



Joseph M. Ferguson
Inspector General

OFFICE OF INSPECTOR GENERAL *City of Chicago*

740 N. Sedgwick Street, 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, City Clerk, City Treasurer, and residents of the City of Chicago:

In June 2010, the Inspector General's Office (IGO) issued an audit report related to Tax Increment Financing (TIF) processes and procedures.¹ This audit focused on expenditures of the Central Loop and Central West TIF districts from January 1, 2003 to December 31, 2007. The audit 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.

RESULTS OF ORIGINAL AUDIT

Based upon the results of the original audit, we determined that internal controls were not adequate to ensure effective management of the TIF expenditures we reviewed, as related to the State of Illinois TIF Act, 65 ILCS 5/11-74.4 et seq. ("The TIF Act"). Additionally, we concluded that TIF-related processes were not sufficiently transparent. We have summarized the audit findings and recommendations in five general categories below.

Summary of Findings	Recommendation
1. Over \$1.2 million in TIF funds were left unused at the Public Building Commission due to insufficient fund monitoring.	Conduct frequent account reconciliations and reviews.
2. Improper expenditures were charged to TIF districts due to weak or non-existent internal controls. Problems included: <ul style="list-style-type: none">• \$329,000 in public art ineligible per the TIF Act was purchased with TIF funds• the Job Order Contract process was manipulated to purchase items not shown on invoices• ineligible items such as flags, printers, and copier leases were charged to TIF districts• contractors were over-credited for minority	Review and strengthen internal controls to prevent improper expenditures.

¹ The 2010 audit report is available on the IGO web site: <http://chicagoinspectorgeneral.org/wp-content/uploads/2011/03/TIF-Audit.pdf>

<p>and women-owned business participation on TIF projects</p> <ul style="list-style-type: none"> • TIF funds were used for an ineligible “Skill Builders” job training program 	
3. Over \$139,000 in contractor liquidated damages were not returned to TIF funds due to insufficient monitoring and to the City’s position that liquidated damages are legally considered to have lost any characterization as TIF funds.	Require contractor liquidated damages to be returned to TIF funds.
4. City employee salaries and overhead were inconsistently allocated to TIF funds due to a lack of uniform allocation policies and procedures.	Create policies and procedures to require uniform reporting of TIF-related employee and overhead costs by departments.
5. Fund transfers from one TIF district to another (“porting”) were not transparent due to a lack of public documentation about who makes porting decisions and how they are made.	Disclose porting decisions to the public and maintain an updated list of persons involved in porting decisions.

FOLLOW-UP

To determine the status of the above recommended actions, in June 2011 we contacted senior management of the six departments involved.² Two of the departments stated that virtually no action had been taken by the previous administration while three others stated that only *some* action had been taken. The remaining department stated that its audit-related TIF responsibilities had been transferred to one of the departments who said no action had been taken.³

Due to the fact that the prior administration had not addressed many of the audit recommendations, and considering that the majority of department leadership was newly appointed, we postponed our follow-up to give the new leadership time to become familiar with the findings and recommendations and to determine corrective actions. In December 2011 we contacted senior management again and received written responses in February and March, 2012.

RESULTS

The following table summarizes the results of the follow-up inquiries. The table attached to this letter details each finding, recommendation, and status of corrective action.

Recommendation	Status of Corrective Action Taken
1. Conduct frequent account reconciliations and reviews.	<u>Completed</u> . Reconciliations are performed each time the PBC submits a request for payment. More frequent reviews and audits are conducted.

² New leadership was appointed to the departments of Law, Finance, Budget and Management, General Services and Community Development when Mayor Emanuel took office in May 2011. The only department involved in the original audit whose leadership did not change was the Department of Procurement Services.

³ The Department of Community Development (now called the Department of Housing and Economic Development) replied that its TIF responsibilities related to the audit had been transferred to the Office of Budget and Management.

2. Review and strengthen internal controls to prevent improper expenditures.	<u>Significant Progress.</u> Expenditure approval processes have been improved and documented. Project managers and contractors received updated trainings. Project budget oversight has been strengthened. New inventory controls are operative. Instructions for departments on allowable TIF expenditures have not yet been created.
3. Require contractor liquidated damages to be returned to TIF funds.	<u>Completed.</u> Contractor liquidated damages are now returned to applicable TIF funds.
4. Create policies and procedures to require uniform reporting of TIF-related employee and overhead costs by departments.	<u>Completed.</u> Uniform cost methodology procedures have been distributed to participating departments.
5. Disclose porting decisions to the public and maintain an updated list of persons involved in porting decisions.	<u>Significant Progress.</u> Porting data is published online with other TIF data. Attendees and meeting notes for the TIF Task Force are not published online.

Based on the follow-up responses, the IGO concludes 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. We continue 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.

We thank the leadership of the six departments involved in this audit for their cooperation with the original audit and responsiveness to our follow-up inquiries.

Respectfully,



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<u>Finding</u>	<u>Description</u>	<u>Recommendation(s)</u>	<u>Status</u> (Note: Information in <i>italics</i> was obtained during the response to the original audit. All other information is from the follow up responses received in 2011 and the first quarter of 2012.)
08-01	"Insufficient Monitoring and Reconciliation of Funds and Expenditures Resulted in \$1,202,496.89 in Unused Central Loop TIF Funds Remaining at the PBC for Nearly Three Years."	<p>"We recommend the DOF and OBM work with the PBC to obtain the excess funding paid to the PBC for the Millennium Park F-2 projects and return the money to the Cook County Treasurer, as required by the TIF Act, since the Central Loop TIF district is no longer in existence.</p> <p>Additionally, a review and reconciliation of the funding provided on projects should be performed by the OBM and the PBC to ascertain whether there are balances due the City at specific project intervals. The City should perform those reviews every quarter during the project's life and within a reasonable time frame (perhaps 90 days) of the project's completion.</p> <p>We also recommend that OBM perform an in-depth review of all projects for which TIF money has been used by the PBC during the past five years to determine if the PBC has retained any funds which should be returned to the proper TIF district or whether any of the funds were used for other projects outside the originating TIF district and therefore should be returned to the proper TIF fund."</p>	<p><i>The City agreed and initiated action on this finding during the audit. The IGO verified that the City received a check in the amount of \$1,193,404.42 for the excess funds that were held by the PBC and these funds were transferred to the Cook County Treasurer for distribution to the taxing districts to ensure compliance.</i></p> <p>The IGO verified that the remaining \$9,092.47 were also received and transferred to the Cook County Treasurer.</p> <p>OBM reported to the IGO that a formal project budget review and reconciliation is conducted each time the PBC submits a request for payment.</p> <p>OBM reported that it had conducted a review as recommended by the IGO and found no additional TIF revenue improperly retained by the PBC because no other City TIF-funded projects had been completed by the PBC during that time.</p>

See last page for a guide to acronyms and note on department names.

<p>08-02</p>	<p>"The PBC Improperly Paid to the Department of Cultural Affairs \$329,000 in Central Loop TIF Funds for the Purchase of Public Art, a Non-Eligible Expense, in Violation of the TIF Act."</p>	<p>"We recommend that DCA return the \$329,000 that was paid to them by the PBC since the Chicago Municipal Code Public Art Work Ordinance does not apply to TIF-funded projects. [...] Additionally, since the Central Loop TIF is no longer in existence, the \$329,000 should be turned over to the Cook County Treasurer for distribution to the proper taxing districts as required by the TIF Act.</p> <p>The DCA should also be informed that any projects funded by TIF are ineligible participants and are not subject to the Public Art Ordinance. The OBM must review all charges associated with expenditures using TIF funds to be certain they are in compliance with the Act."</p>	<p><i>The City initiated action on this finding and the IGO verified that the DCA returned \$329,000 to the PBC, the PBC returned the same amount to the City for the closed Central Loop TIF District, and the funds were transferred to the Cook County Treasurer for distribution to the taxing districts.</i></p> <p><i>The City stated that OBM reviews planned expenditures when TIF projects are first established but that in the future it would review projects whose funding sources were changed to TIF in order to ensure compliance.</i></p> <p>The IGO requested copies of any written guidelines that had been developed to address issues of TIF expenditure compliance with the TIF Act. OBM reported that formal written policies and procedures have not been completed but that it is working with DOF on new TIF expenditure eligibility and oversight policies as part of comprehensive TIF reform. OBM stated that it would forward the new policies and procedures to the IGO when they are completed.</p>
<p>08-03</p>	<p>"\$54,266.26 in Contractor Assessed Liquidated Damages Due the Central West TIF Have Not Been Collected."</p>	<p>"We recommend City departments using the JOC system be required to notify DPS of project completions within 90 days. All relevant documentation required by DPS to close out contracts should be included with the notifications. In addition, City departments using JOC should maintain an up-to-date record of contractor cumulative assessments and amounts due contractors from open projects ensuring that the City has retainage to cover all deficiencies assessed.</p>	<p><i>"The Department of Procurement Services ("DPS") has sent a memorandum to all City departments using the JOC system instructing them to notify the Office of Compliance ("OCX") of project completions in a timely manner and to provide all relevant documentation needed for close-out (OCX is responsible for project close-outs and monitoring of EEO and CRO requirements). DPS instructed departments to maintain up-to-date records of contractor cumulative assessments and amounts due contractors from open projects ensuring that the City has retainage to cover all deficiencies assessed."</i></p>

08-03 contd.	DGS in conjunction with DPS should contact Paul Borg regarding the disputed amounts due from the Police Academy sub-orders to resolve the issue."	<p><i>"The final closeout letter for Paul Borg included the disputed amounts due from the Police Academy sub-orders. On March 19, 2010, counsel for Paul Borg filed a protest with the City regarding the matter. DPS, with Law's input, settled the Paul Borg closeout issue in an amount of \$84,941 and has received a check in the amount \$57,305 from Paul Borg and cancellation of the final invoice in the amount of \$27,635.</i></p> <p><i>However, the City strongly disagrees that the liquidated damages must be returned to the TIF. The contractor's damages can legally be considered to have lost any characterization as TIF funds. The liquidated damages are assessed after the contract's completion. Funds paid or payable to the contractor under the contract belong to the contractor and are no longer TIF funds."</i></p> <p>In July 2011, the Law Department reconsidered the City's earlier position and stated in a letter to the IGO, "Going forward, if the contract provides that liquidated damages are to be offset from retainage or a final contractor payment of TIF funds otherwise payable to the contractor, any liquidated damages will be considered TIF funds if that was the source of the payment." The Law Department also stated that it notified OBM and the Department of Housing and Economic Development of its "opinion that liquidated damages retained from a contract for which the source of payment was TIF should remain in the applicable TIF fund."</p>
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<p>08-04</p>	<p>"Employees of DGS Engaged in Deceptive Billing Practices in Conjunction with Old Veteran Construction and Paul Borg Construction in Transactions Involving the Use of TIF Funds."</p>	<p>"We recommend that written policies and procedures be established by DPS to provide guidance to users of the JOC system for approved and acceptable methods to acquire goods or services not listed in the JOC catalog that are infrequent or one-time purchases. All JOC users and contractors should be notified that manipulating quantities of JOC catalog listed items in order to produce a dollar total for the purchase of another commodity or service other than the one listed in the JOC catalog as a method of procuring one-time purchases is prohibited, and as a consequence, contractors may risk losing status as an approved City supplier.</p> <p>The Gordian Group should be consulted to set up procedures and system controls disallowing quantities that are not rational for the item being purchased.</p> <p>Additionally, we recommend that DGS initiate a review process through the DGS Finance Section to require that signed receiving documents be submitted to and matched against the JOC billing detail prior to processing for payment. Invoices containing JOC line items not able to be matched against signed receiving documents should not be paid until they are investigated to determine their validity."</p>	<p>DPS provided the IGO with documentation of the policies and procedures that had been redistributed to JOC system users and seven training sessions delivered in 2010 specifically to address the IGO recommendations for both contractors and user departments. On December 14, 2011, the Gordian Group provided updated training for user department project managers reinforcing correct procedures for acquiring JOC catalog item, including the fact that manipulating quantities of JOC catalog listed items in order to produce a dollar total for the purchase of another commodity or service other than the one listed is prohibited.</p> <p>The Gordian Group reported to the IGO that it had programmed a safeguard into the JOC system to prevent users from adding unapproved decimal amounts to item units.</p> <p>DGS provided to the IGO a written description of its formal procedures for approval of progress and final JOC payments. The procedures state that DGS Administration Bureau staff review payment requests, lien waivers, and subcontractor lists for accuracy and compliance. Technically valid payment requests are then sent to the project manager for review against the project progress and returned to the Finance Officer, who submits them to the Deputy Commissioner for final approval.</p>
<p>08-05</p>	<p>"\$89,753.74 of Central West TIF Money Was Spent on Questionable Expenditures."</p>	<p>"We recommend that future TIF funded projects not move forward until all terms agreed to by all participants are in writing, signed by all parties, and approved by the City Council when required. We recognize the urgency at times to move construction projects along, but in the absence of proper authorization by the appropriate legislation, we recommend that money associated with IGAs is not committed until approved by the City Council."</p>	<p><i>The City disagreed that the expenses were questionable, but agreed that the agreements related to TIF-funded projects should be signed and executed before proceeding with construction.</i></p> <p>DGS provided the IGO with a list of step-by-step approvals and procedures that DGS follows for all JOC projects.</p>

<p>08-06</p>	<p>"Liquidated Damages Were Used in Violation of the TIF Act to Fund Ineligible Training Program Expenditures of almost \$85,000 to a Program Outside of the TIF District."</p>	<p>"We recommend that since the Skill Builders Program does not meet the TIF eligible guidelines for use of Central Loop TIF funds, the \$11,486.23 and \$73,395.93 be returned by the PBC to the City and then returned to the Cook County Treasurer since the Central Loop TIF District is closed. Additionally, decisions to use TIF funds must be reviewed by competent persons familiar with TIF Act requirements. Programs such as the Skill Builders Program must be reviewed for funding sources on a continuous basis. No funds should be transferred without having proper reviews and sign off from DCD personnel familiar with TIF requirements. This documentation must then be retained in the project files at the PBC, OBM, and DCD. Additionally, the OBM needs to determine if a review of all sources of funds associated damages remitted to the Skill Builders Program should be analyzed. If it is determined that money paid by the PBC for the Skill Builders Program came from TIF funding outside the TIF district in which the Skill Builders Program is located, then the funds must be returned to the proper TIF district."</p>	<p><i>The City strongly disagreed that liquidated damages must be returned to the TIF (see Finding 08-03).</i></p> <p>In July 2011, the Law Department reconsidered the City's earlier position (see Finding 08-03). However, the Skill Builders Program funds were not returned by the PBC to the City.</p>
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<p>08-07</p>	<p>"Fitness Equipment Purchased for the Police Academy Workout Room Resulted in \$39,773.99 of Wasted TIF Funds and Two 32-Inch Flat Screen TVs Valued at Approximately \$577 each were Stolen by an Employee of the Ordering Contractor."</p>	<p>"We recommend a process be put in place to ensure that when items or services not included in the JOC catalog that are of a non-recurring nature are needed and time is not a significant factor, DPS be brought into the process at the very early stages of budget development to assist the departments in obtaining the products and services through the City of Chicago Procurement Policy and Processes outlined in its manual. DGS had ample time to involve DPS in the procurement process; they worked with the Chicago Police Department in developing the specifications which could have been submitted directly to DPS."</p>	<p><i>"The City disagrees with the recommendation. In this case, DPS authorized the use of the JOC procurement method. DGS then followed the "Non Pre-Priced Work Requirements" contained in DGS' JOC contract General Conditions (December 2006). Section 5(b)(4) states in part: At the discretion of the City, Non Pre-priced tasks as well as other tasks may be added to the CTC (Construction Task Catalog) during the course of the Contract. Upon mutual agreement between the City and the Contractor, unit prices will be established based on actual quotes from material suppliers and installers and fixed as a permanent task in the CTC."</i></p> <p>On December 14, 2011, the Gordian Group provided updated training for user department project managers, noting that DGS will analyze procurement options for projects with Non Pre-Priced items to evaluate whether they should be procured separately, through JOC, or from another contract.</p>
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<p>08-07 contd.</p>	<p>We also recommend that project managers obtain delivery documents from the general contractor and verify independently that the items listed as being delivered are accounted for. The project manager should also maintain a file documenting who received the items and when they were received.</p> <p>We further recommend that all contractors placing orders using the JOC system be notified by DPS that any promotional items provided on orders placed on behalf of the City of Chicago are the property of the City and must be turned over to the City."</p>	<p><i>"For payments to contractors, DGS complies with Section XIII of the Terms and Conditions for JOC Construction contracts which details billing procedures for contractors. It does not include any requirements for obtaining delivery tickets from the general contractor. Rather, DGS project managers review construction drawings, specifications, and the line items listed in the proposal, including quantities, to ensure the contractor has provided all that was contracted and paid for."</i></p> <p><i>"DGS project managers review construction drawings, specifications, and the line items listed in the proposal, including quantities, to ensure the contractor has provided all that was contracted and paid for. In this case, every piece of fitness equipment that was part of the scope was delivered, installed and accounted for. A project punch list is also developed to rectify uncompleted or unsatisfactory work items owed to the project."</i></p> <p>The December 14, 2011, the Gordian Group training instructed project managers to confirm all scope items are installed per final scope of work. DGS also provided the IGO with copies of documents used for contractor payout approvals.</p> <p><i>"DGS agrees the TVs are the property of the City of Chicago. DGS sought and received reimbursement in the amount of \$1,440.00 from Old Veteran Construction.</i></p> <p><i>DPS notified City Departments that any promotional items provided on orders placed on behalf of the City are the property of the City and must be turned over to the City."</i></p> <p>See status of Finding 08-04 for JOC approval procedures and training sessions implemented to address this issue.</p>
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<p>08-08</p>	<p>"Costly Material Selections for the Police Academy Wasted \$18,297."</p>	<p>"We recommend that DGS and other City departments institute controls to ensure that funds are used in the most prudent manner possible. The choices made by project managers should be reviewed by their supervisors to ensure costs are being kept to a minimum and if using higher cost materials when similar lower cost materials are available, such costs should be justified in writing by the project manager and approved by the supervisor. When deciding on material to be used for projects, in particular projects of a nature and type where the general public will not have access to or derive direct benefits from the aesthetics chosen, we recommend that the materials and designs selected be based on practicality and cost more than on design and aesthetics."</p>	<p><i>"DGS serves as the subject matter expert in repairs and renovations for City facilities. In this capacity, DGS strives to make sure funds are used in the most prudent manner possible, balancing the wishes of client departments with budget realities and long-term maintenance."</i></p> <p>DGS has described a formal procedure for review of design drawings and documents by the City Architect, including evaluation of material selections, prior to issuance for construction. The review is documented by an approval stamp on a set of drawings issued for permit construction. The stamp requires the City Architect's initials and date of review.</p>
<p>08-09</p>	<p>"Poor Controls Allowed Expenditures to be Paid that were Non-Eligible or Unauthorized Uses of TIF Funds."</p>	<p>"We recommend that the OBM provide instructions to departments to reinforce the fact that TIF funds earmarked for specific projects that are not fully expended on those projects per the budgeted amount, must be returned to the TIF fund, and that excess project funds can not be used for other purposes."</p>	<p>OBM informed the IGO that it is working with the Law Department to develop instructions for departments regarding allowable TIF expenditures. When completed, these instructions will be sent to the PBC and those City departments that complete work on TIF-funded projects.</p>

<p>08-09 contd.</p>		<p>We also recommend that DCD institute additional reviews of expenditures being charged to TIF districts in order to reduce the possible occurrence of erroneous charges to the wrong TIF district."</p>	<p>Responsibility for TIF fund monitoring has been moved from DHED to OBM. OBM stated that it is now aggressively monitoring departments in order to ensure that billing is occurring in a timely manner, and it holds annual meetings with the City construction departments to evaluate project status and expenses. In addition, OBM stated that it is assuming a more active role in TIF project budgeting, which will facilitate salvage of TIF funds on an ongoing basis.</p> <p>DOF stated that no written guidelines have as yet been developed regarding procedures to guide the review and approval of TIF disbursements. DOF has engaged an independent accounting firm to conduct limited random sampling review of payments from TIF funds to ensure that disbursements are allowable under the TIF Act. DOF also stated that it is issuing a Task Order Proposal Request to qualified accounting firms to conduct annual reviews of random samples of PBC and non-PBC TIF expenditures.</p>
<p>08-10</p>	<p>"Administrative Policies and Procedures for TIF Allocation of Salary and Overhead Costs are Non-Existent."</p>	<p>"We recommend that written policies and procedures be established and provided to the departments that participate in the TIF Administrative Allocation process that a) restrict departments from submitting vacant or unfilled positions for TIF payroll allocation [...], b) require uniform payroll reporting dates be established that incorporate salary increases anticipated per approved budgets and/or union agreements [...], and c) include the methodology to be used and the documentation required to be maintained by departments in determining how employees' percentage of time participating in TIF-related activities are determined.</p>	<p>The 2011 budget ordinance included, for the first time, a separate fund that identifies TIF-supported positions and salaries by department, which now allows for the review of each position by OBM as part of each year's budget process. In addition, OBM has developed cost methodology procedures sent to all TIF allocation participating departments. The procedures provide instructions on record-keeping and cost allocation for salary and overhead expenses. OBM stated that this process will change in the future as the City works with the United States Department of Housing and Urban Development to create new cost allocation models for grant-funded employees. The City will adopt the same model for TIF-funded salaries.</p>

<p>08-10 contd.</p>		<p>We further recommend that the \$67,656 allocated from TIF funds to the Corporate fund to pay for the DCD vacant position be returned to the TIF districts."</p>	<p><i>"The vacant DCD position included in the allocation was a clerical error, as eleven of the twelve vacant positions provided to the Department of Finance were properly excluded from the allocation.</i></p> <p><i>The Office of Budget and Management will ensure these positions are excluded from the analysis before it is sent to be processed by the Department of Finance."</i></p>
<p>08-11</p>	<p>"WBE Credit Related to Vendor Subcontracts was Miscalculated and Based on Misrepresentation."</p>	<p>"We recommend that DPS recalculate the WBE credit awarded to Old Veterans affected by the misrepresentation of the documents. DPS should also meet with Old Veterans and Q.C. Enterprise to determine why the documentation submitted to the City does not accurately reflect the true nature of the relationship Q.C. Enterprise purported to have as a sole subcontractor. DPS should review Q.C. Enterprise documentation submitted for other projects to determine if this is a recurring problem or an isolated one and take appropriate action if the documentation indicates it is a recurring problem.</p>	<p><i>The City agreed to recalculate the credit, schedule the meeting, and review Q.C. Enterprise's work on other projects.</i></p> <p>DPS informed the IGO that it was in the process of auditing MBE and WBE participation rates on JOC projects as recommended by the IGO. Based on the reviews completed as of March 2012, the City reduced WBE participation credits by \$247,332.</p>

<p>08-11 contd.</p>		<p>We also recommend that DPS remind all general contractors that failure to notify DPS and user departments of accurate subcontracting is a violation of City policy and procedure, and Chapter 2-92-730 of the Municipal Code of the City of Chicago (Contract performance procedures), that may result in loss of contracting ability. Additionally, user departments are responsible for providing DPS with accurate documentation. Since the user department Project Manager knows what subcontractors were used on the job site, procedures should be established mandating the user department Project Manager to review all subcontractor lien waivers or submit to DPS accurate lien waivers reflecting all subcontracting by subcontractors if the lien waiver received from the general contractor does not accurately reflect all subcontracting. DPS should establish new procedures that require comparison of contractor submitted lien waivers to user department verified lien waivers prior to completing assessment letters."</p>	<p>DPS sent letters to both Old Veteran Construction, Inc. and Q.C. Enterprises, Inc. informing both vendors that their failure to comply with City of Chicago contract rules regarding the reporting of MBE and WBE participation resulted in both companies being required to participate in a Compliance Documentation class at City Hall. DPS has also instructed all JOC contractors that they must adhere to contract requirements for submission of timely and accurate documentation or face possible termination.</p>
<p>08-12</p>	<p>"Expenditures Submitted to the City of Chicago by the PBC for Reimbursement are Not Being Reviewed for Compliance with the TIF Act."</p>	<p>"We recommend that in order for the City to ensure that PBC requested expenditures are TIF eligible, the City establish an expenditure review procedure by employees from OBM familiar with the TIF Act and they have sufficient detail to certify compliance; sufficient detail being original invoices along with documentation supporting receipt of goods. Additionally, the City should cease any further TIF funded payments to the PBC until the proper review process is established."</p>	<p>DOF stated that no written guidelines have as yet been developed regarding procedures to guide the review and approval of TIF disbursements. DOF has engaged an independent accounting firm to conduct limited random sampling review of payments from TIF funds to ensure that disbursements are allowable under the TIF Act. DOF also stated that it is issuing a Task Order Proposal Request to qualified accounting firms to conduct annual reviews of random samples of PBC and non-PBC TIF expenditures.</p>
<p>08-13</p>	<p>"Calculations Used for Determining Income Eligibility to Purchase TIF Subsidized Housing were Inappropriate."</p>	<p>Policies and procedures were changed within DCD during the audit that eliminated this issue from re-occurring. We reviewed the procedures and verified their sufficiency.</p>	<p><i>Relevant policies and procedures, amended to address this issue, remain in place.</i></p>

<p>08-14</p>	<p>"The Decision to Port Money is Determined by Non-Elected City Employees called the "TIF Task Force" with no Disclosure to Taxpayers or the City Council until Annual Reports are Filed."</p>	<p>"We recommend that in order to reduce the appearance of undue influence and increase transparency in the porting decision process, TIF Task Force meeting minutes be retained by DCD indicating who was involved and the criteria used in the decision-making process. Additionally, DCD should establish a formal authorization list, to be retained by DCD and the DOF. This list should be updated on a yearly basis, and when authorized employees leave or job duties change, indicating who has the authority to approve porting and what the dollar level of that authority is, as higher dollar levels may require dual signatures or higher level management approval. We also recommend that porting decisions and meeting minutes be disclosed to the public on the DCD website, on a timely basis so that taxpayers know where their tax dollars are being spent. Publishing the minutes online would also provide timely disclosure to the City Council."</p>	<p><i>"TIF porting is [...] posted online in the new TIF Projection Report, which is updated on a quarterly basis. And to enhance transparency even further, the City will agree to not consider porting any funds that have not already been previously posted on the TIF Projection Report."</i></p> <p>OBM provided the IGO with the TIF Task Force Notes for meetings held in 2010 and stated that the current members of the Task Force are the Budget Director, Commissioner of DHED, Deputy Mayor, Comptroller, Chief Operating Officer, Chief Financial Officer, and a lead representative from each of the City's infrastructure departments. OBM stated that "there are no official written procedures for this body."</p>
<p>08-15</p>	<p>"Material Ordered Directly by DGS In-House Trades was not Properly Verified as Received Resulting in the Potential for Theft."</p>	<p>"We recommend procedures be put in place to ensure that there are different individuals responsible for ordering and receiving of goods and that the responsible project manager have a process to verify that the items ordered and paid for out of the project budget are used only on that project. Project managers need to be accountable for making sure materials ordered for use on projects that are assigned to them are actually used at that job site and fully accounted for. Since the project manager is approving the expenditures of materials purchased through DPS by in-house trades, the project manager should be required to sign off on all invoices indicating verification of materials received at the job site."</p>	<p><i>The City agrees with recommendation, and DGS plans to review, and strengthen its inventory controls around the receipt and issuance of goods/materials related to internal construction projects.</i></p> <p>DGS provided to the IGO a written description of a new inventory control system for materials and equipment used by in-house tradespeople. This new process incorporates the IGO recommendation for separation of the duties of ordering and receiving. In addition, the system will account for usage by project, thereby preventing materials from being ordered for one project and used on another.</p>

Acronyms

CRO	Chicago Residency Ordinance
CTC	Construction Task Catalog
DCA	Department of Cultural Affairs
DCD	Department of Community Development
DGS	Department of General Services
DHED	Department of Housing and Economic Development
DOF	Department of Finance
DPS	Department of Procurement Services
EEO	Equal Employment Opportunity
IGA	Intergovernmental Agreement
IGO	Inspector General's Office
JOC	Job Order Contract
MBE	Minority Business Enterprise
OBM	Office of Budget and Management
OCX	Office of Compliance
PBC	Public Building Commission
TIF	Tax Increment Financing
WBE	Women Business Enterprise

Department Name Changes After 2010 Audit

The Department of Community Development is now the Department of Housing and Economic Development

The Department of General Services is now in the Department of Fleet and Facilities Management