



OFFICE OF INSPECTOR GENERAL
City of Chicago



REPORT OF THE OFFICE OF INSPECTOR GENERAL:

SECOND QUARTER REPORT 2012

JULY 2012

866-IG-TIPLINE (866-448-4754)

www.chicagoinspectorgeneral.org



OFFICE OF INSPECTOR GENERAL *City of Chicago*

Joseph M. Ferguson
Inspector General

740 N Sedgwick, Suite 200
Chicago, Illinois 60654
Telephone: (773) 478-7799
Fax: (773) 478-3949

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To the Mayor, Members of the City Council, the City Clerk, the City Treasurer, and the residents of the City of Chicago:

Enclosed for your review is the public report on the operations of the Office of Inspector General (IGO) during the second quarter of 2012, filed with the City Council pursuant to Section 2-56-120 of the Municipal Code of Chicago.

These reports present summaries of sustained IGO investigations, policy recommendations, audits, program reviews, and hiring compliance efforts in order to keep you apprised of IGO activities and operations. They are also intended to foster public confidence in the integrity of City government by enhancing public awareness and understanding of the role and functions of the IGO as the City's oversight agency.

This Quarterly Report includes a number of updates related to investigations of City contractors. Some of these matters were discussed in previous Quarterly Reports because the IGO originally had a practice of publically reporting contractor cases when the Department of Procurement Services (DPS) notified the IGO how it intended to proceed. In most instances, that occurred when DPS would send a Notice of Proposed Debarment to the contractor. However, in order to comport with the IGO's practice of not reporting on disciplinary cases until final department action has been taken, the IGO subsequently changed its practice for public reporting of contractor cases to reflect that the Notice from DPS is just the beginning of the formal process, not the conclusion. The IGO now reports contractor cases when the formal process is finally resolved, either through a judicial process or a settlement.

In this quarter, DPS resolved a numbers of matters, including some that had been pending for a significant amount of time. DPS's process for responding to IGO recommendations and for instituting debarment actions has been in flux for many years, primarily as a result of the near constant turnover of senior officials at DPS under the Daley Administration, as well that administration's failure to provide adequate resources to DPS. In contrast, DPS has had a fairly consistent senior leadership team for a few years now, and has been provided additional resources to handle debarment matters. The IGO believes the recent uptick in completed matters reflects these two changes.

That said, the IGO notes a potentially problematic trend with how DPS is resolving the reported matters. All were resolved through settlement, usually after reviewing only written submissions from the contractors. None went through the more rigorous and public process of a formal hearing, which would include testimony under oath. And despite the fact that DPS originally proposed to debar the contractors, it never followed through and imposed debarment. The

settlements usually only commit the contractors to follow the law and cooperate with the City—obligations they were already under, and contain no provision for the monitoring of even that low threshold of pre-existing compliance obligations. While settlements and deferred debarment agreements may sometimes be in the City's best interest, the IGO notes with concern that DPS generally is capitulating when a contractor has the resources to hire an attorney to respond to the IGO's recommendations. Many of the reported cases involved deliberate fraud on the City, and for all of them to be resolved short of debarment and many requiring only the articulation of the pre-existing obligation to follow the law suggests that DPS can and should take a harder line.

The IGO does note that DPS has set at least two pending matters for formal hearings and that the reported matters may be more reflective of a transition period between the old practice of essentially ignoring the IGO and a newer, significantly more responsive and effective system. To determine the answer, and to ensure that DPS does not fall back to its old ways, the IGO intends to closely monitor how debarment matters are handled and provide regular public reporting of its progress.

As always, I encourage you to do your part in eliminating waste, fraud, abuse, and inefficiency in City government. Please continue to send your complaints to the IGO, and please continue to send in your ideas for audits and program reviews. Our work can only go so far without the help of Chicago residents, City employees, and vendors. Do not hesitate to alert our office if you have suggestions for improvement in City or IGO operations, our reporting mechanisms, or if you have any questions or concerns about IGO inquiries.

Respectfully,

A handwritten signature in blue ink, appearing to read 'J. Ferguson', with a long horizontal stroke extending to the right.

Joseph M. Ferguson
Inspector General
City of Chicago

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This quarterly report provides an overview of the operations of the Inspector General's Office (IGO) during the period from April 1, 2012 through June 30, 2012. The report includes statistics and narrative description of the IGO's activity that the IGO is required to report per the City's Municipal Code.

A. MISSION OF THE INSPECTOR GENERAL'S OFFICE

The mission of the IGO is to prevent and root out fraud, corruption, waste, and mismanagement, while promoting economy, efficiency, effectiveness, and integrity in City government. The IGO is a watchdog for the residents of the City and has jurisdiction to conduct inquiries into most aspects of City government.

The IGO accomplishes its mission through investigations, audits, inspections, program reviews, evaluations, research, and data collection. IGO summary reports are sent to the Mayor and the responsible City management officials with findings and recommendations for corrective action and discipline. Narrative summaries of sustained investigations are released in quarterly reports. Audits, inspections, and evaluations are sent to the responsible management officials for comment and then are released to the public through publication on the [IGO website](#).

B. INVESTIGATIONS

The IGO Investigation Section conducts both criminal and administrative investigations into the performance of governmental officers, employees, departments, functions, and programs, either in response to complaints or on the office's own initiative.

1. Complaints

The IGO received 423 complaints over the preceding quarter. The following table provides detail on the actions the IGO has taken in response to these complaints.

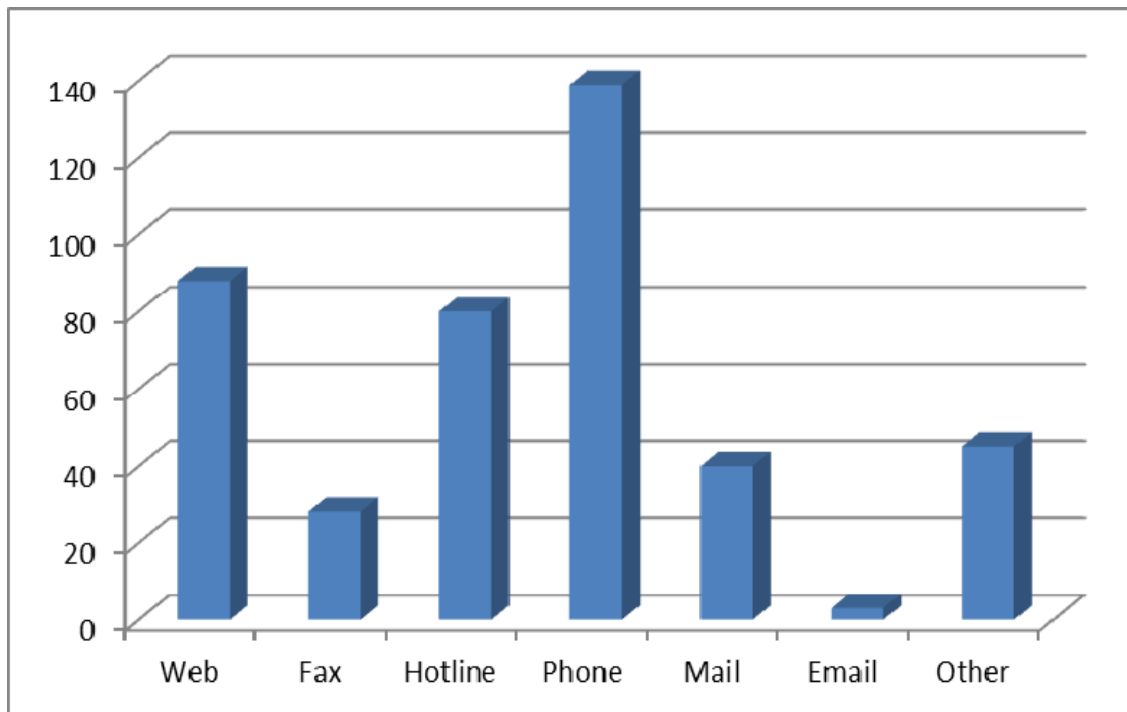
Table #1 – Complaint Actions

Status	Number of Complaints
Declined	319
Investigation	63
Referred	41
Other	N/A
Total	423

As the table shows, for the vast majority of complaints, the IGO declined to investigate the allegation. The primary reason that the IGO declines a complaint is due to a lack of resources. That determination, made by the Director of Investigations, involves a form of cost/benefit evaluation, which, among other factors, gauges potential magnitude or significance of the

allegations advanced in the complaint both individually and programmatically, investigative resources needed to effectively investigate the matter, and actual investigative resources presently available. More serious forms of misconduct, greater monetary losses, and significant operational vulnerabilities suggested by the allegations receive priority. A subset of matters of lesser individual significance but regular occurrence will also be opened. The chart below breaks down the complaints the IGO has received during the past quarter by the method in which the complaint was reported.

Chart #1 - Complaints by Method



2. Newly Opened Investigations

Over the quarter, the IGO opened 104 investigations. Of these, 101 were opened based on allegations of misconduct, two were based on allegations of waste or inefficiency, and one was opened for other reasons. Of these opened matters, 41 were immediately referred to other departments or investigative agencies. Thus, of all the complaints received in the quarter, 63 (62%) proceeded to a full IGO investigation. Of the newly opened investigations, six were found to be not sustained before the end of the quarter, while 57 remain open. The table below categorizes the 104 matters logged by the IGO based on the subject of the investigation.

Table #2 – Subject of Investigations

Subject of Investigations	Number of Investigations
City Employees	86
Contractors, Subcontractors, and Persons Seeking City Contracts	12
Appointed Officials	0
Elected Officials	2
Investigations of Persons Seeking Certification of Eligibility	0
Other	4

3. Cases Concluded this Quarter

During the quarter, 97 investigative matters were concluded, 41 of which were the aforementioned referrals to City departments or other investigative agencies. Of the remaining concluded matters, 12 were closed as sustained and 44 were closed not sustained. A case is sustained when the preponderance of the evidence establishes that misconduct has occurred. A case is not sustained when the IGO concludes that the available evidence is insufficient to prove wrongdoing under applicable burdens of proof.

4. Pending Investigations

Including the 63 investigations initiated this quarter, the IGO has a total of 195 pending investigations.

5. Investigations Not Concluded in Twelve Months

Under the Municipal Code, § 2-56-080, the IGO must provide quarterly statistical data on pending investigations open for more than twelve months. Of the 195 pending investigations, 71 investigations have been open for at least twelve months. The table below shows the general reasons that these investigations are not yet concluded.

Table #3 – Reasons Investigations are not Concluded in Twelve Months

Reason	Number of Investigations
Additional complaints were added during the course of the investigation.	1
Complex investigation. May involve difficult issues or multiple subjects.	38
Lack of sufficient investigative resources over the course of the investigation. Investigators' caseloads were too high to enable cases to be completed in a timely manner.	11
On hold, in order not to interfere with another ongoing investigation.	4
Under review by the Legal Section or the Director of Investigations prior to closing.	17
Total	71

C. SUSTAINED ADMINISTRATIVE CASES

IGO sustained cases can either be administrative, criminal, or both. Administrative cases generally involve violations of City rules, policies or procedures, and/or waste or inefficiency. For sustained administrative cases, the IGO produces summary reports¹ – a thorough summary and analysis of the evidence and a recommendation for disciplinary or other corrective action. These reports are sent to the Office of the Mayor, the Corporation Counsel, and the City departments affected or involved in the investigation.

Criminal cases involve violations of local, state, or federal criminal laws and are typically prosecuted by the Cook County State's Attorney's Office, the U.S. Attorney's Office, or the Illinois Attorney General's Office, as appropriate. The IGO may issue summary reports recommending administrative action based on criminal conduct.

1. Synopses of Cases

The following are brief synopses of investigations completed and reported as sustained matters. These synopses are intended solely to provide an illustrative overview of the general nature and outcome of the cases for public reporting purposes and thus do not contain all allegations and/or findings for each case.

¹ Per *Chicago Municipal Code*, sec. 2-56-060 (American Legal 2012), "Upon conclusion of an investigation the inspector general shall issue a summary report thereon. The report shall be filed with the mayor, and may be filed with the head of each department or other agency affected by or involved in the investigation."

In addition to the IGO's findings, each description includes the action taken by the department in response to the IGO's recommendations. Departments have 30 days to respond to IGO recommendations. This response informs the IGO of what action the department intends to take. Departments must follow strict protocols, set forth in City's Personnel Rules, Procurement Rules and/or applicable collective bargaining agreements, prior to imposing disciplinary or corrective action. Only when this process is complete and discipline has been imposed or corrective action taken on a City employee or contractor, does the IGO consider the department to have acted.

This process can often take several weeks. In deference to the deliberative processes of City departments and contractual rights of employees relating to discipline, the IGO waits to report on cases regarding current City employees until the subject's department has acted on the IGO's report. For cases in which a department has failed to respond within 30 days (or 60 days if a full extension has been granted), the response will be listed as late.

The 13 cases listed below were the subject of IGO Summary Reports of Investigation issued prior to the 2nd Quarter 2012, but final disciplinary determinations and action had not been finalized and disclosed to the IGO until this quarter.

IGO Case # 05-1352

An IGO investigation, concluded in October 2008, determined that a trucking company in the now-defunct Hired Truck Program defrauded the City by falsely claiming to have delivered two loads of asphalt to a City paving job. As part of its scheme, the trucking firm – a current City vendor – submitted to the City a fraudulent Daily Activity Report and two forged “dump tickets.” Records maintained by the asphalt manufacturer and the paving contractor showed that the trucking company neither picked up nor delivered the two loads of asphalt. Relying on the documents submitted by the trucking firm, the City paid the firm \$401.36.

The IGO recommended that the trucking firm, the owner of the trucker firm, and the driver (who submitted the false and fraudulent documents and lied to the IGO) be permanently debarred from doing business with the City.

In January 2010, the City's Department of Procurement Services sent Notices of Proposed Debarment to the firm, its owner and the driver. On July 21, 2011, following an in-person hearing, DPS settled the matter and dismissed the pending Notices of Proposed Debarment. Instead, the firm, its owner, and its driver agreed to (1) pay to the City \$401.36; (2) utilize GPS tracking technology (or a similar type of technology) on all trucks used on City projects; and (3) attend training on the City's Governmental Ethics Ordinance from the City of Chicago Board of Ethics.

DPS reported the settlement to the IGO on May 17, 2012.

IGO Case # 06-0895

During an investigation related to City land purchases, the IGO subpoenaed records from a City vendor who appeared to have an ownership interest in property relevant to the investigation. The City vendor responded to the subpoena by stating unequivocally that it had never purchased, owned, or sold the property. The IGO investigation determined that response was false – about five years prior to receiving the IGO subpoena, the vendor had purchased the property and conveyed it into a trust whose beneficiary was the company’s founders. The property was part of a larger piece of land that was ultimately bought by the City.

The IGO’s Summary Report issued in June 2010 recommended that the vendor, its President and its Chief Financial Officer (both of whom were aware of the misrepresentation to the IGO) be debarred for a year.

In August 2010, DPS sent Notices of Proposed Debarment to the vendor and its executives. In January 2011, DPS settled the matter and dismissed the pending Notices of Proposed Debarment. Instead, DPS agreed to a one-year “administrative oversight period” (essentially, a deferred debarment) during which the vendor and its executives agreed to comply with all laws, statutes, ordinances, regulations and rules of any governmental unit, City and sister agency contractual requirements, as well as an agreement to cooperate with any City request for information. If the terms of the agreement were violated, the vendor and its executives agreed to an accelerated debarment process, and they agreed to accept the outcome of that process. The oversight period ended in February 2012.

DPS notified the IGO of the settlement in May 2012.

DPS reported that it chose not to follow through with debarment “after consultation with attorneys in the Department of Law, because [the vendor’s] response to the IG subpoena at issue, which may have been dishonest and in violation of City ordinances, did not have any connection to any City contracts, nor did it relate to any fraud against the City.”

IGO Case # 07-0078

An IGO investigation revealed that the sales manager of a Department of Fleet Management (then known as DFM, but now part of the Department of Fleet and Facilities Management, or 2FM) vendor used the vendor’s credit card to purchase over \$1,000 in food and beverages for a Senior Automotive Equipment Analyst with DFM. The provision of gifts violated the City’s Governmental Ethics Ordinance, specifically the gift ban (Section 2-156-040(c) of the Municipal Code). The IGO’s Summary Report issued in October 2010 recommended that the City (1) void the vendor’s current contracts; and (2) debar the vendor and its sales manager for a period of not less than two years.

DPS sent Notices of Proposed Debarment consistent with the IGO’s recommendation in October 2010. The vendor never responded and was debarred for two years. In November 2011, DPS settled with the sales manager and dismissed the proposed debarment. The sales manager

conceded that his activity was in violation of the City's gift ban and agreed to a one-year deferred debarment, during which he agreed not to engage in further violations of the City's gift ban, agreed to comply with all laws, agreed to cooperate with any City requests for information, and agreed to attend training at the City's Board of Ethics regarding the gift ban and on any other applicable portions of the Governmental Ethics Ordinance. The sales manager agreed to accept an accelerated debarment of up to two years if he violated any terms of the agreement.

The IGO was notified of the settlement in May 2012.

IGO Case # 07-1952

An IGO investigation determined that a City vendor certified by the City as a Minority and Woman-owned Business Enterprise and Disadvantaged Business Enterprise (MWDBE) did not have the staff, equipment, or expertise to perform in areas in which it was certified. The certified firm conspired with a prime contractor on at least three City-funded jobs to act as a MWDBE "pass-through" – passing payments from the prime to the subcontractors actually doing the work in return for a small fee and allowing the primes to claim MWDBE credit for the payments. The prime contractor improperly claimed more than \$3.4 million in MWDBE credit for payments to the certified firm, over 95% of which was passed on to non-certified firms which actually did the work. The prime contractor knew the certified firm was unable to perform most of the work, and knew that the certified firm subcontracted its work to non-certified firms. Frequently, the prime contractor even procured the non-certified firms that did the work for the certified firm.

The investigation further determined that the certified firm's ineligibility for certification and use as a pass-through on City contracts should have been obvious to City officials.

The IGO Summary Report issued in December 2010 recommended that the certified firm be decertified as a MWDBE and that the firm and its owner be permanently debarred. The IGO recommended that the prime contractor be debarred for three years.

In February 2011, DPS sent Notices of Proposed Debarment consistent with the IGO's recommendations. In January 2012, DPS settled with the prime contractor and dismissed the proposed debarment. The prime contractor admitted knowing that the certified firm subcontracted over 95% of its work on the prime contractor's City jobs. The prime contractor's defense was that the City had never informed the prime contractor that it could only claim MWDBE credit for work actually performed by the MWDBE firm. DPS conceded that the former Department of Community Development (now the Department of Housing and Economic Development), which managed the contracts, never provided the prime contractor with the City's "Special Conditions" regarding MWDBE usage, which explicitly describe under what circumstances participation by certified firms can count towards MWDBE contract goals.

In the settlement agreement, the prime contractor specifically denied any liability, committed only to follow the law and City regulations (which it already had an obligation to do), was not subject to summary debarment if it violates the agreement, and paid no fine or contractual damages.

In January 2012, DPS settled the matter with the certified firm and its owner and dismissed the proposed debarment. The firm and owner agreed to a term of deferred debarment, agreed not to engage in any activity that would violate the City's procurement rules or any other acts of dishonesty, unethical behavior, or violation of law. The certified firm further agreed that all of its current MWDBE certifications will expire on June 1, 2012, but it was allowed to reapply for certification. In addition, the certified firm has agreed to participate in DPS-led training sessions on MWDBE certification and compliance. Finally, the certified firm agreed to notify DPS and seek pre-approval from DPS prior to working as an MWDBE on any City contracts or grant agreements, including redevelopment agreements utilizing Tax Increment Financing and agreements involving the Department of Housing and Economic Development. The IGO was notified of the settlement on May 31.

IGO Case # 09-0056

In our 2010 Q3 report, the IGO included a narrative summary for IGO Case # 09-0056. However, the IGO did not receive notifications of final departmental action until this spring. The original summary follows below, with updated departmental action where appropriate.

An IGO investigation found that a former employee in the Office of Compliance, who had already been terminated for other reasons, accepted over \$3500 in gifts, including tickets to sporting events and meals from three City vendors over whom he/she had contract management authority, in violation of the City's Ethics Ordinance.

In the course of the investigation, one of the vendors provided false and misleading responses to an IGO subpoena.

The IGO recommended that the former employee be placed on the ineligible for rehire list. The IGO also recommended that the three City vendors be placed on deferred debarment for a period of two years and assessed fines for violating the City Ethics Ordinance. The IGO further recommended that four individual partners of the City vendors be permanently debarred from conducting future business with the City. Lastly, the IGO recommended that the Board of Ethics impose fines on the former employee and the vendors for violations of the City's Ethics Ordinance.

The Office of Compliance agreed with the IGO's recommendation and the former employee was placed on the ineligible for rehire list.

DPS sent the four individuals Notices of Proposed Permanent Debarment and the three firms Notices of Proposed Deferred Debarment for a period of two years as a first step in the process to solicit a response from the contractors. However, DPS ultimately settled with all parties short of debarment. One firm, who had provided the least valuable of the gifts but who had initially provided false and misleading responses to the IGO, was ordered to undergo training from the Board of Ethics and to attend DPS workshops for certified firms. The second firm, which provided the most valuable gifts, entered into a deferred debarment agreement and also agreed to

permanently remove the subject partner from City of Chicago engagements. The third firm also entered into a deferred debarment agreement and agreed that the subject partner will always be supervised on City engagements.

The Board of Ethics found the IGO's recommendations to be "insufficient to warrant a Board decision to assess fines ... thus, it will not impose any sanctions in this matter." Specifically, Ethics found that there was not an itemized list of specific incidents of improper gift giving, and as such, could not impose fines for gift giving without "speculating as to which and how many offenses were actually committed, and, in effect, inferring its own conclusions from the factual record presented in the (IGO) Report." Further, the Board found that, despite the IGO having secured (i) multiple emails between the vendors and the former employee repeatedly discussing the offer and receipt of gifts for specific events on specific dates, including thank-you notes and similar correspondence after the events, (ii) official expense reports reimbursement records and accounting records from the vendors showing the purchase of gifts for the former employee for specific events on specific dates at specific costs, (iii) vendors' admissions in IGO interviews of repeatedly giving specific gifts to the former employee, (iv) internal vendor emails that discuss providing the former employee with specific gifts on specific dates for a specific cost, and (v) the former employee admitting to IGO investigators that he/she had repeatedly received gifts from the vendors, the Board had no evidence of "either a vendor actually gave the item or service, or, that (the former employee) actually accepted it." (emphasis in original).

IGO Case # 09-0330

In our 2010 Q4 report, the IGO included a narrative summary for IGO Case # 09-0330. However, the IGO did not receive notifications of final departmental action until March 2012. The original summary follows below, with updated departmental action where appropriate.

An IGO investigation found that a delegate agency, the delegate agency's president, and its chief executive officer defrauded the City by falsely representing that the delegate agency was current with its payroll tax obligations, when, in actuality, the agency had an outstanding tax balance of up to \$1.35 million. The delegate agency also defrauded the City by using taxpayer grants for purposes unrelated to the mission of the organization, including payments made for school tuition, personal vehicle loans, and expenses related to a business owned by the president's husband. Lastly, the IGO determined that the delegate agency submitted reimbursement claims for expenses the agency did not pay, including approximately \$56,000 in false expense claims for audit, health insurance, and payroll expenditures.

The IGO recommended that the City permanently debar the delegate agency and its president from conducting business with or receiving funding from the City and seek recovery from the delegate agency and its president for the approximately \$56,000 in expenses the agency falsely claimed for reimbursement.

On January 20, 2011, the City permanently debarred the delegate agency. In addition, the president of the delegate agency received a lifetime debarment. The IGO was not advised whether the City Prosecutor has initiated any action to recover the \$56,000.

IGO Case # 09-1734

An employee of the Chicago Department of Public Health (CDPH) used City work time and the City's computer and telephone resources to run his/her own personal business and to work on his/her doctoral thesis. The employee, whose average work output was substantially less than that of his/her peers, continued this misconduct well after he/she was warned by his/her supervisor. The employee admitted to IGO investigators to occasionally working on personal matters during the day, but denied that his/her use of City resources was excessive.

The IGO's forensic examination of the employee's City-owned computer showed that he/she stored patient medical data related to his/her private counseling practice on the hard drive. The computer was not "secure" for storage of such information as defined by the federal Health Insurance Portability and Accountability Act (HIPAA).

The IGO recommended that CDPH impose discipline based on the magnitude of the investigation's findings of misconduct and any other information known to the department.

CDPH imposed a 20-day suspension.

IGO Case # 10-0265

An IGO investigation revealed that during an over-night shift, a plumber in the Department of Water Management (DWM) engaged in conduct that violated the City's Personnel Rules including but not limited to: (i) possessing and consuming alcohol on duty; (ii) falsifying the quality and quantity of his work; (iii) engaging in discourteous treatment and verbal abuse of co-workers; and (iv) interfering with co-workers and/or restricting the production output of co-workers.

Based on these findings, the IGO recommended that the DWM employee be terminated.

DWM issued a 29-day suspension rather than discharge. In its response, DWM noted that the alleged conduct of drinking on the job took place on a single night in February 2010. The complaint was immediately called in to the IGO the following day by DWM, but the IGO investigation was not completed until March 2012. DWM felt this delay was prejudicial against the plumber because evidence such as videotapes of various scenes where the conduct allegedly occurred was no longer available.

IGO Case # 10-0700

An IGO investigation showed that a Sanitation Laborer in the Department of Streets and Sanitation (DSS) violated the City's residency requirement by living in Flossmoor, Illinois. Based on these findings, the IGO recommended that the City terminate the DSS employee.

As mandated by the City Residency Ordinance, if the DSS employee were still a City employee, the IGO would have recommended that he/she be terminated. Since he/she is no longer a City employee, the IGO recommended that the DSS Commissioner: (1) issue a written decision concurring with the IGO's sustained findings; (2) request that the Department of Human Resources (DHR) place a copy of the concurrence in the DSS employee's personnel file along with a copy of the IGO's Summary Report, and; (3) request that the DHR code the DSS employee as resigned under inquiry.

DSS agreed with the recommendation and discharged the employee.

IGO Case # 10-0712

An IGO investigation established that a CDPH Public Health Nurse and a Communicable Disease Control Investigator II both routinely engaged in time falsification.

The nurse was responsible for monitoring the health and development of infants born from high-risk pregnancies. On official activity reports, the nurse claimed to be checking up on the infants in their homes. However, the nurse frequently returned home after signing in for the morning. The IGO's surveillances showed that, on most days, the nurse did no work at all and either stayed at home or ran errands before returning to the CDPH office at the end of the day to sign out.

Surveillances showed the Communicable Disease Control Investigator II, who was assigned to dispense medication to tuberculosis patients in their residences, signed in at a Chicago Police Department station in the mornings and drove back home. The employee spent City time at home or shopping and running errands. During the employee's interview with IGO investigators, the employee said he/she engaged in time falsification after noticing that other CDPH employees were doing it and not getting in trouble.

The Communicable Disease Control Investigator II resigned shortly after the IGO interview.

CDPH followed the IGO's recommendation that the employee be placed on the City's ineligible for rehire list. The IGO also recommended that the Law Department consider initiating a cost recovery action for mileage reimbursement payments the employee received based on his/her fraudulent activity records. The Law Department has not indicated whether it will file the action. CDPH, without recommendation from the IGO, also imposed a one-day suspension against the employee's supervisor.

CDPH also agreed with the IGO's recommendation that the nurse be terminated. The nurse resigned shortly after the City's Department of Law presented termination charges. The IGO also recommended that CDPH report the nurse's misconduct to the Illinois Department of Financial and Professional Regulation. The department has not indicated whether it will follow that recommendation. On its own initiative, CDPH imposed a written reprimand against the nurse's direct supervisor. The reprimand was rescinded after CDPH concluded that the supervisor followed department procedures in effect at during the period of the investigation.

IGO Case # 10-1251

The IGO concluded an investigation which revealed that a Mayoral appointee and a chief financial officer of a City delegate agency each submitted false statements in several financial disclosures they filed with the City. These false statements concealed the existence of several outstanding state and federal tax liens for the delegate agency's non-payment of its payroll tax obligations. The delegate agency's chief financial officer told IGO investigators that truthful disclosure of the liens and outstanding tax liabilities would likely result in the contract's termination and the end of payments to the delegate agency. Even after he/she acknowledged the existence of the tax liens to IGO investigators, the chief financial officer made additional false statements that concealed the liens in order for the agency to receive a new delegate agency contract with the City for 2012. The City awarded the contract.

In addition to his/her false statements on the delegate agency disclosures to the City, the appointed official failed to reveal on his/her 2008 and 2009 Statements of Financial Interests that he/she was paid a salary by the delegate agency. As a condition of the appointed official's position, he/she must annually submit financial disclosures that specifically inquire, among other things, about compensation received from employers other than the City.

The IGO recommended that the Mayor remove the appointed official from his/her position pursuant to the authority granted to him in the Municipal Code of Chicago.

The IGO also recommended that the Department of Procurement Services (DPS) debar the appointed official and the officer and that the Department of Law consider filing an action against them under the City's False Claims Act for the false statements in the delegate agency's financial disclosures.

The IGO did not recommend debarment of the delegate agency; the investigation did not include a substantive examination of its programs, nor did it conduct an audit of its reimbursement voucher requests. In light of the delegate agency's several tax delinquencies, the IGO recommended that the Department of Family and Support Services (DFSS) consider those liens when performing this delegate agency's fiscal and programmatic reviews.

DPS found that the appointed City official and chief financial officer did not engage in misconduct sufficient to justify debarment. Rather, DPS found that they demonstrated a lack of knowledge of taxation and accounting practices, as well as a misunderstanding of how delegate agencies should conduct business with the City of Chicago.

Instead of imposing a term of debarment, DPS required that they and other individuals in the delegate agency attend training on the City's Ethics ordinance through the City's Board of Ethics.

The appointed official resigned his/her position.

IGO Case # 10-1377

An IGO investigation proved that a Supervisor of Animal Care Aides with the Commission on Animal Care and Control (ACC) violated the City's residency requirement by living in Addison, Illinois. The ACC employee resigned from City employment six days after IGO investigators interviewed him/her about his/her residency.

As mandated by the City Residency Ordinance, if the ACC employee were still a City employee, the IGO would have recommended that he/she be terminated. Since he/she is no longer a City employee, the IGO recommended that the ACC Executive Director: (1) issue a written decision concurring with the IGO's sustained findings; (2) request that the Department of Human Resources (DHR) place a copy of the concurrence in the ACC employee's personnel file along with a copy of the IGO's Summary Report, and; (3) request that the DHR code the ACC employee as resigned under inquiry.

ACC and DHR agreed with the IGO's recommendations and placed the employee on the ineligible for rehire list.

IGO Case # 11-0851

An IGO investigation revealed that a Ward Clerk with the DSS routinely took substantially longer than allowed for lunch, and over the course of 37 occasions, spent a combined total of over 20 hours away from work without authorization. The IGO recommended that DSS suspend the Ward Clerk for 20 days without pay.

The investigation further established that the Ward Clerk used a City vehicle to drive home for lunch on 43 occasions over a five-month period in 2011. The City's Vehicle and Equipment Use Policy prohibits personal use of a City vehicle and states that vehicles are to be used for City business only. Although the IGO does not regard an employee's use of a City vehicle solely to go to lunch as constituting "City business," other office personnel confirmed, and the supervisor admitted, that several times a week employees were authorized to use the vehicle solely to go to lunch or pick up lunch for the office.

Given the lax administration of the Vehicle and Equipment Policy within the DSS Division office, the IGO recommended that DSS work with the City's Vehicle Steering Committee, as appropriate, to draft a written policy to clarify appropriate use of a City vehicle with respect to employee lunch breaks.

DSS concurred with the IGO's recommendation and issued the employee a 20-day suspension.

City Departments took disciplinary action on one administrative case the IGO sustained this quarter. It is summarized below.

IGO Case # 11-0372

An IGO investigation determined that two managers of the Department of Finance (DOF) “vehicle immobilization program,” better known as the “boot program,” failed to appropriately schedule and staff the night shift of DOF booters. When the night shift was first created in November 2009, no Department of Streets and Sanitation (DSS) dispatchers were available for the shift, so DOF managers assigned the dispatch functions, traditionally performed by union personnel, to higher-paid, non-union security personnel. Moreover, the booters’ shift did not align with the dispatchers’ shift, meaning that the dispatch services necessary for booting operations were not available for the entire night shift. DOF employees reported to the IGO that to address this problem, DOF managers instructed booters and dispatchers to take their lunch and breaks at the same time—at the end of their shifts. This arrangement presented potential safety concerns and wasted at least 30 minutes of the total number of hours available for booting, resulting in an estimated annual loss of \$160,000, due to a combination of lost boot revenue and wasted personnel expenditures. The IGO concluded that the two DOF managers restricted production output and exhibited incompetence or inefficiency in the performance of their duties and recommended that DOF review both managers’ performance to determine disciplinary action commensurate with the findings of the investigation.

DOF provided a very detailed response to the IGO’s disciplinary recommendations, agreeing in part and disagreeing in part with the IGO’s recommendations. DOF agreed with the IGO’s findings that discipline was warranted for the less senior manager, who, DOF concluded, was solely responsible for the establishment of the staggered shifts resulting in a lack of dispatch coverage at the end of the shift. DOF disagreed, however, with the IGO’s recommendation that the more senior manager be disciplined, discounting some of the witness statements and citing additional evidence to conclude that one DSS dispatcher was briefly available when the night shift was first created, that the senior manager was not responsible for the later lack of dispatchers in 2010 and 2011, and did not direct booters to take their breaks at the end of the shift. In addition, DOF noted that, as cited in the IGO’s report, DSS, not DOF, is responsible for the assignment of City dispatchers. DOF nevertheless agreed that the DOF managers should not have assigned non-union personnel to perform the dispatch function and reported that both managers would be counseled on the correct process for handling such labor situations. The IGO also made programmatic recommendations to improve efficiency and labor management in the boot program. These are described below.

2. Disciplinary and Other Corrective Action Recommendations

In the 14 sustained cases described above, the IGO made 26 discipline or other corrective action recommendations. The number of recommendations can exceed the number of cases because cases can have more than one subject. The table below details the discipline or corrective action the IGO recommended.

Table #4 – Discipline Recommendations

Type of IGO Recommended Discipline	Number of subjects
<i>Employee Discipline</i>	
Reprimand	0
Suspension less than or equal to 10 days	0
Suspension 11 to 29 days	2
Suspension equal to 30 days	0
Suspension over 30 days	0
Termination	3
<i>Other Corrective Action</i>	
Debar	14
Do not (re)hire	5
Other	1
Cost Recovery	1
Total	26

(A) *Departmental Action*²

Of the 26 recommendations contained in this report's 14 investigative summaries:

- In 11 instances, departments imposed the same discipline/corrective action recommended by the IGO.
- In 15 instances, a department imposed less discipline/corrective action than the IGO recommended.
- In no instance did a department impose more discipline/corrective action than the IGO recommended.
- In four instances, subjects of the investigation resigned during the inquiry.
- In two instances a department imposed discipline/corrective action when the IGO did not recommend any discipline on investigations summarized in this report.

(B) *Results of Appeals or Grievances*

Under the City's Personnel Rules and/or applicable collective bargaining agreements, a City employee may be entitled to appeal or grieve a departmental disciplinary action, depending on the type of corrective action taken and the employee's classification. The IGO monitors the results of administrative appeals before the Human Resources Board (HRB)³ and grievance arbitrations concerning its disciplinary recommendations.

² This data is as of July 13, 2012.

³ HRB definition: A "three-member board is appointed by the Mayor and is charged with the responsibility of conducting hearings and rendering decisions in instances of alleged misconduct by career service employees. The Board also presides over appeal hearings brought about by disciplinary action taken against employees by individual city departments." City of Chicago. Department of Human Resources – Structure.
http://www.cityofchicago.org/city/en/depts/dhr/auto_generated/dhr_our_structure.html (accessed July 13, 2012).

There are currently three subjects of IGO investigations appealing his/her discipline to the HRB.

In future quarterly reports we will provide updates as appropriate on appeals or grievances concerning IGO disciplinary recommendations.

D. CRIMINAL CASES

As discussed above, in addition to administrative allegations, the IGO also investigates criminal allegations. In criminal cases, the IGO partners with a prosecuting agency, such as the U.S or State's Attorney's Office, which prosecutes the case. For the purposes of IGO quarterly reports, criminal cases are concluded when the subject of the case is indicted.

1. Synopses of Cases

None of the IGO cases concluded this quarter produced criminal charges.

2. Developments in Prior Criminal Cases

During the quarter, there were no resolutions in any of the IGO's prior criminal investigations.

E. PUBLIC REPORTS & AUDITS

In addition to confidential disciplinary investigations, the IGO produces a variety of public reports and audits. This work includes independent and professional audits, policy recommendations and reviews, and evaluations of the operations of City departments, programs, functions, and those doing business with the City. These engagements focus on the integrity, accountability, economy, efficiency, and effectiveness of each subject. We have summarized five audits/public reports that were released this quarter.

1. Audits

(A) *Department of Family & Support Services Grant Monitoring Practices*

On April 3, 2012, the IGO published an audit of DFSS grant monitoring practices. The audit reviewed DFSS's policies and procedures for managing grants made to delegate agencies. The audit focused on procedures in place during 2010 and found that despite some deficiencies, DFSS's grant monitoring processes were generally effective. The IGO findings included:

1) Lack of timely follow-up on DFSS Fiscal Monitoring Unit findings. The IGO found that DFSS failed to follow-up with the Safer Foundation regarding DFSS audit findings and corrective action requested from the agency in September 2010. Following IGO audit inquiries, the Safer Foundation responded to DFSS's findings in January 2012.

2) Voided expenses charged to a grant program. The IGO found that checks made payable by the Cara Program to vendors were never cashed and were subsequently voided. The voids

occurred after the program was closed out and the payments had already been charged to the program. Therefore, the grant money was never reimbursed to DFSS. DFSS agreed that such voided expenses should be credited back to the grant and reissued a policy memorandum and scheduled future training regarding how delegate agencies should comply with closing grant funded programs.

3) Insufficient segregation of financial duties coupled with a lack of bank reconciliation created an opportunity for funds to be misused at the American Indian Center. A DFSS Fiscal Monitoring Unit report had noted seven months of no bank reconciliations but did not note the insufficient segregation of duties. A single staff member at the Center was responsible for preparing deposits, reconciling bank accounts, making deposits, and safeguarding the checks and signature plates. This same staff member was later arrested and convicted of felony financial crimes, theft, and forgery charges after stealing more than \$60,000 by writing more than 150 checks to himself.

DFSS disagreed with an IGO finding regarding how the department treated a DFSS Fiscal Monitoring Unit report regarding Cares Chicago.

The DFSS Fiscal Monitoring Unit issued a report for Cares Chicago, which received grant funds from the Workforce Investment Act. The report stated there were no “audit findings” at Cares Chicago, though the report included six issues listed as “management recommendations.” The IGO found that three of the six recommendations were significant and believed these should have been considered findings, which would have required agency response and a corrective action plan; in turn this would have triggered further follow-up by DFSS. DFSS disagreed with the finding and noted that DFSS’s “fiscal monitoring scope mirrors the scope used by our funding sources on the federal and state levels and by the City-Wide Single Auditors.”

Approximately 95%, or \$467,606,701, of the DFSS 2010 budget appropriation consisted of grant funds.

(B) Follow-up Report to 2010 TIF Audit

On June 16, the IGO issued a follow-up report to its June 2010 audit report related to Tax Increment Financing (TIF) processes and procedures. The original audit focused on expenditures of the Central Loop and Central West TIF districts from January 1, 2003 to December 31, 2007, and also included a review of porting transactions (transfers from one district to another) completed between 1997 and 2007. The purpose of the audit was to test and evaluate the expenditures and porting to ensure effective and efficient operations and compliance with policies and procedures, and to evaluate the effectiveness of controls related to the payment of expenditures using TIF funds.

In its follow-up report, the IGO concluded that, overall, the City has taken adequate action on the recommendations made in the 2010 audit. Some actions have not been completed but significant progress has been made. Specifically, the Office of Budget and Management reported that it was still working with the Department of Finance to create new TIF expenditure policies but would

forward those to the IGO when they were completed. In addition, the City has not acted on the IGO's recommendation to publish meeting minutes, attendees, and decision criteria for the City's internal TIF Task Force on-line in order to make porting decisions more transparent to the public and City Council. The IGO continues to recommend that the City make this information easily accessible on its web site.

It is important to note that the IGO did not observe or test implementation of new policies and procedures and thus makes no determination as to their effectiveness. Such a determination would require a new audit with full testing of the procedures.

2. **Public Reports**

(A) *Analysis of Special Service Area Taxes and Tax Increment Financing Funds*

On April 4 2012, the IGO published an analysis of property taxes billed to property owners in Special Service Area (SSA) taxing districts that overlap with Tax Increment Financing (TIF) districts. The analysis found that over 80% of SSAs overlapped with TIF districts and that SSA taxpayers contributed approximately \$7 million to TIF districts each year due to the SSA tax rates applied to their properties' incremental Equalized Assessed Values (EAVs).

When property owners pay an SSA tax (an extra tax rate voluntarily implemented for the purpose of funding supplemental neighborhood services) for an SSA that overlaps with a TIF district, the additional SSA rate requires them to also pay additional taxes to the overlapping TIF district.

The IGO analysis, which reviewed TIF and SSA data from 2010 and 2011, did not offer recommendations or judgments of either TIF districts or SSAs. Instead, the analysis was offered as information for Chicago policymakers and taxpayers on the collateral, generally undisclosed tax consequences arising from the overlay of SSA and TIF.

The IGO analysis also noted that this situation is not inappropriate or unique to SSAs; rather, an increase in any taxing district's tax rate generally results in increased taxes paid into overlapping TIFs.

To illustrate this situation, the IGO analysis included an example of property owners paying higher taxes than they otherwise would have when living in an area overlapped by both a TIF district and an SSA.

In 2011, the SSA #51 Service Provider Agency, the Chatham Business Association, budgeted to provide security patrols, street cleaning, façade improvement, advertising, and administrative expenses such as personnel salaries and office rent. The City Council approved a tax levy for SSA #51 of \$996,000, the estimated cost of the services. The Cook County Clerk determined the tax rate needed to generate the \$996,000 by dividing the levy into the base EAV of all the properties in the SSA. In 2011, the County determined that the required rate was 1.409%.

But because some of the SSA properties are also in TIF districts, they have a base EAV and an increment EAV. Any assigned tax rate taxes both the base and the increment EAV. According to Cook County tax records, SSA #51 property owners were billed a total of \$1,625,924 as a result of the SSA tax rate: \$996,317 to the SSA and an additional \$629,607 to three the TIF districts from the 1.409% SSA rate applied to the increment EAV of each TIF.

In another example, the City Council's approval of an SSA tax of \$119,112 resulted in property owners in SSA #16 (Greektown) being billed more than four times that amount – \$494,230, with the TIF district receiving 75% of the total.

The analysis was released under the IGO's Open Chicago initiative.

(B) Recommendations for Improving the SSA Establishment Process

On June 4, 2012, the IGO published a review of the process for establishing SSA taxing districts, as well as the official response to the report from the City's Department of Housing & Economic Development (HED).

The review was prompted by the City Council's February 2011 termination of SSA #46, three months after the SSA's first tax extension was billed to property owners. One of the major reasons cited for terminating SSA #46, which was approximately centered at West 119th and South Halsted Street, was criticism from property owners that their property taxes increased far more than they had been led to expect as a result of the SSA.

The report demonstrated that measures were not in place to ensure that taxpayers were properly informed of the true cost of implementing SSA #46. The result was an SSA property tax rate that increased property owners' taxes by approximately 30%, which was far more than the taxpayers' expectations of a 1.5% increase. The IGO found that the major factors contributing to this discrepancy were miscalculations by the SSA applicant in developing the estimated SSA tax rate and poor communications between the SSA applicant and local taxpayers about the estimated tax impact of the SSA.

The IGO made several recommendations to improve this process. Specifically, the IGO recommended that HED:

- (1) Review the accuracy of an SSA applicant's SSA tax rate estimation.

In response to the report, HED agreed the department needs to implement stricter oversight and review of applicants' tax rate estimations. The response indicated that HED was looking into a "variety of options" to ensure better accuracy.

- (2) Require more transparent disclosures and communications made by the SSA applicant to taxpayers.

HED stated it would enhance its efforts to verify the accuracy of Sponsor Agency research. Additionally, HED has already “implemented numerous enhancements for communications with 2013 SSA designations,” including HED staff participation in SSA Advisory Committee kick-off meetings and ensuring accountability in determining who presents key information in community meetings, such as the impact of the taxes.

(3) Adhere to its stated requirement of letters of public support from SSA stakeholders, while also improving the content of the support letters.

In response, HED noted it will work with Sponsor Agencies to determine residential and commercial representation in support letters, as well as other land uses that may be in the proposed district, such as industrial uses. Additionally, HED stated that it anticipates stakeholders will more clearly understand the SSA tax impact; HED will prepare a form for support letters that coordinates with information in the supplemental fact sheet to be provided with the public hearing legal notice.

(C) Department of Aviation Contracting Process

On June 15, 2012, the IGO released a report on the Chicago Department of Aviation’s (CDA) contracting process as well as the CDA’s response to the IGO’s findings.

The IGO identified lapses in the contracting process of the 2007 construction of a sidewalk at O’Hare International Airport which led to a waste of at least \$55,000. These lapses paralleled those identified in a prior IGO investigation, involving the 2007 construction of an employee break area, which resulted in the waste of funds. That prior investigation prompted new CDA contracting procedures designed to catch and prevent the contracting improprieties identified by the IGO.

The present IGO investigation focused on a sidewalk built between Higgins Road and the Aviation Administration Building on Patton Road. Using interviews with multiple City employees, including the City’s Department of Transportation (CDOT) and Department of Procurement Services (DPS), a third party vendor, and a plain reading of the contract CDA used for the sidewalk construction, the IGO determined that the CDA significantly overpaid for the sidewalk. Due to its failure to use an already existing lower-cost contracting option, the CDA spent \$191,830 on the sidewalk; the IGO report estimates that the CDA wasted at least \$55,000 and possibly as much as \$102,373.

However, given the CDA’s recent steps to improve the construction contract process, and the fact that many of the primary decision makers associated with the Patton Road project are no longer with the City, the IGO made no disciplinary recommendations.

To better assess the effectiveness of the CDA’s new contracting procedures, the IGO requested that the CDA provide information regarding:

- 1) CDA's current procurement and contract management policies, procedures, and approval mechanisms in place to ensure that all expenditures and use of CDA contracts are cost effective, legitimate, and appropriate;
- 2) Any and all instances of variation from those policies, procedures, and approval mechanisms since September 1, 2010;
- 3) Designation of those individuals currently responsible for CDA procurements and contracts and a description of their responsibilities;
- 4) Agendas and minutes from the CDA Capital Improvement Program "roundtable" meetings;
- 5) Any additional information regarding the CDA contracting that CDA believes is relevant to the public report.

In its response, which the IGO also posted on its website, the CDA pointed to a more recent example of similar work, which demonstrates its current capacity to limit construction costs. The CDA also included information on other CDA contract management and cost control practices such as its Capital Improvement Program roundtable.

(D) IGO Case # 10-0372 re: DOF Boot Program Management and Scheduling

The IGO conducted an investigation of waste and mismanagement in DOF's boot program, which found that DOF Street Operations division (formerly the Department of Revenue) failed to appropriately schedule and staff its booters' night shifts. As a result, the department wasted at least 30 minutes of available booting time each night, for an estimated annual loss of \$160,000, due to a combination of lost boot revenue and wasted personnel expenditures. The IGO made four recommendations designed to address the structural flaws and loss of productivity inherent in the booting night shift.

DOF responded that he has since instructed booting personnel to adhere to an appropriate, staggered break and lunch schedule. DOF noted that additional dispatcher staffing cannot be added without DSS, and, in the absence of DSS dispatchers, DOF has fully implemented a wireless, automated confirmation system. DOF reported that this automated system was fully operational in October 2011, and the department continues to rely on a Parking Revenue Security Supervisor for temporary dispatch services in cases of an unexpected, system malfunction. Finally, DOF thanked the IGO for bringing the matter to its attention and committed to continually improving the efficiency of DOF operations.

F. HIRING COMPLIANCE

On March 26, 2010, the IGO was assigned responsibility for monitoring the City's hiring and employment compliance with the law and protocols imposed under the *Shakman* Accord. Assumption of that responsibility was formalized by ordinance passed by the City Council on May 12, 2010.⁴ The IGO carries out this monitoring function principally through its Hiring Oversight Section (IGO Hiring Oversight), which reviews, monitors, and audits key processes in

⁴ See *Chicago Municipal Code*, sec. 2-56-035

the City's hiring and related employment practices. IGO Hiring Oversight also receives complaints, including allegations of unlawful political discrimination and retaliation and other improper influence in connection with any aspect of City employment, and refers any such complaint that warrants investigation to the IGO Investigations section.

It has now been over a year since the May 2011 transition to Mayor Emanuel's administration. During this time, IGO Hiring Oversight has observed a commendable effort by the Department of Human Resources (DHR) and the Department of Law (Law) to implement new hiring procedures that help ensure that all City employees are selected based on their knowledge, skills, and ability to perform effectively on the job and not based on impermissible factors, such as political recommendations or affiliations. While IGO Hiring Oversight's monitoring activities have shown that the City is making significant progress towards substantial compliance, particularly through its effective implementation of the Hiring Plans, we still encounter areas where the City has work to do to ensure compliance. Some of these are noted in this quarterly report, and others will be discussed in more detail in a report to the Federal Hiring Monitor which will be issued in the next quarter.

The main obstacle to our office fully inhabiting our compliance and governance responsibilities, however, remains unfortunately unchanged. The legal dispute regarding IGO access to information and documents in the possession of the City's Law Department continues. Pending before the Illinois Supreme Court is the Law Department's appeal of the Illinois Appellate Court's ruling recognizing the IGO's ability to hire a private attorney to seek judicial enforcement of a subpoena served on the Corporation Counsel. *Ferguson v. Georges*, 948 N.E.2d 775 (Ill. Ct. App. 2011) (now *Ferguson v. Patton*, Sup. Ct. No. 112488). The investigation underlying the lawsuit involves, among other things, possible *Shakman* violations. The briefing on the case is now complete, and we await oral argument at the Supreme Court in the near future.

As we have discussed in the past, if the new Administration succeeds in its argument to the Illinois Supreme Court that the IGO's authority to enforce its subpoenas is subordinate to the authority and decisions of the Law Department and that there should be no independent IGO recourse to the courts to resolve such enforcement and legal conflict issues, IGO Hiring Oversight's ability to provide vigorous oversight of the City's compliance with the *Shakman* Accord will be severely handicapped. As the City's Hiring Plan states, "[a] strong and effective compliance and governance system is critical to the success of this Hiring Plan." Such an effective system requires an agency that can investigate unlawful political hiring even within the Department of Law and the Mayor's Office – an effort that would be fruitless if the Inspector General must be subordinate to their authority. We will continue to provide updates on the progress of the lawsuit in our coming quarterly reports.

QUARTERLY REPORTING OF HIRING OVERSIGHT DATA

On June 24, 2011, the City of Chicago filed the 2011 City of Chicago Hiring Plan ("General Hiring Plan"). The General Hiring Plan, which was agreed to by the parties and approved by the Court on June 29, 2011, replaced the 2007 City of Chicago Hiring Plan which was previously in effect. On October 14, 2011, the City of Chicago filed the 2011 Chicago Police Department

Hiring Plan, and on December 15, 2011, the City of Chicago filed the 2011 Chicago Fire Department Hiring Plan.

Under Chapter XII of the new City of Chicago General Hiring Plan, Chapter XI of the CPD Hiring Plan, and Chapter IX of the CFD Hiring Plan, IGO Hiring Oversight is required to review and audit various components of the hiring process and report on them on a quarterly basis.

This quarter, IGO Hiring Oversight conducted the following reviews:

1. *Contacts by Hiring Departments. Review of all reported or discovered instances where hiring departments contacted DHR to lobby for or advocate on behalf of actual or potential Applicants or Bidders for Covered Positions or to request that specific individuals be added to any referral or eligibility list except as permitted in this Hiring Plan.*

In the last quarter, IGO Hiring Oversight received five reports of direct departmental contact from DHR. Three of these reports involved a department contacting DHR to inquire as to why a certain applicant(s) was not included on a referral list.⁵ DHR instructed the department to have the applicant (and any future applicants) contact DHR directly to find out the status of their application. Another report involved a department employee receiving an email request to interview for a position from an applicant. The employee sent a standard DHR form letter which referred the applicant to the City's job site. The remaining report involved a department manager questioning the qualifications of the candidates on a referral list, based on the candidates' self-assessment on a desired screening criterion. DHR informed the department manager that all candidates did in fact meet the minimum qualifications for the position and the department should proceed with the interview process.

2. *Exemptions. Review of adherence to exemption requirements and Exempt Lists and propriety of Exempt List⁶ modifications.*

In the first quarter of this year, IGO Hiring Oversight conducted an audit of the City's Exempt List, which is maintained by DHR and available on its website. The report contained details of several discrepancies between the Exempt List and the City's electronic personnel files and tracking system. In May, DHR responded to our audit in a memorandum that detailed corrective actions it had taken to resolve any problems in their systems and explained any outstanding discrepancies would be corrected in 2013, as they could only be resolved through the transfer of budget line items. IGO Hiring Oversight will follow up on these issues in next year's Exempt List audit.

⁵ A referral list is a list that is generated by DHR of applicants/bidders who meet the predetermined minimum qualifications for a position.

⁶ The Exempt List is a list of all City positions that are exempted from the requirements governing Covered positions (*Shakman-Exempt*). Shakman-Exempt Positions are those for which any factor may be considered in actions covered by this Hiring Plan and Other Employment Actions, unless otherwise prohibited by law.

3. Senior Manager Hires. *Review of hires using Chapter VI, the Senior Manager Hiring Process.*⁷

Of the 80 hire packets we reviewed this past quarter, five were for Senior Manager positions. Of the five Senior Manager hires reviewed, one contained various irregularities on the candidate assessment forms from both interviewers for the hire sequence. These irregularities had already been promptly escalated by the DHR Recruiter. The details of this escalation are discussed further in the “Escalations” section of this report.

4. Written Rationale. *Review of any written rationale when no consensus selection was reached during a Consensus Meeting.*

Consensus selections were reached during all Consensus Meetings that occurred during the 2nd Quarter of 2012.

5. Emergency Appointments. *Review of circumstances and written justifications for any emergency hires made pursuant to the Personnel Rules and Section 2-74-050(8) of the Chicago Municipal Code.*

The City made no emergency appointments during the 2nd Quarter of 2012.

This quarter, IGO Hiring Oversight conducted audits of the following matters to ensure compliance with the hiring process:

1. Modifications to Class Specifications, Minimum Qualifications, and Screening and Hiring Criteria.

We are currently reviewing all modifications to job descriptions, minimum qualifications, and screening/hiring criteria. In the last quarter, the City changed the minimum qualifications or included equivalencies for three positions in the Department of Cultural Affairs and Special Events, the Chicago Public Library, and the Department of Innovation and Technology. IGO Hiring Oversight reviewed the changes and raised no objections to them.

2. Referral Lists. *The lists of Applicants/Bidders who meet the predetermined minimum qualifications for the Position that are generated by DHR.*

IGO Hiring Oversight currently reviews most candidate and bidder lists. In the past quarter, we reviewed 81 lists and provided commentary to DHR whenever potential

⁷ Senior Managers are (1) not covered by a collective bargaining agreement; (2) at-will employees; (3) not *Shakman* Exempt; and (4) perform significant managerial responsibilities. These positions are filled pursuant to a Court-approved process.

issues arose. Of the 81 referral lists reviewed in the past quarter, 12 contained errors. All errors occurred in the area of candidate assessment. We recognize that aspects of candidate assessment can be subjective and that there can be a difference of opinion in the evaluation of a candidate's qualifications. Therefore, our designation of "errors" is limited to cases in which applicants who, based on the information they provided, (1) did not quantitatively meet the minimum qualifications and were referred; (2) failed to provide all of the required information and/or documents listed on the job posting and were referred; or (3) quantitatively did meet the minimum qualifications and were not referred. We have provided detailed information to DHR management so that they may address these errors, and we are tracking DHR's progress in reducing these mistakes.

3. Testing. Test Administration and Scoring.

IGO Hiring Oversight continues to receive prompt notification from DHR regarding approvals of new tests, proposed changes to existing tests, and the dates of testing administrations. In our audit of tests developed in the past quarter, we did not observe any problems. We will continue reviewing a sampling of test administrations in the next quarter.

4. Selected Hiring Sequences. *10% in the aggregate of in-process and completed (at least 5% of completed) hiring sequences from the following departments or their successors: Streets and Sanitation, Water Management, Aviation, Transportation, Buildings, Fleet, and six other City departments selected at the discretion of IGO Hiring Oversight.*

We are currently reviewing most hiring sequences and have worked directly with DHR staff and management to address errors when they arise. In reviewing these sequences, we examine hiring packets, which contain all of the documents in the hiring process, including all documents and notes maintained by individuals involved in the selection process. In the past quarter, we reviewed 80 hire packets. Of the 80 hire packets reviewed, ten packets contained at least one error. Nine of these errors included missing or invalid documentation (for example, an expired driver's license) and missing Hire Certifications. The final error constituted a violation of the Hiring Plan, which is detailed below.

Mayor's Office Hiring Sequence

While conducting a review of the hire packet for a position in the Mayor's Office, IGO Hiring Oversight discovered that multiple interview panels had been used during the hire sequence. The hire packet did not contain any documentation that, 1) explained the use of the multiple interview panels, 2) showed DHR management's approval to use the multiple interview panels, or 3) showed that IGO Hiring Oversight had received notification of the use of the multiple interview panels. Further, when we questioned DHR about the irregularities in this sequence, it was discovered that the DHR Recruiter for the sequence had approved the use of the multiple interview panels because the Mayor's Office was allowed to use them for a previous hire sequence. The use of

multiple interview panels in this sequence violated Section II.C.7 of the City's Hiring Plan which states:

Consistency of Interviewers. The same individuals should interview all Candidates for any interview Position, including Senior Manager Positions. If an interviewer must change during the hiring process, the hiring department must provide advance notification to DHR, which shall forward the information to IGO Hiring Oversight.

We are mindful that certain hire sequences require an exception to this requirement due to large candidate pools, emergency absences, etc., however in any instance, advanced notification to DHR is still required before a hiring department proceeds with the interviews. Further, if DHR approves an exception to this requirement, the approval should be forwarded to IGO Hiring Oversight and documented in the hiring file. IGO Hiring Oversight did not view this as an intentional violation of the Hiring Plan but rather a miscommunication between DHR and the Mayor's Office. As such, we recommended DHR allow the hire sequence to go through the approval process. Additionally, we issued a memorandum to DHR recommending that 1) Recruiters remind hiring departments of the Chapter II.C. 7 provision of the Hiring Plan; 2) DHR management vet all requests to be excepted from this provision; 3) IGO Hiring Oversight receive advance notification and time to object in the event DHR approves an exception; and 4) The recruiter document the approval in the hiring file. DHR subsequently agreed to implement our recommendations.

In the last quarter, IGO Hiring Oversight also monitored the Merit Selection Board Meeting⁸ for the Sergeant and Lieutenant Promotional sequences in the Chicago Police Department (CPD). In monitoring this Meeting, IGO Hiring Oversight did not observe any hire plan violations and found that the Merit Selection Board followed all of the provisions of Chapter V of the CPD Hiring Plan.

5. Hiring Certifications. *The required certifications attesting that no Political Reasons or Factors or other Improper considerations were taken into account in the applicable action.*

Of the 80 hire packets reviewed in the last quarter, four contained missing or invalid hire certifications from DHR and/or the Hiring Department. After reporting the omissions to DHR, the missing certifications were provided and included in the packets. The "Selected Hiring Sequences" section above included these errors in its tally.

⁸ The Merit Selection Board is responsible for evaluating and recommending Eligible Candidates for merit promotion to the Superintendent of Police. The Merit Selection Board consists of the CPD Director of Human Resources, the Assistant Superintendents of Operations and Administration, and the Deputy Superintendents of the Bureaus of Patrol, Investigative Services, Professional Standards, and Administrative Services.

6. *Acting Up.*⁹ Review of the City's compliance with Chapter XI and any implementing procedures.

IGO Hiring Oversight reviews the City's compliance with Chapter XI of the General Hiring Plan, the Acting-Up Policy, and all Acting-Up waivers processed by DHR. As mentioned in previous reports, DHR is currently drafting a new Acting Up Policy, and has involved IGO Hiring Oversight in the process. While the new policy is a substantial improvement over its predecessor, the City's fragmented Acting Up tracking processes pose major obstacles for providing effective oversight as detailed in our report issued on January 13, 2012.

In an effort to gain a better understanding of this problem, we reviewed one department's Acting Up tracking through the City's timekeeping database. The database allows IGO Hiring Oversight to run a report listing all individuals who have surpassed 500 hours for a given time period to determine whether they are nearing or have exceeded the 520-hour Acting Up limit. We created a report listing all individuals in the department who had exceeded the Acting Up limit in 2011. Based on this report, 34 employees exceeded the limit without the department seeking a waiver from DHR. We also reviewed waivers that DHR had granted to the department in 2011 and determined that four of these individuals did not exceed the 520-hour limit based on the timekeeping database. Indeed, two of those individuals showed no Acting Up hours at all, according to the database. These troubling results have confirmed our concern about the obstacles the City faces in effectively administering Acting Up. Surmounting these obstacles requires considerable cooperation between DHR, employees in the operating departments who input timekeeping records, and the Department of Finance, which administers the timekeeping database.

The following chart details waivers to the City's 520-hour Acting-Up limit approved by DHR in the last quarter:

Department	Position	Number of Employees	Date of Response	Duration of Waiver
Transportation	General Foreman of Painters	1	4/19/2012	End of construction season
Finance	Accountant IV	1	4/30/2012	Additional 520 hours
Water	Chief Mason Inspector	1	5/4/2012	Additional 520 hours

⁹ Acting-up is where an employee is directed to, and does perform, or is held accountable for, substantially all of the responsibilities of a higher position.

Transportation	Foreman of Cement Finishers	17	5/9/2012	Additional 520 hours
Fleet & Facilities Management	Assistant Chief Operating Engineer	1	5/10/2012	Additional 520 hours
Water	Chief Operating Engineer	1	5/10/2012	Additional 520 hours
Water	Assistant Chief Operating Engineer	1	5/23/2012	Additional 168 hours
Water	Assistant Chief Operating Engineer	1	5/25/2012	Through August 1, 2012
Transportation	Asphalt Foreman	13	5/25/2012	Additional 520 hours

7. *Arbitrations and Potential Resolution of Grievances by Settlement.* Review of all arbitration decisions arising out of Accord complaints, as well as any other arbitration decisions and potential grievance settlement agreements that may impact the procedures under this Hiring Plan.

In the last quarter, IGO Hiring Oversight reviewed one settlement agreement. This settlement, reached between the Department of Water Management (DWM) and the American Federation of State, County, and Municipal Employees Council 31 (AFSCME), provided that laid off employees will be treated by the City in accordance with Section 12.5 of the AFSCME contract and not as New Hires.

QUARTERLY REPORTING OF CONTRACTING ACTIVITY

IGO Hiring Oversight is required to review City departments' compliance with the City's "Contractor Policy" (Exhibit C to the City's Hiring Plan). In the last quarter, DHR completed its initial training given to senior-level employees of City departments to ensure they are aware of their obligations under the policy. In accordance with the Contractor Policy, IGO Hiring Oversight has initiated its annual contractor review, requesting information from all departments about contractors performing services for the City on City premises. Once we receive this information, we will have the ability to evaluate it for compliance with the *Shakman* Accord, the Contractor Policy, and federal regulations regarding common-law employment.

In March 2012, DHR sent IGO Hiring Oversight a contract it had approved allowing a lobbyist to provide personal services to the Mayor's Office of Intergovernmental Affairs. After reviewing the contract, we issued a memorandum to DHR notifying them that the contract violated the Contractor Policy's provision that such contracts not exceed one year. We also expressed concern that the nature of the lobbyist's services raised common-law employment implications due to the similarity of the contractor lobbyist's work to that performed by City-employed lobbyists, the relationship between the lobbyist and City employees, and the long-term nature of the contracting relationship, which exceeds 15 years. To remedy these concerns, we

suggested the Mayor’s Office consider hiring the lobbyist on a part-time basis, which would allow the lobbyist to retain other clients for state and county level lobbying though it would also likely prohibit the individual from lobbying at the municipal level under the City’s Ethics Ordinance. DHR responded to our memorandum by noting that the contract would be amended to comply with the one-year limit. The scope of services to the contract was also amended with an eye toward reducing common-law employment concerns, and DHR acknowledged that the relationship would require periodic monitoring to prevent the relationship from devolving to common-law employment. Regarding our recommended part-time employment remedy, DHR stated that this option would require the lobbyist to relinquish his other clients in order to come into compliance with the City’s Ethics Ordinance, a requirement for City employees, which DHR described as a “sacrifice...significant enough that it is reasonable to forego this option.”

Under the Contractor Policy, we are also required to receive notifications of all draft contracts and other agreements with Temporary Employment Agencies, not-for-profit agencies, for-profit contractors and other organizations and entities providing services to the City under Section 2b of the City’s “Contractor Policy” (Exhibit C to the City’s Hiring Plan). We may choose to review the drafts for the purpose of assessing whether the draft contract or agreement terms are in compliance with the Policy. IGO Hiring Oversight received notifications for and reviewed five draft contracts in the last quarter. The following chart details the contract notifications we received and reviewed in the last quarter:

Name of the Contractor, Agency or other Organization	Name of Contracting Department	Duration of such Contract or Agreement	Approved by DHR?
CorVel Enterprise Comp	Law	Five (5) years	n/a
Professional Dynamic Network	Procurement	Three (3) months	Yes
Professional Dynamic Network	License Appeal Commission	Through January 4, 2013	Yes
MB Real Estate	DCASE	Through December 31, 2013	n/a
Kobotech	DCASE	Through December 31, 2012	n/a

In conjunction with IGO Hiring Oversight’s contract compliance activities, IGO Hiring Oversight also provided assistance to numerous departments by reviewing sections and suggesting edits to two RFPs that had potential *Shakman* concerns.

IGO Hiring Oversight continues to work with DPS and contracting departments to ensure compliance with the notification requirement of the City’s Contractor Policy.

REPORTING OF OTHER IGO HIRING OVERSIGHT ACTIVITY

- 1. Review of Escalations. Recruiters and Analysts in DHR must escalate concerns regarding improper hiring to IGO Hiring Oversight. IGO Hiring Oversight evaluates the circumstances surrounding the escalation and may do one or more of the following: investigate the matter, conduct a review of the hiring sequence, refer the matter to the DHR Commissioner or appropriate Department Head for resolution, and/or refer the matter to the Investigations Section of the IGO.*

IGO Hiring Oversight received two escalations in the last quarter, which are detailed below. We are currently still reviewing two additional escalations received in the 1st Quarter, and once our review is completed, we will report our findings in a future quarterly report.

Department of Finance Escalation

IGO Hiring Oversight was contacted by a DHR Recruiter on April 3, 2012, who reported that the interview assessment forms for a Senior Manager hiring sequence in the Department of Finance (Finance) were missing the overall candidate assessment ratings for all candidates that were interviewed. When the DHR Recruiter questioned Finance about the assessment form irregularities, Finance stated they were told in DHR's Interview and Consensus Meeting training to leave the overall ratings blank until the consensus meeting. The DHR Recruiter informed Finance that per Section V.B.8 of the City's Hiring Plan, interviewers must independently complete a candidate assessment form for each candidate immediately after the interview. Finance was also required to provide DHR with a written explanation as to the irregularities on the assessment forms and overall candidate assessment ratings for each candidate. After reviewing the hiring documentation and the correspondence between DHR and Finance, we found no evidence that the interviewers attempted to manipulate the hiring sequence or that political reasons or improper factors affected the process. Following our recommendation, DHR allowed the hire sequence to go through the approval process.

Department of Law Escalation

IGO Hiring Oversight was contacted by a DHR Recruiter on April 26, 2012, who reported that the selected candidate for a recent hire sequence in the Department of Law (Law) had listed a current Law employee as one of their references. This same Law employee was also the Screener,¹⁰ Interviewer, and Hiring Manager¹¹ for this hire sequence. After reviewing the hiring documentation and the relevant sections of Law's Hiring Plan (Exhibit A of the City's Hiring

¹⁰ A Screener is an individual who reviews employment applications to determine whether applicants meet the minimum qualifications for the position and based on their relative match to the position's requirements, selects candidates for an interview.

¹¹ The Hiring Manager is responsible for managing the selection process for Positions requiring an interview. This individual will typically be the manager to whom the new hire will report, but may be a higher level manager in the department reporting structure.

Plan), we found no evidence that the Law employee attempted to manipulate the hiring sequence or that political reasons or improper factors affected the process. Following our recommendation, DHR allowed the hire sequence to go through the approval process.

2. *Processing of Complaints. IGO Hiring Oversight receives complaints regarding the hiring process, including allegations of unlawful political discrimination and retaliation and other improper influence in connection with any aspect of City employment.*

Complaints made to IGO Hiring Oversight may be resolved in several different ways depending upon the nature of the complaint. If there is an allegation of misconduct, the complaint may be referred to the Investigations Section of the IGO. If there is an allegation of a breach of policy or procedure, IGO Hiring Oversight may conduct an inquiry into the matter to determine if such a breach occurred. If a breach of policy or procedure is found, IGO Hiring Oversight may resolve the matter by making corrective recommendations to the appropriate department or referring the matter to the Investigations Section of the IGO. If no breach of policy or procedure is found, IGO Hiring Oversight may refer the matter to DHR and/or the appropriate department for resolution or close the complaint.

IGO Hiring Oversight received 33 complaints in the past quarter. Of those complaints, 12 were referred from the *Shakman* Monitor's Office. The chart below summarizes the disposition of these 33 complaints as well complaints from the previous quarter which were not closed when we issued our last report.

Status	Number of Complaints
Complaints Pending from the 1 st Quarter of 2012	22
Complaints Received in the 2 nd Quarter of 2012	33
Total closed in the 2 nd Quarter	44
Closed by Referral to IGO Investigations	1
Closed by Referral to DHR	3
Closed with Recommendations to the Hiring Department and/or DHR	0
Pending with IGO Hiring Oversight as of 7/1/2012	11

3. *Private Secretaries*

Chapter IX of the General Hiring Plan has a provision that allows Exempt employees to hire private secretaries without going through the general hiring process so long as individuals involved in the action certify that no political reasons or improper factors affected their hiring decisions. As discussed in previous quarterly reports, because these positions have less protection than other positions covered by *Shakman*, they are particularly vulnerable to manipulation by City officials who wish to hire an individual without going through the general hiring process. In November 2011, we worked with DHR to set up an oversight function whereby we receive advance notice of all private secretary appointments.

We received notifications for four private secretary appointments this last quarter. Two of the requests were approved and did not raise any concerns. The other two appointments, which involved the same Private Secretary candidate, were denied by DHR and raised concerns about the City's use of this process. The first attempt to appoint this Private Secretary was denied by DHR because the request to hire was not from a Department/Agency Head or a Schedule G employee. Per Section II.F of the *Shakman* Accord:

Private Secretary Hiring Process. The New [Hiring] Plan shall provide for a Hiring/Transfer Process for Private Secretary or Assistant to Department or Agency Head and Schedule G Exempt Employees...which shall identify those positions covered by such process.

Shortly after this request was denied, DHR received a request from a department head to hire the same candidate as their *second* Private Secretary. DHR also denied this request as Department/Agency Head's and Schedule G employees are only allowed to have one Private Secretary. IGO Hiring Oversight will continue to work with DHR to ensure the Private Secretary process is used in accordance with the City's Hiring Plan and the *Shakman* Accord.

4. *Reclassifications*

The classification system is used to ensure that positions are properly classified and compensated based on the duties performed by the position's incumbent(s). When the incumbent's duties appear to be outside of those required by their position, the incumbent may need to be reclassified to a new position. A reclassification is an employment action that could result in an incumbent's position being recommended for an upgrade, downgrade, a lateral change, or no change. Upgrade and downgrade recommendations ultimately can result in a promotion and/or pay increase or a demotion and/or pay decrease, respectively. Per the City's Personnel Rules, reclassifications cannot be used as a tool to provide salary increases, promotions, demotions, or used in lieu of disciplinary action.

The IGO issued a report on June 1, 2012, to DHR that identified deficiencies in the reclassification process which currently inhibit a successful and compliant reclassification system. The report detailed how the reclassification process is used by departments and included instances where it appeared that the process was used as a work-around of the hire process, including upgrading incumbents to a position for which they were unable to obtain through the general hire process. The report made several recommendations to increase accountability in the process and to establish the roles of various City departments with respect to reclassification recommendations. In a subsequent response, DHR agreed to implement all of the IGO's recommendations. These recommendations establish clear guidelines and responsibilities required for a successful reclassification process and also ensure the ability to assess the system's compliance with the Personnel Rules, the City's Hiring Plan, and the *Shakman* Accord. Until these recommendations are fully implemented, the City will continue to be inhibited from realizing the full benefits of an accountable and compliant reclassification system and remain vulnerable to the misuse and manipulation of reclassifications. Both the report and DHR's response will soon be made available on the IGO's website.