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July 24, 2013

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

In December 2012, the City of Chicago Office of Inspector General (IGO) published an audit of processes related to the Chicago Police Department (CPD) Tuition Reimbursement Program (TRP).¹ The purpose of the audit was to determine if CPD's Department of Human Resources (HR) was effectively administering the \$6.5 million program in accordance with the program rules, and identifying former employees who failed to meet program service requirements in order to initiate collection efforts to recover the taxpayer-funded tuition reimbursements.

Based upon the results of our audit, we recommended that CPD HR strengthen the administration of the TRP to ensure that program rules are accurately and consistently applied, reimbursement calculations are correct, and former employees who owe tuition reimbursement repayments to the City are promptly identified. At that time, CPD HR responded with a commitment to implement corrective actions.

In June 2013, we inquired with CPD HR regarding the current status of those corrective actions. CPD HR responded on July 17, 2013. The IGO's follow-up inquiry did not observe or test implementation of new policies and procedures and thus makes no determination as to their effectiveness, which would require a new audit with full testing of the procedures. We have summarized the three original audit findings, recommendations, and status of corrective actions below.

¹ The 2012 audit report is available on the IGO web site: <http://chicagoinspectorgeneral.org/publications-and-press/press-releases/igo-audit-finds-waste-in-cpd-tuition-repayment-program/>.

<p><u>Finding 1 Summary</u></p> <p>Tuition Reimbursement Payments Owed to the City by Former CPD Employees Had Not Been Identified.</p> <ul style="list-style-type: none"> • CPD HR failed to identify 15 former employees who owed the City \$180,375 because they terminated employment prior to fulfilling their required service. • CPD HR was 20 months behind on their termination review because they used a manual file search procedure to identify program participants who terminated prior to fulfilling their service. 	<p><u>IGO Recommendation</u></p> <p>We recommended that CPD HR identify program participants during the employee exit process rather than waiting for a monthly report.</p> <p>We also recommended that CPD HR work with the CPD Finance Division to create an automated report that identifies in the monthly terminations list anyone who owes TRP payments.</p>
<p><u>Status of CPD HR Corrective Action Taken</u></p> <p><u>Partially Complete.</u> In response to the audit recommendation, CPD HR stated that there is no formal exit interview at which program participants can be identified. CPD HR has developed a monthly separation report and a monthly TRP participation report. A comparison of these two reports can identify terminated program participants, thereby eliminating the manual file search identification method. CPD HR also indicated that they intended to implement an electronic Personal Action Request (PAR) form which would allow easier identification of employee terminations. According to CPD, this has not been implemented because it has not been fully funded. Regarding the 20 month backlog, CPD HR stated in their response that they were currently up to date as they had identified all TRP participants who had terminated employment through May of 2013.</p>	

<p><u>Finding 2 Summary</u></p> <p>CPD HR Incorrectly Accepted 6.2% of Tuition Reimbursement Applications After the Program Deadline; An Additional 49.2% Could Not Be Verified.</p> <ul style="list-style-type: none"> • CPD HR accepted applications for entry into the TRP after the 30 day acceptance deadline which resulted in erroneous tuition reimbursements of \$6,150. • CPD HR program administrators failed to time stamp 49.2% of file documents reviewed for compliance with program deadline requirements. This failure to document program guideline acceptance could hamper CPD’s ability to resolve employee disputes. 	<p><u>IGO Recommendation</u></p> <p>We recommended that CPD HR develop and implement procedures to ensure program deadlines are followed and late documents are not accepted. Possible remedies could include supervisory review of files for completeness and adherence to program deadlines, and retention of time stamp evidence.</p>
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<p><u>Status of CPD HR Corrective Action Taken</u></p> <p><u>Partially Complete.</u> During the original audit, CPD HR staff met to review the appropriate procedures and timelines for the TRP. CPD admonished the HR staff to follow procedures per guidelines. In addition, CPD guidelines² were revised February 14, 2013, to reflect the following changes:</p> <ul style="list-style-type: none"> • To clarify that all documents are to be hand delivered to CPD HR; • To define “term” as it relates to the college academic year; • To clarify that TRP participants will only be reimbursed for a total of two classes for the entire term. <p>CPD HR also contacted all approved schools participating in the TRP and notified them there will be no exceptions to the number of classes allowed per term or the document submittal deadlines. Finally, CPD HR stated they are in the process of developing and implementing a quarterly auditing process, including a formal documentation system, which will be implemented upon approval.</p>
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<p><u>Finding 3 Summary</u></p> <p>CPD HR Overpaid 3.1% of Tuition Reimbursements Due to Errors and Lack of Review.</p> <ul style="list-style-type: none"> • Calculation errors identified during the audit were ascribed, in part, to the absence of supervisory review. 	<p><u>IGO Recommendation</u></p> <p>We recommended that CPD HR identify and implement ways to prevent and detect TRP reimbursement errors, such as supervisory review of reimbursement and repayment calculations.</p>
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<p><u>Status of CPD HR Corrective Action Taken</u></p> <p><u>Partially Complete.</u> CPD HR stated that calculations related to Spring of 2012 were reviewed by a Deputy Director. Furthermore, an Administrative Assistant III was hired in May 2013 and is training to take over the review function. CPD HR also said that they have developed and implemented a new routing form to document who completes each required action and on what date. Finally, CPD HR reported that calculations are proofed by someone other than the individual who made the original calculations and staff is held accountable for entries made.</p>

² Chicago Police Department, Employee Resource E07-02, <http://directives.chicagopolice.org/directives/data/a7a56e3d-12887ea9-ce512-887e-c625cb562ad2e1d6.html?ownapi=1>, accessed July 23, 2013.

Based on the follow-up response, the IGO concludes that CPD HR has not yet fully implemented their corrective actions. However, once fully implemented the IGO believes the corrective actions reported by CPD HR may reasonably be expected to resolve the core findings noted in the original audit (timely identification of terminated TRP participants, applications processed outside of approved guidelines, and inadequate supervisory review of reimbursement calculations). We urge the Department to implement the planned quarterly audit process and the electronic PAR form as soon as feasible.

We thank the staff and leadership of CPD HR for their cooperation during the original audit and responsiveness to our follow-up inquiries.

Respectfully,



Joseph M. Ferguson
Inspector General
City of Chicago