlord Fraud**

#### **Helen Davis**

Helen Davis (Davis) of Chicago was indicted on 8/9/2016 by the Cook County States Attorney’s Office for fraudulently receiving government funds from the Chicago Housing Authority and the Social Security Administration (SSA).

The indictment alleged that between January 1996 and February 2015, Davis stole in excess of \$250,000 (approximate CHA loss - \$139,479) from the CHA and the SSA by concealing income and assets through the use of a secondary Social Security number and an alias. Additionally, Davis submitted documents to the CHA that allowed her to collect Housing Assistance Payments

(HAP) as a landlord under one identity, while residing as a Housing Choice Voucher (HCV) participant in the same property under another identity.

On 1/19/2017, Davis pled guilty to two counts of Theft by Deception > \$100,000 and was sentenced to a 30 months' probation and received a Restitution Judgment Order in the amount of \$135,000 to the CHA.

### **Ericka Island**

A CHA OIG investigation was initiated in February 2015 and worked jointly with the Chicago Field Division of the Department of Homeland Security (DHS) OIG and the United States Department of Housing and Urban Development (HUD) OIG. The investigation involved CHA HCV participant, Ericka Island (Island), who was alleged to have submitted fraudulent documents to the Federal Emergency Management Agency (FEMA) to obtain benefits totaling over \$20,000 in the form of emergency rental assistance. During this time period, the CHA paid approximately \$13,573 in rental assistance for Island's HCV apartment.

On 8/8/2016, the Cook County State's Attorney's office filed an eight count indictment against Island.

On 4/7/2017, Island pled guilty before the Honorable Judge Thaddeus Wilson to one count of Theft and was sentenced to two years' probation, community service, and ordered to pay restitution totaling \$4,800.

### **Doris Bell & Howard Headd**

A CHA OIG investigation was initiated on 5/15/2015 and worked jointly with Illinois Department of Healthcare and Family Services (FHS) and HUD OIG. The investigation involved HCV participant Doris Bell (Bell) and her husband Howard Headd (Headd) at 8214 S. Paxton Ave. Chicago, IL 60617.

The investigation revealed that between January 2000 and July 2015, Bell received benefits from the CHA and the FHS by concealing income and assets through the use of a second Social Security number. The CHA loss was \$110,617. Additionally, Bell submitted fraudulent documents to the CHA that allowed her to collect HAP while residing in the house that she owned.

On 8/12/2016, the Cook County State's Attorney's Office filed a five count indictment against Bell charging her with two counts of Continuing Financial Crimes Enterprise, Forgery, Theft and State Benefits Fraud (Case Numbers: 2016 CR 12521 / 2016 CR 12519). Headd was charged with one count of Continuing Financial Crimes Enterprise and one count of Forgery for signing fraudulent documents to the CHA to conceal Bell's ownership in the property.

On 7/6/2017, Headd pled guilty before the Honorable Judge Joseph Michael Claps to one count of Continuing Financial Crimes Enterprise, which is a Class 1 Felony. Headd was sentenced to 24-months' probation.

Bell had previously pled guilty to one count of Continuing Financial Crimes Enterprise and one count of Theft on 3/9/2017. Both counts are Class 1 Felonies. Bell was sentenced to 30-months' probation and ordered to make monthly restitution payments totaling \$6,800 to the CHA.

### **Arthur Dorsey Jr.**

A CHA OIG investigation was initiated on 6/4/2015. The investigation was related to HCV participant Arthur Dorsey Jr. (Dorsey) of 8117 S. Princeton Ave. Chicago, IL 60620. The investigation was initiated by the CHA OIG and worked jointly with the SSA OIG and HUD OIG.

The investigation revealed that between July 1993 and July 2016, Dorsey stole over \$365,000 (CHA loss - \$211,303) from the CHA and the SSA by collecting housing assistance and Social Security benefits under two different identities. Additionally, Dorsey misrepresented his relationship with the landlord of one of the subsidized addresses, which was determined to be owned by his mother.

On 8/12/2016, the Cook County State's Attorney's Office charged Dorsey with six counts of Theft, three counts of Continuing Financial Crimes Enterprise, and three counts of Forgery.

On 9/28/2017, Dorsey pled guilty before the Honorable Judge Thomas J. Byrne to three separate counts of Theft and was sentenced to 78 months in the Illinois Department of Corrections. Dorsey was previously convicted of Murder, Attempted Murder, and Escape of a Felon from a Penal Institution.

### **Maurice Mills**

The CHA OIG received a referral from SSA OIG on 2/29/2016 regarding CHA resident Maurice Mills (Mills) who was a resident at Lincoln Perry Apartments. Mills had been a resident of Lincoln Perry Senior Apartments since January 2012. SSA OIG had determined that Mills was also receiving retirement benefits under the name of R. G. with a different SSN and an address in Elgin, IL.

The investigation determined that Mills created a second identity in order to gain two types of benefits from the SSA. Using that second identity, Mills obtained Retirement Insurance Benefits (RIB) from the SSA in 2008. In 2010, under Mills' regular identity, he obtained Supplemental Security Income (SSI) from the SSA for a back injury. From 2008 to the present, Mills received over \$43,000 in benefits from the SSA that he was not entitled to.

In December of 2011, Mills applied for housing benefits from the CHA and was accepted into a CHA Senior Public Housing building in January 2012. Mills provided false information to the CHA by failing to disclose his extensive criminal history and by failing to report the correct amount of income he was receiving in both RIB and SSI benefits from the SSA as well as other income from his second identity. Mills received over \$34,000 in benefits from the CHA that he was not entitled to.

The investigation was referred to the Illinois Attorney General's Office jointly by the SSA OIG and the CHA OIG in June 2016. Mills was indicted by a Cook County Grand Jury on 8/16/2017

and charged with 5 felony counts including two counts of Theft, State Benefit Fraud, Wire Fraud and Forgery.

On 11/14/2017, Mills pled guilty to Count 1 of the indictment, which was theft relating to his CHA benefits, in violation of Chapter 720 Act 5 Section 16-1 (a) (2) (A) of the Illinois Compiled Statutes. The count was reduced to a misdemeanor and Mills was sentenced on 11/14/2017 to 1-year conditional discharge. The OIG referred this matter to the Legal Department for eviction proceedings against Maurice Mills for defrauding the CHA.

### **Latoya Williams**

The CHA OIG initiated an investigation on 9/27/2012 related to HCV participant Latoya Williams (Williams) of 1241 N. Monitor Ave, Chicago, IL 60651 and her husband Michael Fort (Fort).

The investigation revealed that between June 2008 and October 2012, Williams was the HCV participant in a unit owned by Fort, who received a monthly HAP from the CHA related to Williams' voucher. It was determined that Williams never occupied the unit and was living at another address with Fort in Palatine, IL. The HCV unit was rented to a third party and Fort collected tenant monthly rent as well as the HAP. The CHA incurred a financial loss of \$63,138. On 10/29/2013, the Cook County State's Attorney's Office filed a four-count indictment against Williams (Case Number: 2013 CR 2061602) and an eight-count indictment against Fort (Case Number: 2013 CR 2061601).

On 11/17/2017, Williams pled guilty before the Honorable Judge Alfredo Maldonado to one count of Theft by Deception. Williams was sentenced to 30 months of probation, 45 days of community service, and ordered to pay restitution totaling \$10,000 to the CHA. Fort also pled guilty to one count of Theft of Government Funds and sentenced to 18 months with the Illinois Department of Corrections, to run concurrent with an unrelated conviction under case number 2016 CR 0438101. Fort received credit for 494 days that he was incarcerated during his court proceedings.

## **ADMINISTRATIVE**

### **Contractor/Vendor Fraud**

#### **OIG Ref #2017-01-00015**

On 01/5/2017, the OIG received a complaint regarding a CHA vendor. This company was awarded a professional services contract from the CHA for a period ending in January 2018. This company was to provide workforce development training, career counseling and subsidized and unsubsidized employment placement for CHA residents. This company recruits, screens, trains and places CHA adult residents into subsidized employment. The complaint alleged that the company's owner exhibited inappropriate statements directed at its employees, CHA residents, CHA employees and resident trainees.

The investigation was sustained by the OIG. Based upon multiple interviews, the OIG investigation documented a pattern of inappropriate and graphic statements by the subject. The witnesses described a pattern of behavior by the subject that included inappropriate statements relating to religious beliefs; sexual preference; race and gender. Multiple witnesses described the statements as offensive.

The OIG also determined that the subject failed to disclose a proposed debarment of the company by another city agency as required in the Contractor's Affidavit, Section V, part A.1. and B. The OIG found that at the very minimum, the subject was required to attach a detailed factual explanation of the proposed debarment of this company. Section V, B, of the Contractor's Affidavit states: If the Contractor is unable to certify to any of the statements in this certification, the Contractor shall attach a detailed factual explanation to this certification.

The OIG determined that the subject violated numerous material terms of its contract with the CHA and recommended that the contract should be terminated immediately. The OIG also recommended that the subject be barred from all CHA work. Consequently, the CHA terminated this contract.

#### **OIG Ref #2016-10-00076**

On 10/31/2016, the OIG received information that a Local Advisory Council (LAC) had been renting out a room on CHA property to residents and various third parties. The OIG investigation determined that the LAC had rented out CHA space on approximately 44 separate occasions since April 2016 in order to raise funds. The LAC charged CHA residents and other third parties \$150 per use and collected over \$5,250. The investigation also determined that the property management staff and the CHA staff were aware of this ongoing practice. However, no written guidelines were found and it was not clear what guidelines the LAC was given by the CHA. The OIG investigation also determined that since the LAC elections in September 2016, this LAC office at this CHA Development had ignored directives given by the Chief Property Officer and by the Deputy Chief. The OIG also made the following recommendations:

- The CHA Property Office should prepare a written policy for the use of CHA space by CHA residents, non-residents, the various Local Advisory Councils and the Central Advisory Council. This Policy should be distributed to the various Private Property Management (PPM) firms and to their Property Managers, the CAC and the various LAC's:
  - The policy should stipulate that CHA residents should not have to pay a fee to use CHA space that is available for their use.
  - CHA Management should control and approve any rental agreements of CHA property to all third parties.
- The PPM firms should provide better oversight and management control of their property.
- The LAC should not have any responsibility, oversight or control over the use of the various rooms and resources at this CHA Development.

- Finally, it should be clearly communicated to the Security Companies on site that they do not report to the LAC and that their directives come from the CHA and the PPM firms.

### **Participant/Landlord Fraud**

#### **OIG Ref #2017-03-00031**

On 3/20/2017, the OIG received a complaint that CHA voucher holder had been renting a unit for the past 14 years from her sister. Initial analysis revealed it was a HCV participant and the sister was listed as the landlord of the unit. Analysis also revealed that on 7/14/2016, the HCV Department sent a notice to the tenant to confirm whether or not she was related to the property owner. There was no response to the notice. The property owner had received over \$87,000 in HAP.

The Cook County Recorder of Deeds reflects that in February 1998, the HCV unit was transferred to both the landlord and the participant from their father. In December 2001, the HCV participant transferred her interest in the property to her sister. The HCV participant had applied for housing benefits in September 2001 and was admitted into the HCV program in April 2002.

The OIG interviewed the landlord in May 2017 and the HCV participant in July 2017. Both parties were uncooperative and both individuals denied that they were related to each other.

The HCV participant provided her birth certificate to the CHA during the initial application process. The OIG obtained the landlord's birth certificate in August 2017. The birth certificates confirmed that the HCV participant and the landlord were in fact sisters.

As a result of the OIG investigation, the HCV participant sent a letter to Nan McKay and Associates (A CHA vendor administering the HCV program) on 8/22/2017 relinquishing her voucher. The OIG referred the investigative report to the HCV Department and the HAP payments were suspended. In addition, the HCV Department has sent an overpayment notice to the property owner in the amount of \$87,007.

#### **OIG Ref# 2016-03-00005**

A CHA OIG investigation was initiated in March 2016. The investigation revealed that an HCV participant was renting from, and residing jointly in, the subsidized unit with the owner, who was determined to be the participant's mother. From January 1999 through February 2016, the CHA paid the owner a total of \$150,438 in HAP on behalf of the participant's voucher.

A CHA Intent to Terminate (ITT) hearing related to the participant's voucher was conducted on 10/17/2016. A decision to terminate the participant's housing assistance was entered on 11/16/2016.

## **OIG Ref# 2016-02-00047**

A CHA OIG investigation was initiated on 2/22/2016. The investigation was related to an allegation the OIG received that an HCV participant had failed to report her marriage and had resided in the HCV unit with her husband for over 8 years. The complaint further alleged that the husband had an income in excess of \$40,000 per year and the participant had failed to report the income to the CHA.

The investigation revealed that the participant had been married since February 2007 and that during the entire time, her husband was employed. The participant never identified her husband as a household member or reported his income at any biannual reexamination with the CHA.

An ITT Hearing was conducted and a decision to terminate the participant's housing assistance was entered based on the investigative findings. Based on several factors, the determination was made to not present the case for criminal prosecution.

## **B. NOTEABLE INVESTIGATIVE SUPPORT / REFERRALS**

### **OIG Support to HCV**

#### **Yvette Taylor**

The OIG received information from a federal law enforcement agency that HCV participant Yvette Taylor (Taylor) had been indicted by a Federal Grand Jury on 5/26/2015 for submitting or causing the submission of 526 false federal income tax returns from 2008 to 2013 involving 146 victims. Taylor had attempted to obtain fraudulent tax refunds totaling \$1,023,114. Taylor pled guilty on 4/19/2016 to 1 count of mail fraud and 1 count of aggravated identity theft. On 12/16/2016, Taylor was sentenced to prison for 3 years and probation for 2 years. Taylor was also ordered to pay restitution totaling \$138,802. Taylor was ordered to report to prison on 2/28/2017. An informal hearing was held on 2/14/2017 with Taylor, who was attempting to maintain her voucher for her 2 children. On 2/22/2017, the Hearing Officer ruled in favor of the CHA and Taylor has been terminated from the HCV program.

## **OIG Ref #2017-04-00030**

Through the use of analytics identifying landlords with P.O. Boxes, it was discovered that HCV participant was potentially renting a unit from her mother. The participant moved into her current subsidized unit in 2003. At the time, the property was owned by the participant's uncle but was subsequently deeded to the participant's mother in January 2007. The landlord listed a P.O. Box as her primary address and was suspected of residing in the subsidized unit. Since 1/1/2006, the CHA has paid this landlord over \$116,000 in HAP for the participant.

The allegation that the landlord was residing with her daughter was not sustained. The OIG investigation determined that the landlord resided in Crete, IL, and not at the HCV address.

However, it was determined that the landlord and the participant are mother and daughter, and both are in violation of the HUD regulation which does not allow individuals to rent to/from a relative.

Evidence to show that the landlord and the voucher holder took any overt steps to conceal their relationship did not exist, therefore, the OIG did not pursue a criminal referral to the Cook County State’s Attorney’s Office. Both the voucher holder and the landlord used their same last names on all CHA documents and correspondence. There was also no documentation that either the landlord or the tenant were ever confronted by CHA personnel about their relationship. However, the HAP contracts signed by the landlord and the Voucher Agreements signed by the tenant, clearly state that it is a violation for the tenant to rent a unit owned by a relative, and for the landlord to rent a unit to a relative. The above information was referred to the HCV Department for appropriate action.

**CHA Health Partnership Initiative**

In collaboration with CHA’s Resident Services Department, the OIG reviewed thirty health partnership applications in 2017 utilizing open source information. Of the thirty applications reviewed, derogatory information was identified with regard to one Health Partner. As a result, they were removed from the list and will no longer have access to CHA properties for the purpose of conducting business. The OIG will continue to review partnerships on an ad-hoc basis and ensure activities provided by health partners are in the best interests of the CHA and its residents.

**C. ADVISORIES**

The OIG issued six advisory reports to CHA in 2017. The OIG issues advisories when systemic or high risk conditions are identified by the OIG during the course of audits, data analytics and/or investigations. Once the advisory is issued to CEO Eugene Jones, internal stakeholders are identified to address the concern raised in the advisory. See Attachment 1 for the full reports.

Advisory #	Description/Summary
9	Recommendation for Employment Action
10	Recommendation to CHA based on an analysis of P.O. Boxes
11	Recommendations for CHA’s Lead Inspection Process
12	Security Recommendations for Master Keys
13	Security Recommendations for Identification Badges
14	Recommendations for Compliance with Illinois Identity Protection Act

## **D. AUDITS AND REVIEWS**

The OIG closed four audits and one program review in 2017. The following is a summary of those audits/review. See Attachment 2 for the full reports.

### **Public Housing Over Income**

As part of the OIG 2016 Audit Program Plan, the OIG conducted an audit of the Public Housing (PH) over-income population. The audit's main objectives were to determine the extent to which subsidized PH units are occupied by over income families; to review CHA's internal controls and procedures as it relates to the review, approval, and processing of rent calculation; and to determine whether CHA is in compliance with HUD's rent requirements.

The following notable observations are based on a sample of CHA's PH sites using 2016 data:

1. CHA provided PH assistance to as many as 220 families whose annual household income exceeded HUD's Income Guidelines at the 80% limit. Out of the 220 families, 124 families (56%) are 120% over income, which means that they are paying less than 30% of the adjusted gross income as required.
2. The OIG tested tenant files and found that 13 out of the 20 selected Family Site files and 2 out of 10 Senior Sites files were incomplete.
3. Approximately 1,000 CHA residents (6% of households) will be affected by HUD's new Flat Rent requirement.

All departments impacted by this audit cooperated fully with the OIG staff. The Property Office responded to the OIG's report and is currently making process improvements to ensure compliance with HUD once it issues its final ruling on over-income families receiving Public Housing.

### **Follow-Up CHA Emergency Contracts**

On 5/31/2017, the OIG completed the Follow-Up Emergency Contract Audit. The original audit was completed on 4/7/2015. The Department of Procurement & Contracts (DPC) Management advised that all recommendations to the observations identified were implemented.

Of the three recommendations in the original audit report, the OIG determined that all three were implemented. The OIG commends DPC for their implementation of all of our recommendations. The CHA is part of a city-wide procurement initiative, the Procurement Reform Task Force (PRTF). The PRTF was tasked with developing recommendations and best practices governing the award, management and oversight of contracts in an effort to improve efficiency, transparency and increase accountability of public funds.

### **Occupancy Rate**

Due to observations and concerns of CHA's Chief Property Officer (PO), and as part of the OIG 2016 Audit Program Plan, the OIG conducted a performance audit of CHA's occupancy process. Primarily, the audit assessed the risk environment and the existing controls to minimize potential for fraud, waste and abuse.

The following notable observations are based on December 2016 data provided by the PO:

1. CHA had a high vacancy rate, with an unadjusted vacancy rate of 18% (2,772 out of 15,734) and an adjusted vacancy rate of 7% (961 out of 13,923). The adjusted estimated financial loss of potential rental income (1,042 leasable units) is \$242,525 monthly and \$2,910,306 annually.
2. The length of vacancy time for unoccupied units was prolonged, with an average vacancy time of 13 months for the sampled Scattered Site units.
3. CHA has 795 units scheduled for modernization and/or make ready work. The renovation for some of these units have been ongoing for years.
4. CHA PO maintains an off-line report from Yardi regarding occupancy/vacancy rate, as opposed to pulling directly from Yardi.

The final audit report was presented and discussed with the Audit Committee on May 16, 2017. The Property Office is currently making process improvements to address the high vacancy rate and reduce unit turnaround time. Specifically, the department has created an occupancy initiative plan, which includes holding PPM's accountable for meeting the required timeline to turn and lease units, improving the process for having screened and approved applicants, implementing site-based waitlists, and expanding the Job Order Contracting (JOC) program. The Property Office also plans to fully utilize Yardi for effective and timely documentation and reporting.

### **Follow-up Security Guard Services**

On 5/22/2017, the OIG completed a follow-up review of the Security Guard Services Audit issued on 2/18/2014. The purpose of our follow-up review was to determine the status of previous observations and recommendations for improvement.

Of the five recommendations in the original audit report, the OIG determined that four were implemented and one was not implemented. The Safety and Security Department and Property Office (PO) developed a SharePoint site to centralize all security related documents such as insurance, invoices, and security credentials. We commend the PO for their implementation of our recommendations, however the SharePoint site is not currently being utilized to store the security documents.

### **CAC Section 3 Grant Program**

Pursuant to a Contract Agreement, the Central Advisory Council (CAC) was awarded approximately \$200,000 in 2016 to administer the Section 3 Small Grants Program. The program is to provide small grants (up to \$5,000) for residents in need of business development assistance. The OIG conducted a program evaluation to assess whether the grants were issued and used appropriately, as well as to identify any potential fraud, waste and/or abuse.

#### *Findings:*

- A total of \$143,149.66 was awarded to 33 Public Housing or HCV participants
- CAC used \$50,779.96 for a consultant to administer a 10-week entrepreneurship program to grant recipients

- File reviews show that most individuals sent in supporting documentation/receipts to verify that the grant was utilized for its intended purpose (i.e.: recipients spent their money on supplies, union dues, marketing, insurance, etc.)
- CAC did not adhere to the applicable procurement guidelines as stated in Section 2.10 of the Funding Agreement between the CAC and CHA. The consultant was not competitively rebid in 2017 and no supporting documentation establishing the basis of which such a contract was awarded for a second year was found.

*Recommendations:*

- Adherence to Section 2.10 of the Funding Agreement
- Amend language in the grant application
- Ensure the collection of all physical receipts and establish a plan for when recipients do not use the funds for the stated purposes (OIG created a sample letter/template for the CAC to use when recipients do not submit the required verification)
- Provide a list of recipients and their coinciding business name to the appropriate business units to ensure residents and participants are knowledgeable about how to report income from their start-up or existing businesses to the CHA

The CAC is currently making process improvements to the Section 3 Grants Program based on our recommendations, such as amending their Grant Application, limiting the number of grants an individual can receive and plans to go through CHA's full procurement process when appropriate. The OIG would like to thank the CAC for its cooperation and willingness to better improve the program.

**E. 2018 OIG PRELIMINARY AUDIT PLAN**

The OIG audit plan is subject to change based upon OIG observations, requests by CHA management, and any other emergent issue that requires the OIG to respond in a timely review. See Attachment 3 for the 2018 Audit Plan.

**F. ANALYTICS**

The following are significant data analysis projects conducted over the past year:

**Registered Sex Offender List Analysis**

On a quarterly basis, and pursuant to the *Quality Housing and Work Responsibility Act of 1998 (Section 578)*, which became effective on 6/5/2001, the OIG identified the number of lifetime registered sex offenders (offenders) who listed a Public Housing or HCV address on the sex offender registry.

To date, the OIG identified 48 offenders who listed a Public Housing or HCV address on the registry. The CHA participant living at an address which was listed on the registry rarely listed the offender as a household member, indicating the participant was either unaware their address was listed on the registry; or, they were unaware they had unauthorized occupants

living in their unit. Regardless, once an offender is identified as having a Public Housing or HCV address, CHA will notify the respective tenant and require them to submit documentation stating that the offender does not reside in the CHA unit. They must also take steps to remove the CHA address from the sex offender registry. Of the 48 offenders identified, over 60% (30 out of 48) have removed the CHA address from the registry. As shown in the chart below, four participants have been terminated from the HCV Program, which has resulted in a total of approximately \$75,000 in HAP overpayments.

It should be noted that in February 2017, the OIG contacted the Illinois State Police Registration Unit (SOR), who is responsible for maintaining the registry. They were unaware of the *Quality Housing and Work Responsibility Act*, and the prohibition on offenders being admitted into federally-assisted housing. It was only as a result of the OIG work that they learned of these restrictions.

In light of this analysis, the OIG recommended that CHA’s Intake Application add the following language under Section VII: “I/We understand and agree that no household/family member is/will be a lifetime registered sex offender.” The HCV Department has included this requested amendment and began using the new Intake Application as of 4/24/2017.

The following is a summary of any administrative action taken as a result of being identified:

<b>Enforcement Action (Tenants)</b>	<b>Total (48)</b>
Terminated	4
ITT	0
PAC Agreement or Warning Notice	11
Waiting for Verification	11
Settlement Agreement	1
No Further Action	21
<b>Total</b>	<b>48</b>

In 2018, the OIG will continue work on the Registered Sex Offender List Analysis on a quarterly basis with internal and external stakeholders.

### **Red Flag Analyses**

In 2017, the OIG conducted analytics on various red flags of potential landlord/tenant collusion, such as the use of a P.O. Box, and/or matching addresses, phone numbers, emails and last names of landlords and their tenant(s). Seven investigations were opened, while 27 matters were referred to the HCV Department for appropriate action. The OIG has 4 pending investigations; two investigations were not sustained, while one investigation was sustained and referred to the HCV Department for termination.

It should be noted that the OIG also opened 9 investigations in Quarter 4 of 2016 related to landlord/tenant collusion. Five of these investigations were sustained in 2017, and one case resulted in CHA receiving approximately \$49,000 in restitution from a HCV participant as a result of the investigation and in support of an ITT hearing.

## V. FRAUD AWARENESS TRAINING SESSIONS

On 5/15/2017, OIG staff provided training to approximately 70 Resident Service Coordinators (RSC) at the FIC. RSCs work at CHA's public housing properties across the city. The OIG will continue to provide training to diverse groups of internal and external stakeholders in 2018. The OIG believes that training is pivotal in the reporting and prevention of fraud, waste and abuse of CHA funds.

## VI. INTERNAL OPERATIONS

OIG staff evaluations and one-on-one meetings with each staff member were completed in December 2017. The evaluations were tendered to Pat Rios, the Chief Administrative Officer. Other relevant operational matters are addressed below.

### A. BUDGET INFORMATION

The OIG has consistently come under budget in 2015, 2016, and 2017. The OIG utilized the services of an outside consultant this year for intelligence and forensic accounting purposes and will be using their services again in 2018. It is imperative that the consultant fee line item is always maintained in the budget.

<b>2018 OIG Budget</b>		<b>2017 OIG Budget</b>	<b>2017 Projected Actuals</b>	<b>2016 OIG Budget</b>	<b>2016 Actuals</b>
<b>Account</b>	<b>Total Account</b>	<b>Total Account</b>	<b>2017</b>	<b>Total Account</b>	<b>2016</b>
OPERATING	342,218	332,250	76,334	332,250	55,169
PERSONNEL (Loaded)*	1,032,720	985,598*	916,314	921,979	859,011
<b>Total Budget</b>	<b>1,374,938</b>	<b>1,317,848</b>	<b>992,648</b>	<b>1,254,229</b>	<b>914,180</b>

\*The personnel budget increase is a result of the compensation study that was funded by the CHA, and not the OIG.

### B. OIG STAFF AND CREDENTIALS

The OIG staff is comprised of investigators (including former federal law enforcement), auditors, and analysts with deep institutional knowledge as well as subject matter experts in areas of OIG Audits and Analytics.

**Elissa Rhee-Lee** has been an attorney in the Chicago Area for 30 plus years. Elissa's area of expertise is in Criminal Law, Governance, investigations, Ethics, trial practice, and regulatory compliance. Elissa was appointed by the Board of Commissioners in December 2012 to head the newly independent CHA Office of the Inspector General.

**Michael Kosanovich** is the Deputy Inspector General. He came to the OIG after 24 years with the FBI and three years as the Global Security Director for GE Transportation, a division of

General Electric. Michael has a Bachelor's degree in Criminal Justice from the University of Maryland, and also completed FBI Executive Management Training at Northwestern University; and Critical Incident Management training at the FBI Academy in Quantico, Virginia.

**Ellaye Accoh** is a Certified Inspector General Auditor and Certified Government Auditing Professional with over eighteen years of experience in the fields of Audit and Investigation. Ellaye has a Bachelor's degree in Finance and a Master's degree in Accounting. Ellaye has been working for the CHA OIG since 1998. He is a Certified Fraud Examiner.

**Beatriz Martinez** is a Certified Public Accountant, Certified Inspector General Auditor and a Certified Fraud Examiner with over 23 years of accounting experience and over 10 years of experience as an auditor. Beatriz joined CHA as a Quality Control Financial Analyst in the HCV Department in 2010. A year later, she was promoted to HCV Accounting Supervisor. Beatriz joined the OIG as a Senior Auditor in August 2013. Prior to CHA, Beatriz worked as an Internal Auditor for the Office of the Special Deputy Receiver for over seven years. She also worked pro-bono at Latinos Progresando and currently provides Income Tax assistance to low-income residents. Beatriz has a Bachelor degree in Accounting from Robert Morris University.

**Justin King** joined the OIG as an Investigator in August 2013. Prior to that, Justin spent over four years as the Housing Compliance Project Coordinator in the CHA's Legal Department helping investigate and initiate Criminal Activity Eviction cases. He was also responsible for the monitoring and reporting of eviction cases for the entire CHA portfolio. Justin is a Certified Fraud Examiner and a Certified Inspector General Investigator.

**Mark Lischka** joined the OIG on January 6, 2014 as a Senior Investigator after having served as a Supervisory Special Agent with the United States Department of Treasury, Criminal Investigation Division. Mark has over 30 years of experience in financial and corporate fraud investigations. Mark has expertise in tracing money and assets, forensic accounting, organizing evidence and report writing. He is a Certified Fraud Examiner and a Certified Inspector General Investigator.

**Michelle Harrington** joined the OIG in October 2016 as an Operations Analyst. Michelle previously worked with the Housing Choice Voucher and Low Income Public Housing programs at two other housing authorities. Michelle is a graduate of Texas State University with a Bachelor's degree in Public Administration. She has over 10 years of experience in the public and private sector.

**Ashley Lindemann** joined the OIG in March 2016 as an Information Analyst after receiving her Master's Degree in Criminology/Criminal Justice from Loyola University Chicago. Previously, Ashley interned for Social Security Administration, Office of the Inspector General where she assisted agents in fraud investigations. Ashley is also heavily trained in research and has provided statistical models, trends and analyses to various government agencies in Illinois. She is a Certified Fraud Examiner.

### **C. OIG STAFF CHANGES**

The OIG welcomed a new Deputy Inspector General, Michael Kosanovich, in February 2017. Mike was the former Assistant Special Agent in Charge of the FBI's Chicago Field Office, directing

the Public Corruption and Financial Crimes Programs. Most recently, he served as the Global Security Director for GE Transportation, a division of General Electric. Mike brings extensive experience in a variety of disciplines including financial/white collar crimes and corruption investigations.

#### **D. OUTSTANDING ITEMS**

##### **DEBARMENT**

OIG recommended debarment of several vendors based upon an OIG investigation which was concurred by CEO Eugene Jones, Jr. The following is a summary of those recommended for debarment.

##### **M&M Painting**

The CHA OIG received an anonymous allegation that CHA vendor Mohd Assaf (Assaf), owner of M&M Painting, built a garage for a former CHA Asset Manager. During an OIG interview, Assaf denied building the garage or having contact with the Asset Manager for six or seven months. However, according to telephone records obtained by the OIG, over 80 calls between Assaf and the Asset Manager were discovered, including three on the day of one of the interviews. During the course of the investigation, it was also revealed that between 2010 and 2011, Assaf paid a former Private Property Manager (PPM) Vice President three cash payments totaling over \$12,000. Although Assaf characterized the payments as “loans,” the funds were never repaid, and Assaf admitted he did not expect them to be repaid.

A separate CHA OIG investigation revealed that Assaf received 14 checks in June and July 2015 for services rendered at multiple CHA PPM managed properties. Those checks were electronically deposited in a M&M Painting account shortly after their receipt. On 11/24/2015, those same 14 checks were physically deposited into the accounts of M&M Painting at Chase and Wells Fargo banks in Chicago. This resulted in an overpayment to M&M Painting of \$55,605 from the CHA PPM accounts held at BMO Harris Bank.

The debarment decision was issued by the hearing officer on August 30, 2017. CHA concurred with the decision. M&M Painting has the right to appeal the decision of the hearing officer in a timely fashion. The OIG has no further information regarding the status.

##### **DMD Electric**

After the CHA OIG received an anonymous allegation of theft by an Asset Manager (AM), David M. Daniels (Daniels) of DMD Electric was interviewed on multiple occasions. The OIG found that Daniels’ statements were inconsistent and contained multiple untruths. Daniels told several variations of his story when confronted with facts gathered from interviews and witness statements. A review of the AM’s CHA e-mail account revealed that the AM sought out the contact information for Daniels from another manager two days prior to the closing on the AM’s home in 2011, indicating a long established relationship prior to the first interview. Daniels

initially lied and denied performing personal work for the AM, but later admitted he was called to add circuit breakers to an electric panel, in preparation of the building of the AM's garage. Subsequent to learning that Daniels was being called by the OIG for a re-interview, the AM resigned from the CHA. The AM stated, and Daniels concurred, that a check for \$1100 was provided to Daniels for various electrical work Daniels completed at the home of the AM. Further along in the investigation, when Daniels learned that the AM was leaving the CHA and would no longer support his version of events, Daniels changed his story, which contradicted the statements he gave during two previous interviews.

The debarment decision was issued by the hearing officer on October 13, 2017. CHA concurred with the decision. DMD Electric has the right to appeal the decision of the hearing officer in a timely fashion. The OIG has no further information regarding the status.