



OFFICE OF THE INSPECTOR GENERAL

City of Chicago

Joseph M. Ferguson
Inspector General

180 N. Michigan Avenue, Suite 2000
Chicago, Illinois 60601
Telephone: (773) 478-7799
Fax: (773) 478-3949

FOR IMMEDIATE RELEASE:
June 9, 2011

CONTACT: (773) 478-0534
Jonathan Davey

IGO Releases Follow-Up Review of the City's MWBE Program

The City of Chicago Office of Inspector General (IGO) today released a one-year follow-up of its May 2010 Review of the City's Minority & Women Owned Business Enterprise (MWBE) program. The follow-up notes that City leadership largely ignored the prior report's findings. Specifically, the City has long inflated program accomplishments, seriously mismanaged the program, and disregarded a host of corrective recommendations made in the May 2010 review. The follow-up also reports that, despite the best efforts of Office of Compliance employees, the MWBE program is still afflicted with widespread fraud, abuse, and mismanagement.

In the last year, the IGO has issued 16 summary reports of investigations of fraud, abuse and mismanagement in the MWBE program resulting in numerous proposed debarments, decertifications, and necessitating downward revisions to the City's previously reported participation figures. During the same span, three new federal indictments have resulted from grand jury investigations in which the IGO has partnered with federal law enforcement and the United States Attorney's Office.

"Since the original report's release, there was little positive change in either the MWBE program's administration or performance," said Inspector General Joe Ferguson. "Though it was forged from the community's noblest ideals, poor leadership has grounded the program in its more cynical proclivities. That said, the current dilapidated state of the program provides the City with a clean slate and opportunity to rebuild the program from the ground up. Doing so is the best way to ensure the MWBE program accomplishes its important mission of providing economic opportunity to historically disadvantaged communities."

The follow-up recommends that the City take specific actions in order to address the problems that continue to plague the MWBE program. These actions include:

- Shifting the City's focus away from MWBE certification to monitoring MWBE compliance
- Accurately tracking and reporting actual payments to MWBEs
- Establishing meaningful contract-specific goal setting for program participation
- Granting waivers from MWBE goals for construction contracts where appropriate to allow for honesty in contractor bidding and ensure better MWBE compliance
- Collecting penalties from firms that do not satisfy MWBE requirements
- Increasing staffing in the City's administration of the MWBE program, and returning the program's administration to the City's Department of Procurement Services (DPS)
- Making the City's user department personnel accountable for the program to provide for better monitoring of MWBE participation on City contracts

- Gathering the necessary statistical evidence for the non-construction MWBE program to put it on sound legal footing
- Ending the Target Market Program to limit the City's liability

The May 2010 Review, which can be found [online](#) at the IGO's website, detailed significant problems in the MWBE program, which has impacted more than \$1 billion in City contracts since 2003. These problems included:

- Actual payments to MWBEs and Disadvantaged Business Enterprises (DBEs) on construction contracts were at least 15% less than the City had publicly reported in contracts reviewed by the IGO.
- Non-construction, which comprises 70% of the dollar value of City contracts, were also likely lower than reported.
- The MWBE program was poorly administered by the City, as evidenced by its failure to collect, analyze, or report actual payments to and performances of MWBEs.

The follow-up report can be found [online](#) at the IGO website: www.chicagoinspectorgeneral.org.

The IGO is charged by ordinance with promoting economy, efficiency, effectiveness and integrity in the operations of the City government. In our continuing effort to be fully responsive to the City's challenges and supportive of the efforts of the Mayor and City Council in meeting those challenges, the IGO welcomes any suggestions or comments on our reports, or suggestions of City programs to review.