



OFFICE OF THE INSPECTOR GENERAL

2018 ANNUAL REPORT

JANUARY 1 THROUGH DECEMBER 31, 2018

ELISSA RHEE-LEE

INSPECTOR GENERAL

FEBRUARY 1, 2019



February 1, 2019

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

Enclosed for your review, is the 2018 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 2018.

During the 2018 reporting period, the OIG processed 606 complaints, initiated 19 investigations, and provided investigative support on 362 matters. OIG investigations resulted in 2 convictions, 4 indictments and 9 closed administrative investigations for a combined total loss of \$611,847 and approximately \$33,991 in restitution to the CHA. The OIG also completed 3 audits and issued 3 Advisory Reports. Notable support on 7 matters identified a combined potential waste of \$359,447. The remaining 355 investigative support matters are being addressed administratively by the relevant CHA departments. Details of the significant activities and initiatives are contained in the body of this report.

Both CHA and the City of Chicago will be facing many new challenges in 2019. Although CHA had a historic moment on January 23, 2019, it is paramount that we all take a moment to recognize the legacy of the half a century old discrimination federal lawsuit that was settled two days after Martin Luther King Jr's birthday. It is necessary to understand the history of Gautreaux to appreciate the significance of the lifting of the Gautreaux Order. The Gautreaux lawsuit stemmed from allegations of racial segregation of keeping public housing from "opportunity areas". CHA's core mission is to provide the critical service of affordable housing to the residents of Chicago who qualify for assistance. The Gautreaux settlement has specific milestones pertaining to this core mission that must be completed by 2024.

As CHA embarks on implementing the strategic goals and actions necessary to comport with the Gautreaux settlement agreement by July 31, 2024, I look forward to watching CHA execute its mission with transparency and accountability reflective of open government. On behalf of the OIG, I commend and congratulate Chairman John Hooker, CEO Eugene Jones, Jr., and members of the CHA Board for this major accomplishment.

As the City of Chicago prepares for a mayoral election, it is significant to note that all the candidates have recommended the need for additional ethics reform. As a result, the importance of having an independent Inspector General throughout government agencies at this time is that much more profound.

In 2019, the OIG will continue to pursue criminal and administrative investigations; conduct program audits and analytics; issue advisories; and provide fraud awareness training. The OIG will continue to make recommendations to reduce opportunities for fraud, waste, and abuse.

Additionally, in 2019, the OIG will be subject to an independent Peer Review conducted by the Association of Inspector Generals (AIG). The Peer Review findings will be posted on the OIG website upon completion later in

2019. We look forward to this independent assessment of OIG operations in order to ensure the CHA, the Board, and the public, that OIG operations meets national standards recognized by the AIG.

The acknowledgment and support of the independent OIG by the CHA Board, led by Chairman Hooker, and CHA leadership, led by CEO Eugene Jones, Jr., is a testament to the fact that CHA strives for continued open government and maintaining public trust. Simply put, thank you.

Respectfully submitted,

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

Elissa Rhee-Lee
Inspector General

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I. SIGNIFICANT INITIATIVES AND ACTIVITIES

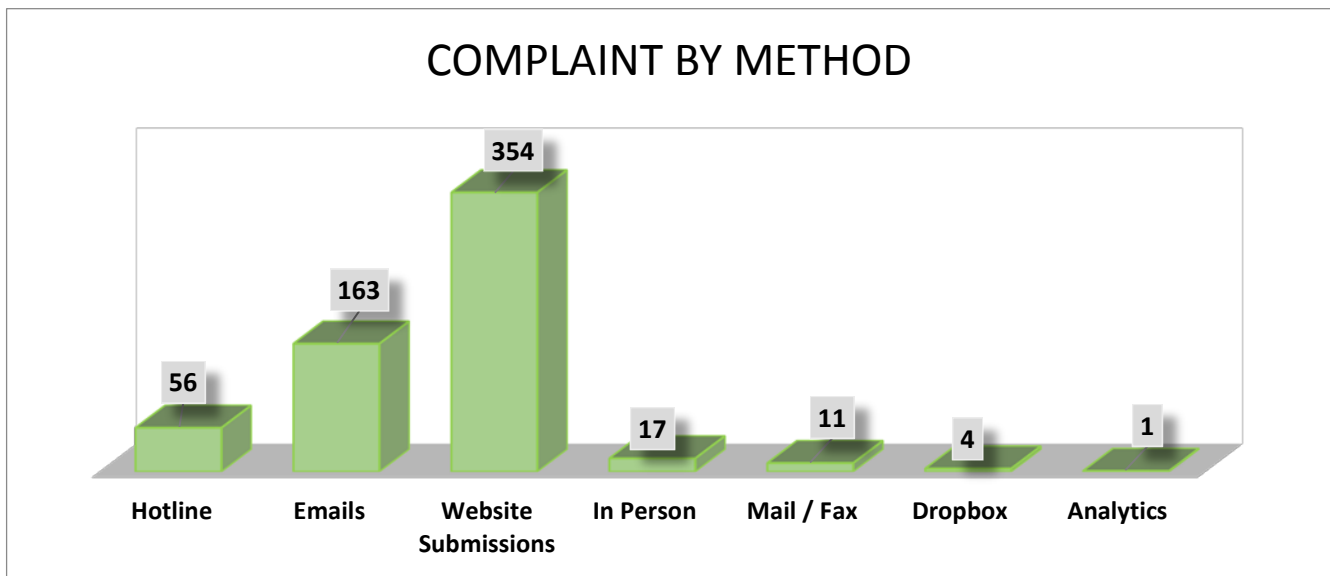
2018 Accomplishments

- **Criminal Investigations – Convictions & Indictments**
 - United States of America v. Abraham Kiswani – CHA Security Vendor
 - United States of America v. Lillian Juarez et al. – HCV
 - United States of America v. Lorraine Johnson – HCV Participant/Owner
 - State of Illinois v. Aletta Wise (aka Aletta Applewhite) – HCV Participant
 - State of Illinois v. Mohd Assaf – PPM Vendor
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 - Recommendation of Contract Termination and Debarment – CHA Security Vendor
 - Recommendation regarding CHA Third Party Agreements – CHA Developer
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 - Recommendation for Debarment – PPM Vendor
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 - CHA Fleet Vehicle Use Audit
- **Analytics**
 - Quarterly Registered Sex Offender Analysis
 - HCV Termination Results Red Flag Analyses
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 - CHA Ethics Policy
 - HCV Landlord Duties to OIG
 - HCV PAC Meetings
 - Implementation of Recommendations from Previous 2017 Advisories
- **Fraud Awareness Training**
 - CHA Staff
 - HCV Contractors
 - HCV Property Owners
 - External Agencies
- **Additional OIG Goals Met**
 - OIG Cross-Training Initiative from CHA Business Units
 - Information Sharing Initiatives
 - Health Care Partnership Initiative

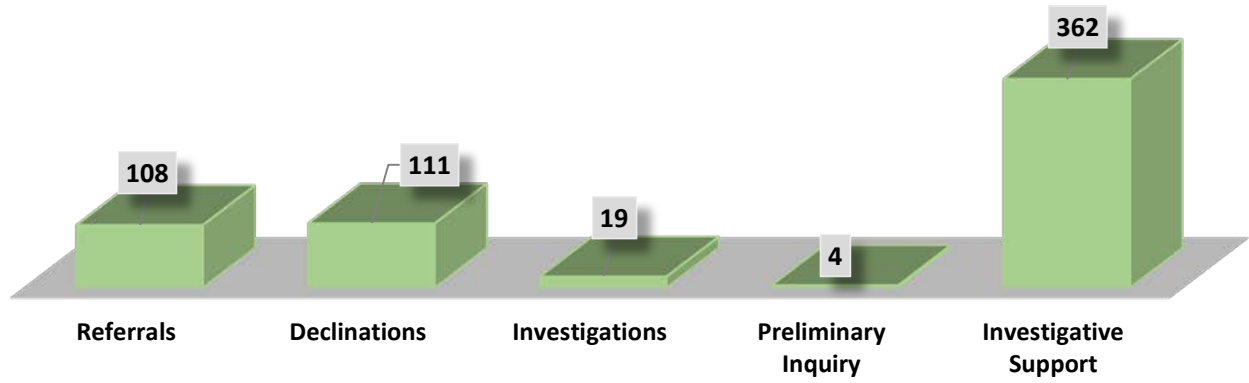
2019 Goals

- Advise and inform the Audit Committee of the Board in a timely manner of concerns and issues impacting the CHA that are within the OIG’s jurisdiction.
- Advise and inform CHA Management on OIG findings and recommendations to root out fraud, waste, misconduct and abuse of public funds.
- Maintain OIG compliance with the “Green Book” standards (Association of Inspector General).
- Pursue criminal investigations and seek restitution and or forfeiture where appropriate.
- Continue to provide evidentiary and investigative support for the HCV Department for ITT hearings.
- Continue to publish OIG Advisories to CHA management pertaining to relevant and emergent issues that may impact operations.
- Increase the utilization of data analysis activities and maximize resources and knowledge sharing through OIG initiatives designed to support a more efficient and compliant operational environment.
- Expand Fraud Awareness training to include JOC, construction, other CHA departments and appropriate outside contractors and agencies.
- Utilize and regularly update OIG website content to include audit, analytical and investigative information and reports and to ensure detailed OIG work products are visible to the public.
- Maintain and expand external OIG partnerships and sharing initiatives.
- Participate in an external peer review to be conducted by the National Association of Inspectors General (AIG), an independent third party peer review team.

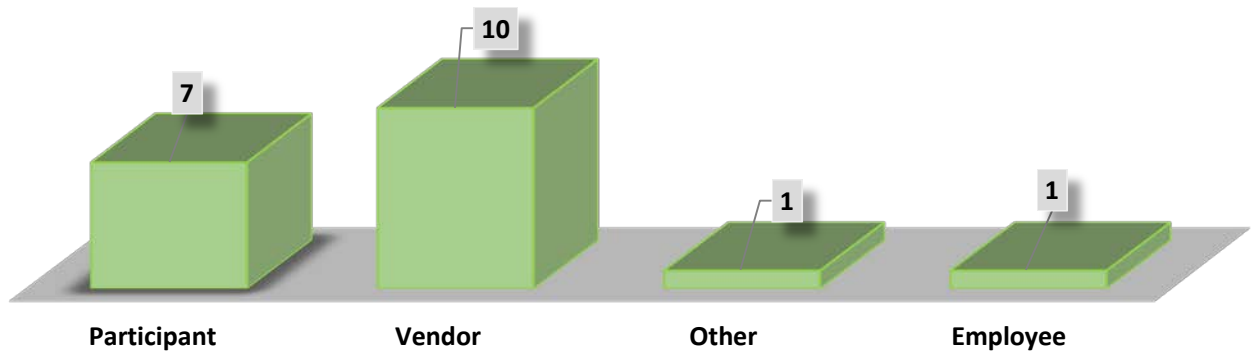
II. STATISTICAL CHARTS AND GRAPHS OF COMPLAINTS



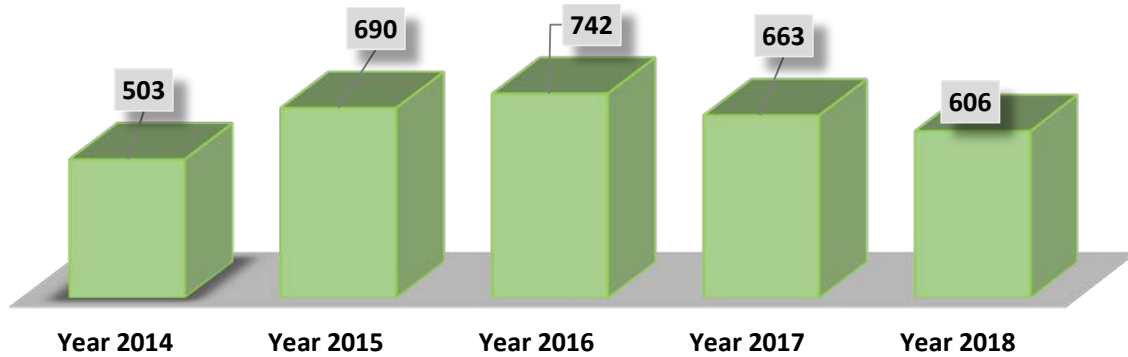
COMPLAINT DISPOSITION



SUBJECT OF INVESTIGATION



YEARLY COMPLAINT COMPARISON



IV. SIGNIFICANT INVESTIGATIONS, AUDITS, AND ADVISORIES

A. INVESTIGATIONS

In 2018, 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 22 criminal and 13 administrative investigations. Of those investigations, 24 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.	19
B. Indicted cases, but no criminal disposition.	5
C. On-hold, to not interfere with another on-going investigation.	0
Total	24

CRIMINAL INDICTMENTS

Contractor / Vendor Fraud

Mohd Assaf

The CHA OIG initiated an investigation involving former CHA vendor, Mohd A. Assaf (Assaf), the owner of M & M Painting Services Inc. Assaf has been a contractor with the CHA since 2008. Assaf has been paid a total of 5.8 million dollars from 2008 through 2016.

The OIG conducted an administrative investigation which was subsequently sustained related to fraudulent business practices when he was contracted to perform work on CHA properties through direct procurement with a Private Property Management Firm. The OIG recommended debarment proceedings which was concluded in 2017. The CHA management concurred with the decision of the Hearing Officer and M&M and Mohd Assaf have been barred from future work with CHA for 5 years.

The OIG also conducted a parallel criminal investigation against Assaf and his company. The investigation revealed that between November 2016 and February 2018, Assaf attempted to and/or successfully cashed or deposited fraudulent CHA checks totaling over \$193,000. Assaf created the fraudulent checks from valid CHA checks he was issued while his company was an active CHA vendor from September 2008 to April 2016.

On 01/30/18, the Office of the Illinois Attorney General filed a multi-count indictment against Assaf in the DuPage County Circuit Court charging him with four counts of forgery and three counts of theft. An arrest warrant was issued for Assaf and the bond was set at \$75,000.

On 02/21/18, the Office of the Illinois Attorney General filed a multi-count indictment against Assaf in the Cook County Circuit Court charging him with five counts of forgery and four counts of theft.

Assaf is currently being held with no bond and his criminal court cases in DuPage County and Cook County are still ongoing.

CVR Inspections

On 11/15/18, the Grand Jury sitting in the United States District Court in Chicago returned a four-count indictment charging Spiro Kouvelis (Kouvelis), Kevin Goodwin (Goodwin), Lillian Juarez (Juarez) and Shawn Betts (Betts) with Wire Fraud. Kouvelis, Goodwin and Betts were also charged with Conspiracy. The Government is seeking forfeiture of assets traceable to the scheme. These charges contain potential terms of imprisonment of 20 years.

The four charged individual's involvement with the CHA is identified below.

- Spiro Kouvelis – Owner of G& L Development 2, LLC or 5243 S. Damen, LLC., who owned numerous HCV properties.
- Kevin Goodwin – Owner of Goody's Development, LLC, a business that managed properties that were rented to HCV tenants.

- Lillian Juarez – Formerly employed as an Inspections Supervisor by HCV contractor CVR, who was contracted to administer the CHA’s HCV program.
- Shawn Betts – Formerly employed as an Inspector for HCV contractor CVR.

The investigation revealed that from 2011 and continuing until June 2014, Kouvelis and Goodwin made cash payments and provided other things of value to Juarez and Betts, who in exchange agreed to perform acts as employees of CVR that benefitted Kouvelis and Goodwin.

Specifically, Kouvelis and Goodwin made cash payments ranging between \$1,000 and \$1,300 or other things of value to Juarez in exchange for providing them with non-public information that identified HCV tenants looking for a residence; attempting to resolve disputes with tenants on terms beneficial to Kouvelis and Goodwin; waiving inspection fees for Section 8 properties that they owned or managed; and scheduling and expediting inspections for Section 8 properties that they owned or managed.

In addition, Kouvelis and Goodwin made cash payments ranging between \$50 and \$150 to Betts in exchange for passing properties that should have failed their inspections. Betts would then provide information about the deficiencies in the properties for Kouvelis and Goodwin to repair to avoid detection of the scheme by others.

All defendants cooperated with Investigators to seek reduced sentences. The CHA OIG worked the investigation jointly with the United States Department of Housing and Urban Development (HUD) OIG.

Ibriham Kiswani

On 12/12/18, a Grand Jury in the United States Northern District of Illinois returned a four-count indictment charging Ibriham Kiswani (Kiswani) with 3 counts of tax evasion [Title 26 U.S.C 7201] for the years 2010, 2012 and 2013 and 1 count of filing a false corporate income tax return [Title 26 U.S.C 7206(1)] for the year 2010.

Kiswani was the owner of World Security Bureau, which assumed the name World Security Agency (WSA). WSA provided security services and their primary client was the Chicago Housing Authority. From September 2008 through September 2015, WSA obtained contracts through Private Property Management firms (PPM) to provide security services at various CHA public housing properties. During that period, WSA was paid over \$48 million dollars. WSA was assigned approximately 27 CHA properties and provided approximately 80 armed and unarmed security officers each day at those sites. Upon the recommendation of the OIG, the CHA submitted a new solicitation for security services and the CHA stopped doing business with WSA after September 2015 during this pending investigation.

In July 2013, the OIG initiated an audit of security services hired by PPM firms. At the start of the audit, it was determined that one of the security vendors, WSA had not been submitting time sheets for security services to the Habitat Company. As a result of the OIG audit of security services, an investigation was initiated to review all of WSA billing of PPM firms. Significant billing irregularities were discovered. In April, 2014 the OIG referred the matter to the United

States Attorney's Office (USAO). The USAO accepted the referral for investigation. This investigation included multiple Federal Agencies; Housing and Urban Development OIG, the Federal Bureau of Investigation, the Internal Revenue Service-Criminal Investigations and the City of Chicago OIG.

During the course of the investigation, the CHA OIG was able to document a large overbilling scheme by WSA and Kiswani to the detriment of the CHA for the years 2011 through June 2014.

CRIMINAL CONVICTIONS

Participant Fraud

Aletta Wise

On 11/10/15, 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 08/09/16 by the Cook County State's Attorney's Office for fraudulently obtaining housing assistance funds from the CHA.

On 01/11/18, 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 04/12/18, 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.

Lorraine Johnson

An investigation involving former CHA HCV participant Lorraine Johnson was initiated in December 2015. The investigation revealed that between August 2003 and June 2016, Johnson received in excess of \$212,000 (approximate CHA loss - \$134,039) from the CHA and the Social Security Administration (SSA) by concealing income and assets through the use of a second Social Security number. In addition, Johnson submitted forged documents to allow her to collect housing assistance payments while residing as a HCV participant in a house that she owned.

Johnson was indicted on 07/21/16 in U. S. District Court in Chicago for stealing government funds from the CHA and SSA.

On 07/17/18, Johnson pled guilty to federal wire fraud charges. Johnson's sentencing date is scheduled for 12/13/18. The investigation was worked jointly with the Chicago field office of SSA OIG.

ADMINISTRATIVE

Contractor/Vendor Fraud

CHA Contractor

An investigation involving a CHA contractor was initiated in December 2017. The contractor had been an active CHA vendor since approximately 2000, primarily receiving contracts through CHA's Private Property Management (PPM) companies. The contractor had performed a variety of work related to unit rehab and had received approximately \$1,862,266 from CHA contracts.

The investigation revealed that the contractor attempted to bribe a PPM employee during a meeting discussing their contracts by placing \$300 in the bag of the PPM employee. The contractor had also previously admitted to doing work on the private residences of several PPM employees at no cost and had been put on notice by the OIG that this was not acceptable.

Based on the contractor's attempt to bribe a PPM employee and their prior history of similar misconduct, the CHA OIG recommended the contractor be barred from doing any future work for the CHA and its vendors.

Ethics Violations

HCV Inspector

In March 2018, the OIG received a complaint from a CHA HCV landlord that an inspector had solicited business during an HQS inspection of the landlord's unit. The inspector presented himself as a contractor with the ability to convert the landlord's basement to an apartment. The investigation revealed that the landlord signed a contract with the inspector and provided a \$7,250 check as payment. Soon after, the landlord found out that the project would require permits and subsequently canceled the contract due to negligence. The inspector returned \$2,646, and the landlord was seeking legal remedies to recoup the remainder of monies owed.

The investigation determined that the inspector violated the CHA Ethics Policy which specifically states: "Officers and Employees shall engage in no business or financial transaction with any individual, organization or business that is inconsistent with the performance of their CHA duties." The OIG recommend appropriate disciplinary action up to and including his removal from all CHA HCV Inspections and placed on a 'Do Not Rehire' list. The HCV inspection function is outsourced to a CHA contractor.

In June 2018, the OIG was notified by the contractor that the inspector was terminated and placed on a 'Do Not Rehire' list. The OIG considers this investigative matter closed.

CHA Security Vendor

On 3/16/18, 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.

Multiple Violations

Private Property Management (PPM) Firm

CHA contracts with four PPM firms to manage CHA's Public Housing portfolio. During the summer of 2017, the CHA OIG had received a number of allegations relating to a Private Property Management (PPM) firm and their management of Altgeld Gardens/Phillip Murray Homes (Altgeld). These allegations included:

1. PPM firm was paying their maintenance staff and employees at Altgeld overtime that was not being approved by the CHA and was not being recorded under the overtime budget line, as required.
2. PPM firm established a Roving Team of skilled tradesman to complete various work orders and make ready units throughout their portfolio. It was discovered that several roving team members were related to their supervisor, a violation of the CHA's Ethics Policy.
3. PPM firm could not account for numerous appliances that had been delivered to Altgeld. During 2017, CHA had initiated a contract with Lowe's stores to replace all the appliances in all CHA units. For the PPM portfolio, all of the appliances for Region 4 were to be delivered to Altgeld. The PPM would then deliver the appliances from Altgeld to various CHA properties and units in Region 4.

Overtime Allegation

The OIG investigation sustained the allegation that the PPM firm was paying overtime to their employees at Altgeld without CHA approval. The investigation revealed that the PPM firm paid

employees at Altgeld approximately \$394,290 in overtime wages in 2015, \$111,758 in 2016 and \$108,378 in 2017. It is likely that a number of overtime hours were the result of referrals from CHA emergency services and/or Altgeld's emergency services, and thus technically approved. However, based upon a review of Altgeld's internal payroll records, it was clear that numerous overtime hours had been worked by Altgeld's maintenance staff that were not emergency or life safety issues.

The PPM firm also failed to record the overtime hours on a separate "overtime" line in their property's monthly budget; instead lumping the overtime paid in the regular salary line item. The PPM firm also failed to request a budget revision for the overtime paid from the CHA.

A review of the Budget Comparison schedules submitted by the PPM firm reflect that Altgeld was over budget for maintenance staff payroll by over \$382,578 for 2015, \$115,817 for 2016 and \$220,141 for 2017. It is likely that the overtime paid by the PPM firm to their Altgeld maintenance staff contributed to their budget variance.

It should also be noted that the OIG investigation only pertained to Altgeld and did not include other CHA properties that the PPM firm managed.

Roving Team Conflict of Interest Allegation

The OIG investigation also sustained the allegation that the PPM firm was in violation of the CHA Ethics policy that prohibits an employee from exercising authority, supervision or control over a relative. Section 11a of the CHA's Ethics Policy approved by the CHA Board of Commissioners on 4/21/15 states:

"No Officer or Employee shall employ, advocate for employment, or supervise, in any CHA department in which said Officer or Employee serves or over which he or she exercises authority, supervision, or control, any Person (i) who is a Relative of said Officer or Employee, or (ii) in exchange for or in consideration of the employment of any of said Officer's or Employee's Relatives by any other Officer or Employee."

The most recent contract (#11665) between the PPM firm and the CHA dated 11/2/2015 addresses the CHA Ethics Policy in Section 4.19:

"Managers Duty to Comply with CHA's Governing Documents: Managers and its employees shall have a duty to comply with All CHA Governing Documents described in Exhibit B. Failure to comply with any CHA Governing Document as required in this subsection 4.19 shall constitute an event of default under this Agreement." Exhibit B contained 27 CHA Governing Documents including the CHA Ethics Policy.

The OIG investigation determined that when the PPM firm hired employees for their roving team, three relatives of one of the PPM supervisors were hired.

Appliance Accountability Allegation

The OIG investigation sustained the allegation that the PPM firm did not properly account for new appliances they received Lowe's for CHA Region 4 properties. Approximately 800

appliances were delivered to Altgeld during 2017. The CHA Senior Portfolio Manager assigned to Altgeld determined that it was very difficult to account for the appliances that had been received by the PPM firm because the PPM failed to maintain an inventory and had no process in place. The PPM firm did not document the serial number of the appliances upon receipt and they often did not document the unit address of where the appliance was delivered. The Portfolio Manager has since implemented a better tracking system with the PPM firm to properly account for future appliances received.

The OIG recommended to the CHA Property Office that the PPM firm should be held accountable for:

- paying unauthorized overtime for issues not related to emergencies or life safety,
- for not recording overtime separately on their monthly budget comparison schedules,
- for not requesting budget revisions for overtime paid,
- and for not properly accounting for approximately 800 new appliances delivered to Altgeld.

The OIG recommended that the Property Office should determine appropriate action to be taken for these violations up to and including; withholding management fees, not approving budget increases for future abuses and/or terminating the contract.

The OIG also recommended that the PPM firm needed to address the clear conflict of interest concerning their employee supervising three relatives assigned to PPM's roving team. If this issue was not addressed by the PPM firm, the OIG recommended that these three employees should be prohibited from working on CHA properties.

B. NOTABLE INVESTIGATIVE SUPPORT

CHA Health Partnership Initiative

In collaboration with CHA's Resident Services Department, the OIG reviewed fifty-four health partnership applications in 2018 utilizing open source information. Of the fifty-four 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.

C. ADVISORIES

The OIG issued three advisory reports to CHA in 2018. 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.

Advisory #	Description/Summary
15	Recommendation for CHA's Ethics Policy
16	Recommendation regarding Duty to Cooperate and Duty to Report for Property Owners
17	Recommendation for HCV to Document PAC Meetings

The following is a summary of the above listed advisory reports:

Advisory 15: CHA's Ethics Policy

Based on an evaluation of other government agencies' Policies and Ordinances pertaining to solicitation and receiving gifts, the OIG identified significant criteria, disclosure requirements and definitions that were not included in CHA's Ethics Policy. The OIG made a recommendation for CHA to amend the policy as it relates to gifts and prohibited sources in order to avoid any appearance of conflict of interest and ensure that CHA's interest is first and foremost protected.

Advisory 16: Duty to Cooperate and Duty to Report

Property Owners in the HCV Program owe a fiduciary duty to the CHA. They are required to report to the OIG any information concerning fraud or unethical activity, as well as have a duty to cooperate with the OIG in all inquiries. A review of CHA's Property Owner Guidebook and relevant owner documentation discovered that these provisions were not properly acknowledged by each owner. To increase transparency, the OIG recommended the HCV Department include language in its Property Owner Certification Form and ensure owners initial and certify that they have read, understand and agree to such terms.

The HCV Department reviewed and agreed with the recommendation. They will adopt immediately upon the issuance of an internal advisory and update the appropriate form.

Advisory 17: Document PAC Meetings

OIG investigations involving HCV participants and/or owners require a thorough review of program documentation. When analyzing files, the OIG will occasionally identify that a Prohibited Activity and Conduct (PAC) meeting occurred with a participant but cannot find any memorialization about what happened during the meeting. The OIG made a recommendation to the HCV Department to document PAC meetings to both support HCV in addressing repeated violations by participants and/or owners, and to assist the OIG in determining whether a participant and/or owner took overt steps to conceal information and deceive the CHA.

The HCV Department agreed with the recommendation and, as a result, will ensure details and/or documentation of each PAC meeting are noted in the appropriate database.

Implementation of Recommendations from Previous OIG Advisories:

OIG Advisories have resulted in CHA policy improvements in 2018. The HCV Department no longer allows property owners to provide a P.O. Box as their sole address. CHA also adopted a Social Security Number Protection Policy to comply with the Illinois Identity Protection Act.

D. AUDITS AND REVIEWS

The OIG closed three audits in 2018. The following is a summary of those audits.

CHA Fleet Vehicle Use Audit

As a part of the 2018 Audit Plan, the OIG conducted a performance audit of CHA's Fleet Vehicle Use Program. Primarily, the audit assessed whether the fleet vehicle use program produced intended results or produced results that were not consistent with the program's objectives. The report was discussed with CHA's General Services and Human Resource Departments, who both concurred with each finding. New procedures were added and updated where appropriate to provide clarity to the CHA's Fleet Vehicle Policy. The Fleet Audit Report, with the management responses, was issued to the appropriate stakeholders.

Follow-Up Occupancy

The OIG conducted a follow-up review of the Occupancy Audit, which was originally completed in 2017, to determine the status of previous findings and recommendations for improvement. Each of the four recommendations were substantially implemented. CHA significantly reduced the vacancy rate from when the audit was first conducted. The OIG commends the Property Office for their implementation of the recommendations.

Project-Based Voucher (PBV)

The OIG conducted a performance audit of CHA's Project-Based Voucher (PBV) Program waitlist to determine whether CHA is adequately controlling and managing the PBV waitlist in compliance with the CHA HCV Program Administrative Plan, as well as to assess the risk environment and determine whether the current internal controls are sufficient to minimize fraud, waste and abuse in the program. The OIG observed several notable risks, such as the potential for circumvention of the CHA waitlist, and recommended that CHA reevaluate the efficacy of keeping the PBV program separate from the HCV Department. Management concurred with the OIG's findings and recommendations, and the Property Office provided an action plan and projected timeline for implementation. The OIG will conduct a follow-up audit in 2019 to ensure these actions were achieved by CHA.

E. 2019 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. Below is a list of audits that are in progress and are projected to be completed in 2019.

CPD Intergovernmental Agreement Audit
CHA Elevator Services Audit
Follow-Up Audit of Construction Change Orders
PPM Vehicles Audit
CAC Youth Program Review
Progress Report on the Procurement Reform Task Force (PRTF)

F. ANALYTICS

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)*.¹ The following is a summary of any administrative action taken as a result of being identified:

Enforcement Action	Total (71)
Terminated	6
Settlement Agreement	1
Under Eviction	0
PAC Agreement or Warning Notice	15
ITT issued	0
Document Outstanding Notice Sent	13
No Further Action	36

Two individuals in CHA’s Project-Based Voucher (PBV) Program were terminated in 2018, which resulted in a total of approximately \$21,234 in HAP overpayments.

Red Flag Analysis Results

The OIG continues to monitor and track recommendations made to HCV for violating CHA’s Family Obligations Policy. The HCV Department terminated 7 individuals in 2018, for a combined total loss amount of approximately \$359,447.

¹ This Act became effective on June 25, 2001.

IV. LAW ENFORCEMENT AND OIG PARTNERSHIPS

Throughout the year, the OIG staff participate in various professional meetings and seminars, in order to share intelligence, discuss case information, and obtain training. Below are five partnership groups that staff attended this quarter.

UChicago Urban Crime Labs partners with policymakers and practitioners to generate evidence about the strategies that reduce violence and do the most social good per dollar spent - including strategies that seek to *prevent crime* from happening in the first place. By addressing challenges across five key dimensions of urban life: crime, education, health, poverty, and energy & environment, the Crime Lab works to reduce crime and keep our most vulnerable communities safe.

On 10/1/18, the Deputy IG met with representatives from UChicago for a general discussion on the UChicago Crime Lab's mission in monitoring known areas of crime, tapping into data and analytics, and utilizing technology in an effort to conduct precision policing. The Deputy IG also provided a broad overview of the CHA and the OIG's mission.

OIG Agent Working Group was formed to encourage OIG Agent/Investigator dialogue and agency collaboration which leads to an increase in joint investigations and federal prosecutions. Experience has shown that when an individual or group has committed fraud against one agency, it is likely that those same targets have committed fraud against other Federal, State or Local agencies.

The group is comprised of Federal and State OIG Agents and Investigators of OIG, and prosecutors from the U.S. Attorney's Office for the Northern District of Illinois. On 03/27/18 and 10/10/18, OIG personnel attended law enforcement presentations and participated in a discussion on ongoing investigations, issues, and/or trends.

Executive Leadership Group meets on a quarterly basis to discuss various issues related to the participating agencies. The group is comprised of law enforcement executives from various federal agencies. The Deputy IG attended a meeting on 04/18/18, 07/17/18 and 10/17/18 at the US Department of Labor, Office of Inspector General.

Illinois Fraud Working Group is a quarterly meeting of law enforcement investigators and provides presentations, training, and discussion of fraud matters within the Chicago area of responsibility. Attendees include representatives from federal and state law enforcement agencies and many of their related OIGs; the US Attorney's Office; and the Illinois Attorney General's Office. The Deputy IG attended a meeting on 02/21/18, 06/06/18 and 10/17/18 at the Federal Reserve Board. At the February 2018 meeting, the Deputy IG gave a presentation on the overview of the CHA OIG. Topics in this presentation included an overview of the CHA; CHA OIG structure; OIG as a Law Enforcement Partner; OIG Investigations; and recent joint cases with other Law Enforcement Partner agencies.

Benefits Fraud Working Group is sponsored by the Cook County State's Attorney's Office (CCSAO) and meets on a regular basis. The OIG investigators attended the meetings on

3/6/2018 and 7/16/2018 to discuss the status of current CHA OIG Benefits Fraud cases with prosecutors from the CCSAO.

V. TRAINING

A. FRAUD AWARENESS TRAINING

In 2018, the OIG presented fraud awareness trainings to CHA staff and external stakeholders. The OIG will continue to provide training to diverse groups in 2019. The OIG believes that training is pivotal in the reporting and prevention of fraud, waste and abuse of CHA funds. The following is a summary of the trainings presented.

CHA Employees

On March 28, 2018, OIG staff presented fraud awareness training to CHA employees. The training provided an overview of the OIG and its mission, Ethics policy, Conflict of Interest, identifying fraud, fraud schemes, and fraud case studies.

Owner Resource Council

On November 8, 2018, OIG staff presented at the quarterly Owner Resource meeting to approximately 40 HCV owners, managers, and investors. The training provided an overview of the OIG department, ways to detect and report fraud, the CHA Ethics Policy, and HCV fraud case studies.

Housing Choice Voucher

OIG staff presented 5 separate trainings to approximately 200 Nan McKay employees over the course of two days on December 17th & 18th. Nan McKay is a CHA contractor that administers the HCV program. The trainings provided information on a variety of topics including fraud awareness, red flags, schemes, and HCV criminal case studies investigated by the OIG.

B. OIG STAFF TRAINING

OIG staff attended three trainings in 2018. The trainings are pivotal for staff development, but also provides an opportunity for staff to earn CPE credits to maintain their professional certifications. The following is a summary of the trainings attended.

Association of Inspector General's National Conference

OIG staff attended the annual AIG Fall Training Conference held in Chicago from 10/24-10/26/18. The training was attended by over 300 inspectors general, analysts, investigators and auditors from local, state, federal, and military OIGs across the nation. Attendees attend a variety targeted training sessions that include case studies regarding fraud investigations,

analytics and ethics. The training also provides an opportunity for OIG staff to earn CPE credits to maintain their professional certifications.

Cook County State’s Attorney’s Regional Organized Crime Conference

The OIG staff attended this conference from September 5-6, 2018 that was held in Oak Brook, IL. The training covered Bank Fraud schemes; Interrogation Techniques; Intelligence Work: Connecting the Dots; Open Source/Social Media Investigations; and Money Laundering. Presenters were from the US Secret Service, FBI, Cook County Sheriff’s Office; Cook County State’s Attorney’s Office; Walgreens; University of Chicago; and others.

11th Annual Chicago Intelligence Training Seminar

The OIG staff attended this seminar on September 19-20, 2018, which included investigators and intelligence analysts from over 30 federal, state, and local law enforcement agencies and corporate security entities. A variety of topics were covered, including trends on Chicago gun violence, investigative resources, and electronic communications. The Deputy IG and an OIG analyst gave a presentation on the overview of the CHA OIG. Topics in this presentation included an overview of the Chicago Housing Authority; CHA OIG structure; OIG as a Law Enforcement Partner; OIG Investigations; and recent joint cases with other Law Enforcement Partner agencies.

C. OIG INTERNAL TRAINING PLAN

One of the OIG’s goals for 2018 was to enhance our knowledge of new CHA programs, directives and requirements. The OIG received eight trainings in the form of PowerPoint presentations and hands-on software training. The following table represents the trainings received from the corresponding business unit.

Training Date	Topic	Business Unit
02/07/18	Job Order Contracting (JOC) Program	Property Office
03/15/18	Rental Assistance Demonstration (RAD) Program	Development
04/04/18	E-builder Construction Management Software	Capital Construction
04/23/18	Section 3 Program	Section 3
05/08/18	Prequalified Development Team	Development
06/13/18	Investment/Revenue Generating Programs	Investment
07/19/18	DPC Compliance & JOC Compliance	Procurement & Contracts
10/30/18	Section 3 Hiring Portal	Section 3

VI. INTERNAL OPERATIONS

A. OIG STAFF AND CREDENTIALS

The OIG staff is comprised of investigators, auditors, and analysts with deep institutional knowledge as well as subject matter experts in areas of OIG Audits and Analytics.

Elissa Rhee-Lee, *Inspector General*, has been an attorney in the Chicago area for over 30 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. Elissa is a Certified Inspector General.

Michael Kosanovich, *Deputy Inspector General*, joined the OIG in February 2017 after 24 years with the FBI, where he provided executive management oversight to the Chicago Division's While Collar Crime program, leading Financial Crime and Public Corruption investigations. Prior to coming to CHA, Michael spent three years as a Global Security Director with General Electric. Michael earned a Bachelor's degree in Criminal Justice from the University of Maryland and completed FBI Executive Management Training at Northwestern University's Kellogg School of Management.

Mark Lischka, *Senior Investigator*, joined the OIG in January 2014 after serving 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. Mark is a Certified Fraud Examiner and a Certified Inspector General Investigator.

Ellaye Accoh, *Senior Auditor*, has worked at the OIG since 1998. Ellaye has over 20 years of experience in the fields of Audit and Investigation. Ellaye earned a Bachelor's degree in Finance and a Master's degree in Accounting. Ellaye is a Certified Fraud Examiner, a Certified Inspector General Auditor and a Certified Government Auditing Professional.

Beatriz Martinez, *Senior Auditor*, joined the OIG in August 2013 after working for CHA's HCV Department as both a Quality Control Financial Analyst and an Accounting Supervisor. Beatriz has over 20 years of accounting experience and over ten years of experience as an auditor. Prior to CHA, Beatriz worked as an Internal Auditor for the Office of the Special Deputy Receiver and worked pro-bono at Latinos Progresando. Beatriz currently provides Income Tax assistance to low-income residents. Beatriz earned a Bachelor's degree in Accounting from Robert Morris University. Beatriz is a Certified Fraud Examiner, a Certified Inspector General Auditor and a Certified Public Accountant.

Justin King, *Investigator*, joined the OIG in August 2013 after working for CHA's Legal Department as a Housing Compliance Project Coordinator, helping initiate and investigate Criminal Activity Eviction cases. Justin earned a Bachelor's degree in Criminal Justice. Justin is a Certified Fraud Examiner and a Certified Inspector General Investigator.

Donna Washington-Hayes, *Investigator*, joined the OIG in April 2018 after serving as an Investigator with the Independent Police Review Authority, investigating alleged police misconduct and police involved shootings. Donna was also a Federal Agent with the United

States Postal Inspection Service, Criminal Investigation Division. Donna earned a Bachelor's Degree in Engineering, Master's Degree in Criminal Justice and a MBA in Financial Fraud and Project Management. Donna is a Certified Fraud Examiner and a Certified Inspector General Investigator.

Ashley Lindemann, *Auditor/Analyst*, joined the OIG in March 2016 after serving as an intern with the Social Security Administration OIG, Office of Investigations. Ashley is heavily trained in research and provided statistical models, trends and analyses to various government agencies in Illinois. Ashley earned a Bachelor's and a Master's Degree in Criminology/Criminal Justice from Loyola University Chicago. Ashley is a Certified Fraud Examiner and a Certified Inspector General Auditor.

Michelle Harrington, *Operations Analyst*, joined the OIG in October 2016 after working with the Housing Choice Voucher and Low Income Public Housing programs at two other housing authorities. Michelle has over ten years of experience in the public and private sector. Michelle earned a Bachelor's Degree in Public Administration from Texas State University.