



CITY OF CHICAGO
OFFICE OF INSPECTOR GENERAL

20
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FOLLOW-UP TO OIG'S AUDIT OF THE CITY'S CAPITAL IMPROVEMENT PROGRAM DEVELOPMENT AND EVALUATION

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I | Introduction

The City of Chicago Office of Inspector General (OIG) has completed a follow-up to its December 2020 audit of the City's Capital Improvement Program (CIP) Development and Evaluation. Based on the Department's responses to OIG's follow-up inquiry, OIG concludes that the Office of Budget and Management (OBM) has substantially implemented one of nine corrective actions, partially implemented six others, and has not implemented two corrective actions related to the audit findings.

The purpose of the 2020 audit was to determine whether the City develops and evaluates its CIP, a five-year plan for infrastructure spending, in accordance with leading practices outlined in the United States Government Accountability Office's (GAO) *Executive Guide: Leading Practices in Capital Decision-Making*. The audit found that the City's CIP development and evaluation process largely followed leading practices for development but did not consistently evaluate goal achievement using performance measures or incorporate lessons learned from completed projects into future capital decision-making.

Based on the results of the 2020 audit, OIG recommended that OBM define, standardize, and document Citywide processes aligning with GAO leading practices, thereby providing a strong framework for capital decision-making independent of external funders' requirements. Specifically, OIG recommended that OBM guide City departments responsible for CIP allocations to,

- conduct comprehensive needs assessments to identify capital assets necessary to meet both program-specific and general City goals;
- maintain inventories of capital assets that include updated status reports on their conditions;
- compare current assets to needed assets and determine how to bridge the gap, including consideration of alternative approaches such as public-private partnerships;
- establish review and approval frameworks with pre-defined project ranking and selection criteria that are both generally applicable and particular to each major program;
- create multi-year plans that anticipate future resource needs and implementation priorities;
- use performance measures to evaluate the results of completed projects in relation to general and program-specific goals; and
- engage in post-completion evaluation processes that include sharing lessons learned within and across departments.

OIG also recommended that OBM monitor departments' adherence to the guidance and provide further support and direction as needed. In the interest of transparency and to promote public engagement, OIG further recommended that OBM initiate collaboration on capital planning with the City Council Committee on Economic, Capital, and Technology Development, consider re-establishing the Capital Improvement Advisory Committee, and resume the practice of hosting geographically diverse community meetings regarding capital planning. Finally, OIG recommended that OBM provide more information online about capital project selection criteria, project results, and opportunities for public input. In its response to the audit, OBM described corrective actions it would take.

In February 2022, OIG inquired about corrective actions taken by OBM in response to the 2020 audit. Because OBM develops the CIP in collaboration with other departments, OIG also inquired of the four departments that account for the vast majority of the CIP projects—the Department of

Assets, Information and Services (AIS), Chicago Department of Aviation (CDA), Chicago Department of Transportation (CDOT), and Department of Water Management (DWM)—to better understand how the City had implemented corrective actions. Based on the responses to these inquiries, OIG concludes that OBM substantially implemented one of nine corrective actions, partially implemented six others, and has not implemented two corrective actions.

Specifically, OBM has substantially implemented the guiding of departments to conduct comprehensive needs assessments and to create multi-year plans that anticipate and prioritize future needs. OBM has partially implemented the guiding of departments to maintain inventories, compare current assets to needed assets, and establish review and approval frameworks. Additionally, OBM has partially initiated collaboration on capital planning with the City Council Committee on Economic, Capital, and Technology Development, engaging public stakeholders, and providing more information online about the capital planning process and opportunities for public input.

Once fully implemented, OIG believes the corrective actions reported by OBM may reasonably be expected to resolve the core findings noted in the 2020 audit. However, OIG urges OBM to complete implementation of its guidance that departments use performance measures, evaluate completed projects relative to documented goals, and share the lessons learned from these evaluations with relevant departments. Below, OIG summarizes the original audit's finding and recommendations, as well as OBM's response to the follow-up inquiry.

OIG thanks the staff and leadership of OBM, AIS, CDA, CDOT, and DWM for their cooperation during the audit and responsiveness to the follow-up inquiries.

II | Follow-Up Results

In February 2022, OIG followed up on its December 2020 audit of the City's Capital Improvement Program Development and Evaluation.¹ OBM responded by describing the corrective actions it has taken and providing supporting documentation. OIG also inquired of AIS, CDA, CDOT, and DWM to gather context for OBM's responses. Below, OIG summarizes the audit finding, the associated recommendations, and the status of OBM's corrective actions. The follow-up did not observe or test implementation of the new procedures; therefore, OIG makes no determination as to their effectiveness, which would require a new audit with full testing.

| Finding: The City's Capital Improvement Program largely aligns with leading practices for development and evaluation, but OBM does not consistently and thoroughly define or promote Citywide standardization, transparency, public engagement, and evaluation of results.

OIG Recommendation 1 |

OIG recommended that OBM guide departments to conduct comprehensive needs assessments to identify capital assets necessary to meet both program-specific and general City goals.

State of Corrective Action 1 | Substantially Implemented

OBM has worked with the four departments that account for the vast majority of the CIP projects—CDOT, DWM, AIS, and CDA—to incorporate needs-based data as it develops the CIP. For example, OBM stated that it cooperated with CDOT and AIS on the Chicago Works program. As a result, it is increasing the amount of arterial road surface replaced per year. OBM also stated that it has considered replacing the software it uses for managing the CIP and has begun working to achieve full staffing in this program area.

OIG Recommendation 2 |

OIG recommended that OBM guide departments to maintain inventories of capital assets that include updated status reports on their conditions.

State of Corrective Action 2 | Partially Implemented

The primary capital departments each have capital asset inventories. OBM does not directly assist in maintaining or overseeing these inventories. Instead, OBM stated that it has helped departments compare historic funding levels to needed replacement funding for each asset as part of the Chicago Works program. DWM and CDA maintain reasonably complete asset inventories without OBM's direct involvement. However, CDOT's inventory does not contain the condition of all sidewalks and alleys. Similarly, while OBM stated that AIS has assessed the conditions of all City

¹ City of Chicago Office of Inspector General, "Audit of the City's Capital Improvement Program Development and Evaluation," December 22, 2020, <https://igchicago.org/2020/12/22/audit-of-the-citys-capital-improvement-program-development-and-evaluation/>.

buildings, AIS itself reported that it has not calculated a dollar figure for maintenance and repair needs. This has led AIS to pursue most remediations on a reactive basis.

OIG Recommendation 3 |

OIG recommended that OBM guide departments to compare current assets to needed assets and determine how to bridge the gap, including consideration of alternative approaches such as public-private partnerships.

State of Corrective Action 3 | Partially Implemented

OBM stated that it has worked with AIS and CDOT to address funding shortfalls. These departments' condition assessment reports support this. OBM also reported that it is working with the Mayor's Office to align the City's infrastructure needs with newly available funding from the federal Bipartisan Infrastructure Bill. However, OBM is in the preliminary stages of assisting CDA and DWM in this work. As two departments that generate much of their own revenues, they have determined their own asset needs in the past. Of the two departments, OBM "is prioritizing DWM's asset assessment, as mandatory lead service line replacements start January 1, 2023."

OIG Recommendation 4 |

OIG recommended that OBM guide departments to establish review and approval frameworks with pre-defined project ranking and selection criteria that are both generally applicable and particular to each major program.

State of Corrective Action 4 | Partially Implemented

OBM stated that it is working with the primary capital departments to refine criteria used to rank and select projects. Although CDOT and CDA have the tools to rank and select projects based on established criteria, DWM and AIS do not have similar tools; this creates a potential need for OBM to help develop this capacity. The Office stated that it is reviewing each department's proposed criteria. OBM also intends to hold biannual CIP meetings with these departments to continue that review.

OIG Recommendation 5 |

OIG recommended that OBM guide departments to create multi-year plans that anticipate future resource needs and implementation priorities.

State of Corrective Action 5 | Partially Implemented

As noted in OIG's 2020 audit report, CDOT, AIS, and DWM use long-term plans to determine their priorities and resource needs, though DWM had not yet developed a new plan. OBM stated that it has begun expanding its assistance to DWM and CDA to develop these plans. OBM is also planning community engagements to develop new neighborhood capital investments with input from aldermen and the public.

OIG Recommendation 6 |

OIG recommended that OBM guide departments to use performance measures to evaluate the results of completed projects in relation to the general and program-specific goals.

State of Corrective Action 6 | Not Implemented

OBM reported that it recognizes the importance of tracking project goals and that it is in the initial stages of providing the relevant guidance. OBM also stated that replacing its capital program software would improve its ability to track goals, and that it is examining this and other technology improvements. In the meantime, OBM plans to create a uniform process to review performance measures with departments.

OIG Recommendation 7 |

OIG recommended that OBM guide departments to engage in post-completion evaluation processes, including sharing lessons learned within and across departments.

State of Corrective Action 7 | Not Implemented

OBM stated it has not had the opportunity to engage departments in this way. Moving forward, OBM has committed to holding biannual meetings to discuss post-completion evaluations as well as project selection and management.

OIG Recommendation 8 |

OIG recommended that OBM initiate collaboration on capital planning with the City Council Committee on Economic, Capital, and Technology Development, and consider re-establishing the Capital Improvement Advisory Committee, resuming the practice of hosting geographically diverse community meetings on the topic of capital planning, and holding public hearings on the draft CIP.

State of Corrective Action 8 | Partially Implemented

OBM stated that the We Will Chicago program has relied heavily on public engagement to inform the goals of this Citywide development strategy. When this effort is complete, OBM will have a framework for CIP development. OBM further stated that the Capital Improvement Advisory Committee “was an ineffective tool that will not be brought back, but OBM recognizes the need to adhere to best practices regarding CIP and public engagement.” The Office has since published a public-facing capital improvements website in conjunction with the 2022-2026 Five Year CIP, although it presents the same information as is contained in the CIP.² The site does not support direct public engagement with the CIP process. OBM also stated that it is developing an annual CIP community outreach plan, but no further details were available.

OIG Recommendation 9 |

OIG recommended that OBM provide more information online about capital project selection criteria, project results, and opportunities for public input.

² City of Chicago Office of Budget and Management, “Capital Improvement Program,” accessed August 31, 2022, https://www.chicago.gov/city/en/depts/obm/provdrs/cap_improve.html; City of Chicago Office of Budget and Management, “2022-2026 Five Year Capital Improvement Program,” accessed August 31, 2022, <https://www.chicago.gov/content/dam/city/depts/obm/general/CIP/CIPDocs/2022%20-%202026%20CIP%20Book.pdf>.

State of Corrective Action 9 | Partially Implemented

The 2022-2026 Five Year CIP includes project selection criteria, but OBM has not detailed how they were used to select projects. OBM's CIP website likewise lacks information on how criteria are used and on project results. The Office stated that a new community engagement program is forthcoming. OIG encourages OBM to use both its website and this program to share information about how it uses project selection criteria.



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