

**OFFICE OF INSPECTOR GENERAL**  
*City of Chicago*



***INSPECTOR GENERAL'S OFFICE ADVISORY CONCERNING  
DUTY OF VENDORS TO REPORT CORRUPT OR OTHER  
UNLAWFUL CONDUCT***

**SEPTEMBER 2013**

866-IG-TIPLINE (866-448-4754)  
[www.chicagoinspectorgeneral.org](http://www.chicagoinspectorgeneral.org)



**OFFICE OF INSPECTOR GENERAL**  
*City of Chicago*

Joseph M. Ferguson  
Inspector General

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

---

**VIA ELECTRONIC MAIL**

September 12, 2013

Rahm Emanuel  
Mayor  
City of Chicago  
121 N. LaSalle, Suite 500  
Chicago, IL 60602

Stephen R. Patton  
Corporation Counsel  
Law Department  
City of Chicago  
121 N. LaSalle, Suite 600  
Chicago, IL 60602

Dear Mayor Emanuel:

A recently concluded City of Chicago Office of Inspector General (IGO) investigation established that the employee of a subcontractor to a City vendor hired to provide administrative and clerical services within a City facility, used his position and City resources on at least two separate occasions to unlawfully solicit and receive money from members of the public with a promise to take official City action on their behalf. The investigation revealed that the subcontractor had terminated the employee and required him to repay money after the vendor received a complaint that the employee had taken money, promising in exchange to help the complainant obtain a City job. However, neither the vendor nor the subcontractor informed the City about this incident. The City learned of the incident only after a different member of the public filed a complaint with the City about a separate incident. The second complaint alleged that the same employee, while still working at a City facility, had also taken money from him as payment for building code fines. The IGO was informed by the City of this complaint and initiated an investigation; the matter could not be prosecuted because the complainant later refused to cooperate.

We bring these incidents to the City's attention because it illustrates an exposure to potential liability and negative public perception of City operations created by outside employees working in City facilities who appear to the public to be acting as City employees or with the authority of the City. In this case, both members of the public gave the subcontractor's employee money

with the belief that the individual could favorably influence City action, based on the employee's representations and apparent authority. Current vendor contracts require cooperation with the IGO in investigative matters, but do not expressly require reporting of corrupt or other unlawful activity committed or observed by its employees connected to performance of the City contract, as a reporting obligation otherwise required in City operations generally under the Duty to Report and Whistleblower provision of the City's Ethics Ordinance, § 2-156-018. Had the vendor reported the first incident to the City, the IGO may have been able to conduct a more complete investigation that could have developed sufficient evidence to support criminal prosecution and may have uncovered other criminal conduct by that employee.

Additionally, while the subcontractor was able to quickly discharge the employee and apparently obtain repayment of funds wrongfully solicited and received, the vendor and subcontractor's failure to inform the contracting department effectively deprived the City of an opportunity to identify and remediate potential risk areas which may adversely impact services and public confidence in City operations.

## **I. CONTRACTOR'S OBLIGATIONS**

Current City contracts with outside vendors that provide services and labor to the City contain language which requires these entities to cooperate fully with IGO investigations. However, there is no requirement that vendors inform the contracting department if it becomes aware of corrupt or other unlawful activity in the performance of City-related work.

## **II. INVESTIGATIVE FINDINGS**

The IGO learned of this matter after a citizen complained to the City that a subcontractor's employee had solicited and accepted payments in excess of \$700.00 with the promise of helping the citizen with fees purportedly owed to the City related to a property he had purchased. City records do not identify any fees being owed or any payments having been made for this property. The victim also provided a copy of a document on City letterhead which purported to be a receipt for payment that included the name of subcontractor's employee and an illegible signature. Ultimately, the IGO was unable to complete its investigation of this incident because the complaining party refused to provide further cooperation.

In the course of investigating this complaint, the IGO learned that the subcontractor's employee had been discharged by the subcontractor after he had accepted money in exchange for a promise to assist another member of the public in obtaining a City job. Subcontractor documentation gathered during the IGO investigation includes email correspondence between the City vendor and the subcontractor discussing the incident and explaining the discharge. The subcontractor also addressed its own potential liability exposure by procuring a "Release of All Claims" from the victim. However, neither the vendor nor the subcontractor notified the City of this incident or the subcontractor's actions in response to it.

### III. CONCLUSION

There is ample evidence that the subcontractor's employee, while working in a City facility for a City vendor, was involved in two separate schemes to obtain money from individuals who thought they were paying him to obtain favorable treatment by the City. In one case, the victim thought he was paying money to the subcontractor's employee for fees related to employment applications with the City, and, in another, the victim seemingly thought he was making payments through the subcontractor's employee towards a building code violation judgment. Additionally, the subcontractor's employee effectuated his scheme by misusing City letterhead to create fake receipts.

Unfortunately, the City was never informed of the first incident and as a result the IGO could not conduct an appropriate investigation of either matter. On its face, the subcontractor's ultimate decision to terminate its employee was a seemingly appropriate response. However, by doing so without any form of notice to the City (either the contracting department or the IGO) of the incident or its intended responsive action it effectively pre-empted the City's ability to appropriately investigate the employee in an effort to establish the full scope of his illegal conduct and the consequent potential risk to the City or injury to the City and the public. Nor could the vendor or subcontractor's failure to notify the City be ascribed to a lack of appreciation of its gravity. To the contrary, the subcontractor clearly recognized the severity of its employee's misdeed and its potential liability, because it procured a "Release of All Claims" from the citizen victimized in the first incident. The second incident, like the first, involved an employee with apparent official authority soliciting and accepting money to influence official City action. Corrupt or other unlawful activity committed or observed by vendor and subcontractor employees in the course of their City-related duties can adversely reflect upon the City and undermine public trust, as well as potentially expose the City to some of the same liability issues that so concerned the subcontractor here. Therefore, as required of City employees, all vendors and subcontractors should report to the IGO, directly and without undue delay any and all information concerning conduct which they know or should reasonably know to involve corrupt or other unlawful activity by their employees or by anyone dealing with the City. See Municipal Code of Chicago § 2-156-018.

The IGO intends to publish this advisory on or about October 21, 2013. The IGO invites the Law Department to respond in writing to the above before October 14, 2013. Any such response will be made public along with the IGO's advisory.

Respectfully,



Joseph M. Ferguson  
Inspector General  
City of Chicago

## CITY OF CHICAGO OFFICE OF THE INSPECTOR GENERAL

<b>Public Inquiries</b>	Rebecca Riddick-Ostrovsky (773) 478-3909 <a href="mailto:Rriddick-ostrovsky@chicagoinspectorgeneral.org">Rriddick-ostrovsky@chicagoinspectorgeneral.org</a>
<b>To Suggest Ways to Improve City Government</b>	Visit our website: <a href="https://chicagoinspectorgeneral.org/get-involved/help-improve-city-government/">https://chicagoinspectorgeneral.org/get-involved/help-improve-city-government/</a>
<b>To Report Fraud, Waste, and Abuse in City Programs</b>	Call the IGO's toll-free hotline 866-IG-TIPLINE (866-448-4754). Talk to an investigator from 8:30 a.m. to 5:00 p.m. Monday-Friday. Or visit our website: <a href="http://chicagoinspectorgeneral.org/get-involved/fight-waste-fraud-and-abuse/">http://chicagoinspectorgeneral.org/get-involved/fight-waste-fraud-and-abuse/</a>

### MISSION

The City of Chicago Office of Inspector General (IGO) is an independent, nonpartisan oversight agency whose mission is to promote economy, efficiency, and integrity in the administration of programs and operations of City government. The IGO achieves this mission through:

- Administrative and criminal investigations
- Audits of City programs and operations
- Reviews of City programs, operations, and policies

From these activities, the IGO issues reports of findings, disciplinary, and other recommendations to assure that City officials, employees, and vendors are held accountable for the provision of efficient, cost-effective government operations and further to prevent, detect, identify, expose and eliminate waste, inefficiency, misconduct, fraud, corruption, and abuse of public authority and resources.

### AUTHORITY

The authority to produce reports and recommendations on ways to improve City operations is established in the City of Chicago Municipal Code § 2-56-030(c), which confers upon the Inspector General the following power and duty:

*To promote economy, efficiency, effectiveness and integrity in the administration of the programs and operations of the city government by reviewing programs, identifying any inefficiencies, waste and potential for misconduct therein, and recommending to the mayor and the city council policies and methods for the elimination of inefficiencies and waste, and the prevention of misconduct.*