

**OFFICE OF THE INSPECTOR GENERAL  
CHICAGO HOUSING AUTHORITY**

**REPORT OF THE OFFICE OF THE INSPECTOR GENERAL**

2018 SECOND QUARTER REPORT  
**APRIL 01, 2018 THROUGH JUNE 30, 2018**

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INSPECTOR GENERAL

JULY 13, 2018



July 13, 2018

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

Enclosed for your review is the 2018 Second Quarter 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*.

The OIG received 148 complaints during the second quarter. The OIG provided 87 investigative support matters to internal and external stakeholders; referred 28 complaints to other CHA departments; declined 24 complaints; initiated 4 investigations; opened 3 preliminary inquiries; and closed 6 investigations during the quarter. Year-to-date the OIG has provided investigative support for 194 matters; referred 52 complaints; declined 44 complaints; initiated 5 investigations; opened 7 preliminary inquiries; and closed 9 investigations.

The OIG has 37 pending investigations, of which 30 have been opened for more than 6 months. An investigation can remain open longer than 6 months for variety of reasons including but not limited to complexity of the case; under review by the prosecuting agency; indicted but no dispositions; and investigations that are subject to grand jury inquiry. In order to maintain the integrity of on-going investigations, the OIG quarterly reports will not contain information on pending investigations.

I thank Chairman Hooker and members of the Finance/Audit Committee for your interest and continued support of the mission of the OIG in its pursuit of promoting transparency, accountability, and public trust in the administration of CHA programs and operation.

Respectfully submitted,

Elissa Rhee-Lee  
Inspector General

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This quarterly report provides an overview of operations of the Office of the Inspector General (OIG) during the period of 04/01/2018 through 06/30/2018. This report includes statistical and narrative summaries of OIG activities for the past quarter.

#### **A. MISSION OF THE INSPECTOR GENERAL'S OFFICE**

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

The OIG achieves this mission through:

- Criminal Investigations
- Administrative Investigations
- Program Reviews
- Performance Audits
- Analytics
- Advisories
- Fraud Awareness Training

From these activities, the OIG issues report of findings and disciplinary and policy recommendations to ensure that CHA officers, the Board of Commissioners, employees and vendors are held accountable for running an efficient, cost-effective operation. Furthermore, the OIG seeks to prevent, detect, identify, expose and eliminate waste, inefficiency, misconduct, fraud and abuse of public authority in CHA's use of funds.

#### **B. INVESTIGATIONS AND PROGRAM REVIEW STANDARDS**

The OIG conducts its investigations in accordance with the *Association of Inspectors General Principles and Standards for Office of Inspectors General*, generally accepted principles, quality standards and best practices applicable to federal, state, and local offices of Inspectors General. These include both general standards and qualitative standards as outlined in the above publication. Additionally, the OIG, always exercises due professional care and independent impartial judgement in conducting investigations and the issuance of reports and recommendations.

The OIG conducts audits of programs in accordance with *Generally Accepted Government Auditing Standards issued by the Comptroller General of the United States and Principles and Standards for the Offices of Inspector General*. Those standards require that we plan and perform the audit to obtain sufficient, and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. The adherence to these standards ensures that audits and program reviews comprise the requisite independence, planning, organizing, staff qualifications, direction and control, coordination, reporting, confidentiality and quality assurance.

#### **C. INVESTIGATIONS**

The OIG conducts both criminal and administrative investigations into the performance of officers, employees, contractors, functions, and/or programs, either in response to complaints, audits or upon OIG's own initiative.

The OIG received 148 complaints/matters during the second quarter of 2018. Out of the 148 complaints, we provided investigative support to both internal and external stakeholders for 87 matters. We initiated 4 investigations, opened 3 preliminary inquiries, we referred 28 complaints to other agencies or departments and we declined 24 cases. Matters can be declined for a variety of reasons such as insufficient information provided, insufficient resources to address, no actionable information contained in the allegation, or not within the OIG’s jurisdiction. The OIG closed 6 investigations during the second quarter.

**Table # 1 Complaint by Method**

Complaint by Method

Source	Number
Emails	38
Website Submissions	84
Hotline	14
In Person	8
Dropbox	2
Mail	2
Fax	0
Analytics	0
<b>Total</b>	<b>148</b>

**Table # 2 Complaint Disposition**

Complaint Disposition

Disposition	Number
Investigations	4
Preliminary Inquiry	3
Investigative Support	87
Referrals	28
Declined	24
<b>Total</b>	<b>148</b>

**Table # 3 Subject of Investigation**

Subject of Investigation

Subject	Number
Program Participants	2
Contractors, Subcontractors, Vendor	2
Employees	0
Other	0
<b>Total</b>	<b>4</b>

**Table # 4 Investigative Classification**

Investigative Classification

Classification	Number
Administrative	3
Criminal	1
<b>Total</b>	<b>4</b>

**Table # 5 Closed Investigations**

Closed Investigations During the Quarter

Classification	Number
Administrative	2
Criminal	4
<b>Total</b>	<b>6</b>

**Table # 6 Indictments/Convictions**

Indictments/Convictions

Action Category	Number
Indictments	0
Convictions	1
Restitutions	0
Debarment	0
<b>Total</b>	<b>1</b>

**Table # 7 Pending Investigations / Preliminary Inquiries**

Pending Investigations / Preliminary Inquiries

Classification	Number
Administrative	15
Criminal	22
Preliminary Inquiry	7
<b>Total</b>	<b>44</b>

**Table # 8 Pending Audits**

Pending Audits

Audit Name	Time Frame
Follow-up Occupancy	09/30/2018
CHA Fleet Vehicles Audit	09/30/2018
CHA Elevator Services	12/31/2018
CPD Intergovernmental Agreement Audit	12/31/2018

**INVESTIGATIONS NOT CONCLUDED WITHIN SIX MONTHS**

Under the *Inspector General Charter*, the OIG must provide quarterly statistical data on pending investigations/matters open for more than six months. Of the 37 pending matters, 30 have been open for at least six months. The following table shows the general reasons why these matters remain open.

**Table # 9 Investigations Not Concluded within Six Months from Initiation**

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

**D. NOTABLE INVESTIGATIVE SUPPORT**

**CHA Health Partnership Initiative**

In collaboration with CHA’s Resident Services Department, the OIG reviewed ten health partnership applications this quarter utilizing open source information. Of the ten applications reviewed, there was no derogatory information identified. 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.

**E. CLOSED INVESTIGATIONS SYNOPSIS**

An OIG investigation can be either administrative, criminal or both. Administrative investigations generally involve violations of HUD regulations and/or CHA rules, policies or procedures. For sustained administrative investigations, the OIG prepares a summary report of the investigation and its findings. These summary reports are presented to the CEO and the impacted department to facilitate an appropriate resolution. They are available upon request to the Audit Committee. In order to maintain confidentiality and integrity of the pending investigations, the OIG has omitted any information on pending/open investigations.

In criminal investigations, if there is sufficient evidence gathered for potential prosecution, the investigation will be presented to a prosecuting agency for review. In the event a tenant fraud case is declined by the prosecuting agency, the evidence obtained can be referred to CHA departments for appropriate administrative sanctions including termination of participant’s voucher, debarment, or civil action remedies.

## **CLOSED CRIMINAL CASES**

Four criminal cases were closed this quarter. Two cases were sustained, one case was not sustained, and one case was declined. The following is a summary of the significant criminal case.

### **OIG Ref #2015-11-00002**

On 11/10/2015, the OIG received a request for assistance in verifying the marriage of Housing Choice Voucher participant Aletta Wise. The request was based on the participant's Earned Income Verification (EIV) report that identified her as being employed by the City of Chicago under the name Aletta Applewhite. An investigation was initiated.

The investigation revealed that between June 2013 and September 2015, Applewhite defrauded the CHA of \$33,991 from the CHA by failing to report income from her employment with the City of Chicago. Applewhite attempted to conceal the income by working under her unreported married name. Additionally, Applewhite failed to report her marriage or add her husband Darrell Applewhite as a household member. Applewhite's husband was also determined to be a City of Chicago employee.

Applewhite was indicted on 08/09/2016 by the Cook County State's Attorney's Office for fraudulently obtaining housing assistance funds from the CHA.

On 01/11/2018, Applewhite pled guilty before the honorable Judge William G. Gamboney to one count of theft (Class 1 Felony). Applewhite was placed on electronic monitoring by the Cook County Sheriff's Office while she awaited sentencing.

On 04/12/2018, Applewhite was sentenced to 4 months in the Illinois Department of Correction and 18 months' felony probation. Applewhite was also ordered to pay full restitution to the CHA prior to the conclusion of her probation.

The CHA OIG considers this investigative matter to be closed.

## **CLOSED ADMINISTRATIVE CASES**

There were two closed administrative cases this quarter. One case was closed and not sustained. The following is a summary of the sustained case.

### **OIG Ref #2018-03-00023**

On 3/16/2018, the OIG received an allegation involving a number of Security Officers employed by one of CHA's Security Vendors. The OIG initiated an investigation and determined that several months prior, eight Security Officers had a party at the Security Office located on one of CHA's properties. Two of the Security Officers were not on duty but had stopped by after being invited by the other Officers. Two of the Officers present were assigned to work at the CHA property where the party occurred. The remaining four Security Officers who attended this



party were assigned to a different CHA property. The party lasted from approximately 11:00 PM until 1:00/2:00 AM. The OIG investigation determined that alcohol was consumed by the Officers while on CHA property and while on duty. One of the Officers became intoxicated and could not finish the shift. Two of the other Security Officers who were at the party and on duty, drove the Security Officer who became intoxicated home.

The OIG investigation determined that neither the CHA Chief Property Officer or the CHA Director of Security were made aware of this incident by the Vendor.

The OIG determined that the Operations Manager for the Security Vendor became aware of the incident shortly after the party. The involved Officer who became intoxicated called the dispatcher to report the incident and to resign. This Officer claimed that items were taken from her purse by the other Security Officers who attended the party.

The Operations Manager for the Security Vendor conducted an internal investigation and obtained statements from the other seven Officers who attended the party. None of the officers admitted that they had consumed alcohol. The Operations Manager for the Security Vendor recommended to his superiors that three of the Officers be terminated and two officers be suspended for five days. The Operations Manager did not recommend any disciplinary action against the two Officers who were off duty and for the Officer who resigned. The Operations Manager's superiors decided not to terminate any of the officers and the five Officers who were on duty and still working for the Security Vendor were suspended for 5 days.

The Operations Manager also acknowledged that he did not report the incident to anyone at the CHA.

The OIG provided the CHA Property Officer, Director of Security and the CHA Procurement Department with a report of its findings and documented the following violations committed by this CHA Security Vendor:

1. As required by Section 8.01 para. H of their contract, the Contractor must adhere to the CHA's Ethics policy. Article III, Section 1 (b) of the CHA Ethics Policy states that, "Every Contractor shall report, directly and without undue delay, to the CHA Inspector General any and all information concerning conduct which said Contractor knows or should reasonably know to involve corrupt or unlawful activity". The Security Vendor had a duty to report the incident to the CHA and/or the Office of the Inspector General.
2. The actions of the Security Officers also violated Section 2.02 (Performance Standards) of the contract. The OIG investigation determined that four security officers involved in the incident were not at their assigned post for at least several hours. The OIG investigation also determined that all the security officers involved

in the incident were not truthful with their supervisors, as they all denied there was alcohol consumed at the party. The OIG investigation determined that the security officers were in fact drinking alcohol on CHA property while on duty.

3. The Security Vendor also violated Article 4 (Compensation and Payment) of the contract by overbilling the CHA for a number of Security Officers who were not at their assigned CHA property for several hours, including the Security Officer who left their shift early. The Security Vendor invoiced the CHA for each Officer's entire shift for the property location the Officer was assigned.

## **F. CLOSED AUDITS AND REVIEWS SYNOPSIS**

The investigative team continues to rely heavily on the audit and analytics team for investigative support in financial frauds and forensic accounting matters. This support is critical to allow the OIG to conduct and lead multi-jurisdiction, complex investigations. The audit staff's support on investigative matters will continue to be an integral part of OIG investigations.

The OIG did not close any audits this quarter. There are four pending audits.

## **G. ANALYTICS**

The following are significant data analytic projects for this quarter:

### Registered Sex Offender List Analysis

As part of a quarterly analysis, the OIG continues to identify the number of lifetime registered sex offender names (offenders) listing a public housing or HCV address, pursuant to the *Quality Housing and Work Responsibility Act of 1998 (Section 578)*.<sup>1</sup>

### *Quarter 2 Results*

The OIG found 12 lifetime offenders who listed CHA addresses on the registry for this quarter. Seven of these individuals were identified in previous quarterly analyses. Three of the five additional offenders registered at the same address as an HCV participant and were not listed as household members to the according participant's voucher. This indicates that these CHA participants may have unauthorized occupants living in their unit. As a result, HCV sends each participant a notice requesting proof of residency for the offender and must provide documentation showing the subsidized address has been removed from the registry.

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<sup>1</sup> This Act became effective on June 25, 2001.

There were two newly registered sex offenders who listed a public housing residence or Project Based Voucher unit. Neither individuals were a CHA head of household or listed as a household member.

*Status from Previous Quarterly Analyses*

<b>Enforcement Action</b>	<b>Total (60)</b>
Terminated	4
Settlement Agreement	1
Under Eviction	2
PAC Agreement or Warning Notice	14
ITT issued	2
Document Outstanding Notice Sent	12
No Further Action	25