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Office of Inspector General

City of Chicago

Report of the Office of Inspector General:

Quarterly Report of the Office of Inspector General Third Quarter 2016

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October 15, 2016

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

Enclosed for your review is the public report on the operations of the City of Chicago Office of Inspector General (OIG) during the third quarter of 2016, filed with the City Council pursuant to Section 2-56-120 of the Municipal Code of Chicago. The report includes summaries of investigations that resulted in the termination of four City employees, the dismissal of a contractor's employee, two vendor settlement agreements totaling \$225,000, as well as the imposition of a 10-year federal prison sentence and \$2 million restitution judgment against a former Managing Deputy Commissioner of the Chicago Department of Transportation, John Bills, for his orchestration of one of the largest and longest kickback fraud schemes in the City's history. Last month OIG also published its draft 2017 audit plan, which includes potential audits into core City services and functions. We have already received helpful feedback on the draft plan, and we will continue to seek public comment through November. I hope you will visit our website today to review this plan and share with us your ideas for improving Chicago.

Heading into the final quarter of 2016, OIG and the City as a whole are moving forward with defining and creating a new system of police oversight. In the first stage of legislative reform, the Mayor and the City Council created the Civilian Office of Police Accountability (COPA) to replace the discredited Independent Police Review Authority (IPRA), and created a dedicated police and police accountability oversight function to be housed within OIG. The legislation creating these bodies and functions signals a major reset in the service of necessary improvements to the accountability of our policing and police oversight systems. While much attention has been rightfully focused on the deficiencies of IPRA and the creation of COPA, the introduction of the dedicated police and police accountability oversight function also constitutes one of the key recommendations of the Mayor's Police Accountability Task Force. This recommendation drew upon the insights and guidance of national experts in the field of civilian oversight of law enforcement, who have reached the broad consensus that a dedicated inspector general function is the best vehicle for continuous improvement of policing and police accountability.

More generally, the dedicated function is also a part of the natural progression of good government in Chicago, energized in part by the work of OIG, including examinations of the Chicago Police Department (CPD) and related public safety programs and operations. In recent years OIG has published numerous audits, advisories, and reviews on police and public safety, including most recently an advisory summarized in the enclosed report on use-of-force reporting. In addition, since 2011 OIG's Investigations Section has increasingly stepped in, to address

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shortcomings and voids in the faltering system of police misconduct investigations. Notable in this regard is OIG's inquiry into the handling of the investigation of the 2014 fatal shooting of Laquan McDonald. During the third quarter, CPD took final administrative action respecting 11 separate OIG reports. Each report recommended the termination of a sworn member of the Department, ranging from patrol officers to senior supervisory personnel, who had a role in the subsequent reporting and investigation of the incident. In response, the Superintendent initiated charges to terminate 5 of the 11 sworn members as OIG recommended and the charges are now pending before the City's Police Board. CPD disagreed with OIG respecting 1 of the 11 officers. The remaining 5 officers either retired or resigned after OIG tendered to the Superintendent its individual findings and recommendations. As previously disclosed by CPD, OIG's investigation continues respecting other officers connected to the matter. A more detailed summary of the investigation will be provided following its conclusion.

Much of OIG's recently increasing work around police and police accountability has come at the expense of resources intended to provide oversight for all of City government. Historically, the City did not provide the resources or the open cooperation needed for OIG to bring the full benefits of independent oversight to CPD—a department that delivers one of the most important municipal services and that constitutes approximately 40 percent of the City's workforce and general operating budget. The creation of a special subject matter unit dedicated to such work marks public safety oversight as an executive and legislative priority, constituting an important milestone in the City's history.

The new police accountability legislation is the beginning, not the end, in the long path of establishing public legitimacy and confidence in CPD. The Public Safety Deputy IG will strive to meet that call by scrutinizing the investigations of alleged officer misconduct and the resulting disciplinary processes, analyzing policing and

police accountability practices and procedures in a transparent and accountable manner, including through robust public reporting of findings and recommendations along with CPD and COPA's responses. As we build the unit, public discussion must continue regarding the composition and powers of a community oversight board, another nationally recognized cornerstone to police reform. Reform is an iterative and continuous process. And no reform in this arena can be successful without a participatory voice from the community the system is supposed to serve. The work of the future police and police accountability function, no matter how substantive and rigorous, cannot be fully effective if it is not responsive to the evolving needs of the community and critically assessed by a formal community oversight board constituted of true representatives of and from the communities we all serve. Therefore, we begin our work anticipating the creation of such a body in the next stage of police accountability legislation.

Joseph M. Ferguson Inspector General City of Chicago

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Respectfully,

OIG Quarterly Report - Third Quarter 2016

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This quarterly report provides an overview of the operations of the Office of Inspector General (OIG) during the period from July 1, 2016, through September 30, 2016. The report includes statistics and narrative descriptions of OIG's activity as required by the Municipal Code of Chicago (MCC).

A. Mission of the Office of Inspector General

The mission of OIG is to promote economy, effectiveness, efficiency, and integrity in the administration of programs and operation of City government.¹ OIG accomplishes its mission through investigations, audits, and other reviews. OIG issues summary reports of investigations to the appropriate authority or the Mayor and appropriate management officials, with investigative findings and recommendations for corrective action and discipline. Narrative summaries of sustained investigations are released in quarterly reports. OIG's audit reports and advisories are directed to the appropriate agency authority or management officials for comment and then are released to the public through publication on the OIG website. OIG's department notifications are sent to the appropriate agency authority or management officials for attention and comment and are summarized, along with any management response, in the ensuing quarterly report. Finally, OIG issues reports as required by the Hiring Plan and as otherwise necessary to carry out its hiring oversight functions.

B. Investigations

The OIG Investigations Section conducts both criminal and administrative investigations into the conduct of governmental officers, employees, departments, functions, and programs, either in response to complaints or

on the Office's own initiative.

1. Complaints

OIG received 501 complaints during the quarter. The following table outlines the actions OIG has taken in response to these complaints."

Table #1 - Complaint Actions

Status	Number of Complaints
Declined	352
Opened Investigation	24
Referred	53
Pending	72
Total	501

¹ "City government" includes the City of Chicago and any sister agency which enters into an Intergovernmental Agreement (IGA) with the City for the provision of oversight services by OIG.

² OIG also took action on complaints received in earlier quarters by declining 22 complaints, opening 11 OIG administrative or criminal investigations based on 4 complaints, and referring 10 complaints.

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Among other factors, OIG evaluates complaints to gauge the investigative viability and potential magnitude or significance of the allegations-both individually and programmatically.³ The chart below breaks down the complaints OIG received during the past quarter by the method in which the complaint was reported.

Chart #1 - Complaints by Reporting Method

Complaints Origin

2. Newly Opened Matters

During the quarter, OIG opened 98 matters, including 21 based on complaints received in earlier quarters. Of the opened matters, 97 centered on allegations of misconduct and 1 centered on other allegations. Of the 98 opened matters, 63 were immediately referred to other departments or investigative agencies. A total of 35 cases proceeded to an OIG investigation. Of those cases, 33 remained open at the end of the quarter and 2 investigations were closed sustained during the quarter.

OIG's complaint intake process allows it to assess the substance of a complaint prior to processing and, after thorough review, to filter out complaints that lack sufficient information or clarity on which to base additional research or action, or are incoherent, incomprehensible, or factually impossible.

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The following table categorizes the matters opened by OIG this quarter based on the subject of the matter.

Table #2 - Subject of Investigations and Referrals

Sub ject of Investigations and Referrals	Number of Investigations and Referrals
Employees	76
Contractors, Subcontractors, and Persons	7
Seeking Contracts	
Elected Officials	6
Appointed Officials	1
Other	8
Total	98

3. Cases Concluded in Quarter

During the quarter, OIG concluded 107 opened matters, 63 of which were the aforementioned referrals to City departments or other investigative agencies. Of the 63 referred matters, 53 were referred to a City department, and 10 were referred to a sister agency. Of the remaining concluded matters, 14 were closed as "sustained."⁴ A case is sustained when the evidence sufficiently establishes that either an administrative or criminal violation has occurred or the case identifies a particular problem or risk that warrants a public report or notification to a department. A total of 21 matters were closed as "not sustained." A case is not sustained when OIG concludes that the available evidence is insufficient to prove a violation under applicable burdens of proof. A total of nine matters were closed "administratively." A case is closed administratively when, in OIG's assessment, it has been or is being appropriately treated by another agency or department, the matter was consolidated with another investigation or, in rare circumstances, OIG determined that further action was unwarranted.

4. Pending Matters

At the close of the quarter, OIG had a total of 206 pending matters, including investigations opened during the quarter.

5. Investigations Not Concluded in Twelve Months

Under MCC § 2-56-080, OIG must provide quarterly statistical data on pending investigations open for more than 12 months. Of the 206 pending matters, 73 investigations have been open for at least 12 months.

⁴ In addition to the 14 sustained cases, OIG also issued five summary reports of investigation this quarter related to an ongoing investigation of administrative misconduct in the fatal shooting of Laquan McDonald, in which it had also issued six summary reports of investigation in the second quarter.

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The following table shows the general reasons that these investigations remain active.

Table #3 - Reasons Investigations Were Not Concluded in Twelve Months

Reason	Number of Investigations
Additional complaints were added during the course of the investigation.	3
Complex investigation. May involve difficult issues or multiple subjects.	63
On hold, in order not to interfere with another ongoing investigation.	4
Under review by the Legal Section or the Deputy Inspector General -Investigations prior to closing.	3
Total	73

6. Ethics Ordinance Complaints⁵

OIG received one ethics ordinance complaint this quarter, which remains pending. OIG opened seven investigations from a pending complaint received in a previous quarter.

7. Public Building Commission Complaints and Investigations

OIG received no complaints related to the Public Buildings Commission (PBC).

C. Administrative Cases

OIG investigations can result in administrative sanctions, criminal charges, or both. Investigations leading to administrative sanctions involve violations of City rules, policies or procedures, and/or waste or inefficiency. For "sustained" administrative cases, OIG produces summary reports of investigation⁶-a summary and analysis of the evidence and recommendations for disciplinary or other corrective action. These reports are sent to the appropriate authority or the Office of the Mayor, the Corporation Counsel, and the City departments affected by or involved in the investigation.

The following are brief synopses of administrative investigations completed and reported as sustained

investigative matters. These synopses are intended to illustrate the general nature and outcome of the cases for public reporting purposes and thus may not contain all allegations and/or findings for each case.

In addition to OIG's findings, each synopsis includes the action taken by the department in response to OIG's recommendations. City departments have 30 days to respond to OIG recommendations.⁷ This response informs OIG of what action the department intends to take.

⁵ MCC § 2-56-120, requires that OIG report the number of ethics ordinance complaints declined each quarter and the reasons for declination.

⁶ Per MCC § 2-56-060, "Upon conclusion of an investigation the inspector general shall issue a summary report thereon. The report shall be filed with the mayor, and may be filed with the head of each department or other agency affected by or involved in the investigation."

⁷ PBC has 60 days to respond to a summary report of investigation by stating a description of any disciplinary or administrative action taken by the Commission. If PBC chooses not to take action or takes an action different from that recommended by OIG, PBC must describe that action and explain the reasons for that action. If OIG issues a

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Departments must follow strict protocols, set forth in the City's Personnel Rules, Procurement Rules, and/or applicable collective bargaining agreements, prior to imposing disciplinary or corrective action.

In deference to the deliberative processes of City departments and the contractual rights of employees relating to discipline, OIG does not report on cases regarding current City employees until the subject's department has acted on and/or responded to OIG's report. For cases in which a department has failed to respond in full within 30 days (or 60 days if a full extension has been granted), the response will be listed as late. As of the end of the quarter, there were seven concluded matters that were pending department action and/or response.⁸ The following chart lists concluded matters for which OIG has received a department response.

Table #4 - Overview of Cases Completed and Reported as Sustained Matters

Case Number	Department or Agency	Number of Subjects	OIG Recommendation	Department or Agency Action
12-0081	Sanitation	1	Termination, Ineligible For Rehire	Designated Resigned in Lieu of Termination, Ineligible For Rehire
12-1234	Buildings	1	Appropriate Discipline	15-Day Suspension
12-1239	Law	1	Contractor's Removal of Employee from City	Termination by Contractor
14-0334	Transportation	1	Termination, Ineligible For Rehire	Termination, Ineligible For Rehire
14-0399	Treasurer	1	Designate Resigned Under Inquiry, Ineligible For Rehire	Designated as Resigned Under Inquiry
14-0403	Water Management	1	Termination, Ineligible For Rehire	Termination, Ineligible For Rehire
15-0347	Water Management	3	Appropriate Discipline	Verbal Counseling, Warnings
15-0506	Water Management	1	Designate Resigned Under Inquiry	Designated as Resigned Under Inquiry

report to the Chairman of the City Council Committee on Committees, Rules and Ethics, the Chairman must forward the report to the appropriate City Council authority within 14 days. After receiving the report, that individual has 30 days to provide a written response to the Inspector General (or 60 days if a full extension has been granted or if action by the Chairman of the Committee on Committees, Rules and Ethics is required).

⁸ OIG received responses to 11 additional reports that are not summarized below because they are part of the ongoing investigation of administrative misconduct in the fatal shooting of Laquan McDonald. These investigative reports were delivered to the department in the second and third quarters of 2016.

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A) Payroll Check Fraud and Theft (OIG Case #12-0081)

An OIG investigation established that a Sanitation Laborer for the Department of Streets and Sanitation (DSS) engaged in a counterfeiting scheme that involved the generation and use of over \$10,000 worth of counterfeited City of Chicago payroll checks. OIG's investigation established that over a five-month period, the laborer provided counterfeit City checks to three accomplices, none of whom were City employees. After cashing the checks, the accomplices split the proceeds with the Laborer. The OIG investigation followed a CPD investigation that led to the criminal conviction of two of the Laborer's accomplices. (People v. Donald McLaurin 12CR341201; 12CR142901; 12CR0413001; 12CR0143101; 12CR0341301 (Cir. Ct. of Cook County, 111.) and People v. Darren Mack 12CR535801; 12CR535601; 12CR535701 (Cir. Ct. of Cook County, 111.))

The Laborer's actions, constituting theft and forgery under the Illinois Criminal Code and bank fraud under federal law, also violated the City's Personnel Rules. Accordingly, OIG recommended that DSS terminate the Laborer's employment and refer the Laborer for placement on the Department of Human Resources' (DHR) ineligible for rehire list.

DSS agreed with OIG's findings and recommendation and terminated the Laborer, who subsequently appealed to the Human Resources Board (HRB). However, prior to a hearing, the Laborer offered to end his appeal if the City would designate him as resigned in lieu of termination and the City agreed. The laborer will be placed on the ineligible for rehire list.

B) Undisclosed Secondary Employment/Unauthorized Work (OIG Case #12-1234)

An OIG investigation established that a Department of Buildings (DOB) Building Inspector improperly worked at least four side construction jobs, collecting a total compensation of over \$27,000. The Building Inspector never filed secondary employment paperwork for this company or the four independent construction jobs and,

to the contrary, falsely declared in two separate DHR Outside Employment Forms that she/he did not have outside employment. The Building Inspector later inquired about the dual employment policy, and was told by DOB personnel to submit the paperwork. Following extensive investigation, the Building Inspector admitted in his OIG interview to creating, owning, and operating an independent company while employed by the City. The Building Inspector further admitted to having worked on unapproved side jobs for over 20 years, throughout the employee's tenure with the City.

Two of the four side jobs OIG identified required DOB permits, and only one of the projects actually obtained the needed permit. The employee's work on this project violated DOB's 2012 Ethical Guidelines, which expressly prohibit DOB employees from engaging in secondary employment on projects requiring DOB permits. OIG therefore recommended that DOB, at its discretion, impose discipline commensurate with the seriousness of the employee's misconduct, position of authority, discipline history, and department standards. DOB agreed with OIG's findings and suspended the employee for 15 days. The employee grieved the suspension and an arbitration date has yet to be determined.

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C) Improper Receipt of Gifts from Individuals with City Business (OIG Case #12-1239)

An OIG investigation established that beginning in 2012, an employee of a city contractor providing services to the Department of Law (DOL) accepted cash and other gifts of value from individuals with matters pending before the Department of Administrative Hearings (DOAH) at the City hearing facility where the employee worked. The conduct violated City standards and the company's City contract. OIG recommended that DOL seek the immediate removal of the employee from City facilities and that the employee not be permitted to work on any City contracts.

In response, DOL communicated the findings to the contractor, who immediately removed the employee from the City assignment and terminated the individual's employment. The company also informed DOL that it refreshed its instruction to employees assigned to the City's account and facilities of the prohibition against accepting gifts from individuals doing business with the City.

D) Unlawful Conduct on Duty (OIG Case #14-0334)

An OIG investigation established that a Chicago Department of Transportation (CDOT) Laborer drank alcohol during working hours, drove under the influence of alcohol with an expired driver's license, crashed a car, and failed to file a police report regarding the car accident. Specifically, the Laborer consumed alcohol during work hours while at a gathering off of City property. After drinking, the Laborer returned to the City facility, hitting two parked cars, one of which sustained extensive damage. The incident ultimately resulted in the employee's arrest.

The Laborer's conduct violated the state law and City Personnel Rules. Accordingly, OIG recommended that CDOT terminate the employee and refer the employee for placement on the ineligible for rehire list compiled by DHR. CDOT agreed with OIG's recommendation and terminated the employee, a decision which the employee has appealed to HRB where it is pending.

E) *Residency Violation (OIG Case #14-0399)*

OIG concluded an investigation, which revealed an administrative employee in the Office of the City Treasurer violated the City's residency requirement. Surveillance, documents, and testimonial evidence supported a finding that the employee was not a City of Chicago resident. The employee resigned under inquiry shortly after being interviewed by OIG. OIG accordingly recommended that the Treasurer's Office issue a formal determination on the violation and OIG's recommendation of termination as mandated by the City's Residency Ordinance, designate the employee as having resigned under inquiry, and place OIG's report in the individual's personnel file for consideration in the event the individual re-applies for employment with the City.

In response, the Treasurer's Office declined to issue a formal determination on the violation, but stated that it would include a copy of OIG's report in the individual's personnel file. In addition,

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the Treasurer's Office forwarded the information to DHR in order to designate the employee as having resigned under inquiry.

F) *Residency Violation (OIG Case #14-0403)*

An OIG investigation established a Department of Water Management (DWM) Operating Engineer lived in Darien, Illinois, in violation of the MCC. Numerous documents connected the Operating Engineer to the Darien residence including the apartment lease, the renters' insurance policy, a gym membership, and a parking permit, surveillance, and subsequent admissions established the Operating Engineer's consistent physical residence in Darien, where his spouse and children also lived.

OIG recommended that DWM terminate the Operating Engineer as mandated by the Residency Ordinance and Personnel Rules, and designate and refer the employee for placement on the ineligible for rehire list maintained by DHR. DWM agreed with OIG's recommendation and terminated the Operating Engineer. The employee initially filed a request for a hearing with HRB, but later moved to withdraw the appeal. That request is pending.

G) *Preferential Treatment (OIG Case #15-0347)*

An OIG investigation established that three DWM senior managers allowed individuals, including non-City personnel, to utilize a secured water pumping station parking lot for non-City purposes. One manager allowed his/her daughter to park in the lot for personal convenience, a second provided unauthorized "courtesy parking" for friends and family, and the third allowed non-DWM City employees to park their personal vehicles in the lot as a convenience without any relationship to official duties. OIG recommended that DWM, at its discretion, impose discipline on the senior managers commensurate with the seriousness of the misconduct, the employees' discipline history, and department standards.

Additionally, OIG found evidence that the practice of extending courtesy parking at the pumping station had been occurring for many years. Thus, OIG further recommended that DWM take measures sufficient to ensure

that,

- pumping stations and connected parking lots are secure and are not used for unauthorized purposes;
- all visitors to pumping station facilities are properly documented;
- employees are held accountable when they authorize someone to enter a secured DWM facility; and
- policies and procedures governing pumping station access and parking are memorialized in writing.

In response, DWM issued verbal counseling/warnings for each of the three subjects. With regard to the security concerns raised by OIG, DWM reported that it has begun security upgrades to the facility, which will include a card reader, and the Department is in the process of memorializing in writing current policies and procedures governing pumping station access and parking.

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(H) Sexual Harassment/Conduct Unbecoming a Public Employee /False Statements (OIG Case #15-0506)

An OIG investigation established that a DWM Motor Truck Driver (MTD) made sexually explicit and offensive remarks to a member of the public in the context of performing official duties. The MTD was called as part of a team to address a 311 complaint in front of a City resident's home. While on the call, the MTD shared inappropriate and uninvited details about the employee's personal and sex life with the City resident. In addition, the employee made false and deliberately incomplete statements about the incident to both DWM and OIG.

OIG found that the MTD's actions violated a number of Personnel Rules and therefore would have recommended imposition of discipline up to and including termination. Because the employee had retired before the close of the investigation, OIG recommended that DWM issue a formal determination on the violations and disciplinary action recommended by OIG, designate the MTD as having resigned under inquiry, and place OIG's report in the individual's personnel file for consideration in the event the individual re-applies for employment with the City.

DWM concurred with OIG's findings, placed OIG's report in the employee's personnel file, and referred the employee for placement on the ineligible for rehire list maintained by DHR.

D. Criminal Cases, Administrative Appeals, Grievances, and Recoveries

Criminal investigations may uncover violations of local, state, or federal criminal laws, and may be prosecuted by the U.S. Attorney's Office, the Illinois Attorney General's Office, or the Cook County State's Attorney's Office, as appropriate. For the purposes of OIG quarterly summaries, criminal cases are considered concluded when the subject(s) of the case is publicly charged by complaint, information, or indictment.⁹

In administrative cases, a City employee may be entitled to appeal or grieve a departmental disciplinary action, depending on the type of corrective action taken and the employee's classification under the City's Personnel

Rules and/or applicable collective bargaining agreements. OIG monitors the results of administrative appeals before HRB¹⁰ and grievance arbitrations concerning OIG's disciplinary recommendations.

⁹ OIG may issue summary reports of investigation recommending administrative action based on criminal conduct prior to, during, or after criminal prosecution.

¹⁰ HRB definition: "The three-member board is appointed by the Mayor and is charged with the responsibility of conducting hearings and rendering decisions in instances of alleged misconduct by career service employees. The Board also presides over appeal hearings brought about by disciplinary action taken against employees by individual city departments." City of Chicago. Department of Human Resources - Structure.
<<http://wwwf.cityofchicago.org/city/en/depts/dhr/auto%20generated/dhr%20structure.html>> (accessed July 9, 2015)

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1. Synopses of Criminal Cases

During this quarter, no criminal charges resulted from or were related to OIG cases.

2. Developments in Prior Charged Criminal Cases

During this quarter, there was significant development in two previously reported criminal cases.

- (A) United States v. John Bills, Martin O'Malley, and Karen Finley, 14-CR-135 (U.S.D.C.ND IL)

On August 29, 2016, United States District Court Judge Virginia Kendall sentenced former CDOT Managing Deputy Commissioner John Bills to a 10-year-term of imprisonment, followed by 1 year of supervised release for his role in a multi-year kickback scheme perpetrated in connection with the City's red-light camera program. As part of the sentence, Judge Kendall also entered an order of restitution for \$2,032,959.50 and a judgment of forfeiture of \$680,107 in addition to \$224,399 in taxes due.

On January 26, 2016, a jury in the Northern District of Illinois returned guilty verdicts against Bills on nine counts of mail fraud; three counts of wire fraud; one count of extortion under color of official right; one count of conspiracy to commit bribery; three counts of bribery; and three counts of filing false tax returns.

From approximately 2003 to 2011, Bills used his position as a senior official to influence the procurement process that awarded Redflex Traffic Systems Inc. lucrative contracts to supply and service cameras for the City's red-light camera program. Karen Finley, former CEO of Redflex Traffic Systems Inc., admitted that she conspired to give cash payments and other personal financial benefits to Bills and his friend, Martin O'Malley,

with intent to influence and reward Bills in connection with the City's Red Light Camera Enforcement Program. During that period, Redflex significantly expanded its business with the City through a sole-source procurement process corruptly facilitated by Bills. In exchange for his efforts, Redflex provided Bills with cash and personal benefits, including meals, golf outings, rental cars, airline tickets, hotel rooms and other entertainment. Redflex ultimately received payments and contracts of over \$100 million. Some of the benefits were given directly to Bills, while hundreds of thousands of dollars in cash was funneled to him through O'Malley.

On September 12, 2016, Judge Kendall also sentenced one of Bills's co-defendants, O'Malley, to a six-month-term of imprisonment for his role as middleman in the kickback scheme. O'Malley is jointly and severally liable with his co-defendants for the \$2,032,959.50 restitution. O'Malley must make an initial lump sum payment of \$20,000 upon his release from prison. In addition, the court entered a judgment of forfeiture of \$98,837.84 against O'Malley individually. O'Malley pleaded guilty in December 2014 to conspiracy to commit federal program bribery.

The convictions and sentences were the result of a joint investigation into procurement fraud in one of the nation's largest red-light camera programs by OIG, the Federal Bureau of

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Investigation, and the Internal Revenue Service, and a prosecution spearheaded by the United States Attorney for the Northern District of Illinois.

The sentencing of the remaining co-defendant, Finley, is scheduled for November 10, 2016. Finley faces a maximum sentence of 5 years in prison, a maximum fine of \$250,000 or twice the gross gain or gross loss from the offense, and mandatory restitution, following her plea in August 2015 to one count of conspiracy to commit federal program bribery.

(B) United States v. Laurance Freed and Caroline Walters, 13-CR-951 (U.S.D.C. ND IL)

On September 1, 2016, United States District Court Judge Robert M. Dow sentenced Caroline Walters to a 6-month-term of imprisonment, 2 years of supervision, and \$575,000 restitution, in joint and several liability with co-defendant Laurance H. Freed, in connection with a City of Chicago Tax Increment Financing (TIF) note issued for the redevelopment of a former Goldblatt's Department Store located at 4718 N. Broadway.

In February 2016, Walters, the vice president and treasurer of Joseph Freed & Associates LLC (JFA), pleaded guilty to a single count of making a false statement to a financial institution, (18 U.S.C. § 1014). The conviction and sentence resulted from a joint investigation and prosecution of the matter by OIG, the Chicago Field Office of the Federal Bureau of Investigation, and the United States Attorney for the Northern District of Illinois.

Walters lied to Cole Taylor Bank in 2009 about the double-pledging of a public financing note. The note was one of two publicly financed TIF notes issued by the City in 2002, with a combined principle of \$6.7 million, to Uptown Goldblatts Venture LLC, a company formed by JFA to redevelop the former Goldblatt's Department Store in Uptown. Uptown Goldblatts pledged both of the TIF notes as free and clear collateral in agreements

with a bank consortium for a revolving line of credit worth up to \$105 million before double pledging one of them to Cole Taylor Bank. Walters told Cole Taylor that JFA would resolve the double pledge as part of its negotiation with the bank consortium to modify and extend its loan when in fact, and as Walters now admits, she knew that the consortium had declared JFA in default and had terminated the negotiations.

In February 2016, Freed, Walter's co-defendant, was found guilty on eight counts, including bank fraud, mail fraud, and making a false statement to a financial institution. Freed's sentencing hearing is not currently scheduled.

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3. **Synopses and Results of Administrative Appeals or Grievances**

To date, OIG has been notified of two updates regarding appeals to HRB or an arbitrator occurring in the quarter regarding discipline imposed as a result of an OIG investigation.

A) *Update of OIG Case #14-0394 (Residency Violation)*

On July 25, 2016, an arbitrator upheld the termination of a Department of Planning and Development (DPD) employee for violating the City's Residency. As reported in the fourth quarter of 2015, OIG's investigation established that the employee lived in Darien, Illinois, in violation of the City's municipal code. Additionally, the OIG investigation developed evidence showing that the employee violated several other Personnel Rules by:

- presenting a City ID badge to a CTA bus driver in order to ride the bus without paying;
- failing to disclose a financial interest in rental property on Statements of Financial Interests filed in 2011 and 2012;
- fraudulently maintaining a voter registration at a City rental property; and
- failing to file a change of address for two other City residences in which the employee had lived.

The arbitrator noted that, based on the extensive evidence amassed by OIG, the City had "overwhelmingly met its burden of proving that the Grievant does not reside in the City of Chicago."

B) *Update of OIG Case #15-0545 (Theft)*

On August 23, 2016, HRB upheld the termination of a Chicago Department of Aviation (CDA) employee. As reported in the first quarter of 2016, an OIG investigation found that the employee stole between \$440 and \$500 from an O'Hare International Airport vendor while on duty. Separate from OIG's investigation, the employee pleaded guilty to the charge of theft and received a sentence of supervision. (15-121266201 (Cir. Ct. of Cook County, Ill.))

4. Recoveries

This quarter OIG received two reports of cost recovery actions or other financial recoveries related to OIG investigations.

(A) Minority and Woman-owned Business Enterprise Compliance and Reporting Fraud, OIG Case #06-1011

In 2012, an OIG investigation established that a City contractor-a manufacturing and supply company-provided the City with fraudulent, sometimes forged, Minority and Woman-owned Business Enterprise (MWBE) program compliance records and overstated MWBE participation amounts.

The investigation found that a high-ranking employee (Employee A) of the company was responsible for perpetrating the scheme, which continued at the company for some time under a second employee

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(Employee B) after Employee A's departure. OIG found that after leaving the company, Employee A undertook similarly fraudulent activity at two other businesses contracted with the City. In a report issued in May 2012, OIG recommended that the Department of Procurement Service (DPS) enter into an agreement with the company that would allow the company to avoid debarment if it agreed to prohibit Employee B from participating in any aspect of City procurement compliance. OIG further recommended that DPS seek damages against the company based on its MWBE participation shortfall. Finally, OIG recommended DPS permanently debar Employee A from any future City business.

In June 2012, DPS initiated debarment proceedings against the company and both employees and began working with DOL to pursue damages. Employee A provided an initial written response to the notice of proposed debarment but thereafter failed to respond to DPS communication. DPS therefore issued a notice of permanent debarment to Employee A effective September 22, 2016. In addition, after extended negotiations with the company, DPS and the company entered into a memorandum-of understanding (MOU) effective July 15, 2016. As part of the MOU, Employee B is prohibited from participation in any work on City contracts for ten years and is permanently prohibited from participation in bids or submissions to the City. The company will continue its compliance program, train all employees on compliance, and hire a compliance monitor to ensure the company's compliance with City MWBE requirements. The company further agreed to pay the City \$50,000 to be used to fund training for contractors on MWBE compliance and reporting.

(B) Update of OIG Case #09-0407 (False Claims)

As previously reported in the fourth quarter of 2013, an engineering services company with a construction engineering master consulting agreement (MCA) misrepresented two consultants as senior project engineers in invoices it submitted to the City. The consultants did not have engineering backgrounds, did not perform

engineering services for the City, and served the City in primarily administrative capacities. The company also overcharged the City for its administrative payroll processing services.

In addition to recommendations regarding City employees, OIG recommended that DPS impose sanctions on the engineering company pursuant to the City Debarment Rules and that the City consider initiating a recovery action against the company with respect to its numerous violations of the City's False Claims Act. In July 2016, DPS entered into a settlement agreement with the company, in which the company agreed to pay the City \$175,000. The company also agreed to submit an ethics and compliance plan, applicable to business activities including billing practices, to the City's Chief Procurement Officer and, for three years, submit to the Chief Procurement Officer an annual report demonstrating full compliance with its ethics compliance program.

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E. Audits and Reviews

In addition to confidential disciplinary investigations, OIG produces a variety of public reports including independent and objective analyses and evaluations of City programs and operations with recommendations to strengthen and improve the delivery of City services. These engagements focus on the integrity, accountability, economy, efficiency, and effectiveness of the programs and operations reviewed.

The following summarizes one audit and two follow-up inquiries released this quarter. In addition to these summarized reports, on September 1, 2016, OIG updated its follow-up inquiry regarding Department of Business Affairs and Consumer Protection taxicab regulatory compliance after the Department notified OIG that it closed the 2013 medallion auction."

A) Department of Finance Emergency Medical Services Billing Audit¹²

OIG evaluated the accuracy and completeness of the Department of Finance's (DOF) emergency medical services billing program. OIG determined that DOF billed accurately for emergency medical transports, but missed an estimated \$160,799 in fee revenue due to overall incomplete billing. OIG also found that DOF could increase fee revenue by an estimated \$696,594 annually if it expanded the range of City-provided emergency medical services subject to fees. DOF agreed with OIG's recommendation to review unbilled accounts to ensure the completeness of billing, and consider expanding the range of services subject to a fee.

In addition, OIG determined that DOF could reduce costs by eliminating incentive fees from its contract with the billing vendor or, if these fees are retained, by clarifying how they are awarded. In response to OIG's finding, DOF stated it would either eliminate incentive fees from future contracts with the vendor or modify

how those fees are awarded based on OIG's analysis.

B) *Departments of Transportation and Finance Loading Zone and Residential Disabled Sign Processes Follow-Up Inquiry*¹³

OIG inquired about the status of corrective actions taken by CDOT and DOF in response to OIG's June 2015 audit of Loading Zone and Residential Disabled Signs Processes. Based on the responses, we concluded that CDOT fully implemented three of the recommended corrective actions and partially implemented the fourth, including simplifying the loading zone signs approval process in cooperation with City Council. As a result, the loading zone installation process now requires only the local alderman's approval, rather than the full Council. The Department also reported that it is in the final stages of addressing the problems OIG identified in its billing process. Regarding the disabled signs process, DOF began the process of addressing OIG's recommendations but has not yet fully implemented the corrective actions. DOF stated that it worked with the City Council Committee on Pedestrian and Traffic Safety to schedule

" Updated September 1, 2016. See <<http://chicagoinspectorgeneral.Org/wp-content/uploads/2015/1/1/BACP-Taxicab-Medallion-Auction-and-Inspections-Audit-Follow-Up-Report.pdf>

¹² Published July 21, 2016. See

<<http://chicagoinspectorgeneral.org/publications-and-press/audit-of-dof-emergency->medical-services-billing/>.

¹³ Published July 5, 2016. See

<<http://chicagoinspectorgeneral.org/publications-and-press/follow-up-of-loading-zone->and-residential-disabled-parking-sign->

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meetings regarding more timely ways to provide parking signs. The Department also stated that it reviewed the records of installed disabled sign permits dating from 2014 and found that 2% of the permits had not been billed for annual fees.

(C) *Department of Streets and Sanitation Garbage Collection Performance Management Follow-Up Inquiry*¹⁴

OIG inquired about the status of corrective actions taken by DSS in response to OIG's April 2015 audit of DSS's Garbage Collection Performance Measurement. OIG concluded that DSS has begun to implement the corrective actions related to the first audit finding and fully implemented the corrective actions related to the second finding. Among the implemented corrective actions, DSS has adjusted its time per alley performance standard to 32 minutes, begun using the residential refuse fee collection database to determine the number of households receiving City collection service, has completed a full inventory of refuse and recycling carts, and has updated its Quality Control Order 14-001. However, DSS has yet to undertake a systematic assessment of data captured on the truck sheets and has not determined the average amount of time taken to service a cart. DSS expects to determine the average amount of time taken to service a cart in the fall of 2016.

F. Advisories and Department Notification Letters

Advisories and department notification letters describe management, operational, and other issues observed by OIG in the course of its activities including audits and investigations. These are issues that OIG believes it should apprise the City of in an official manner. OIG completed one advisory and three notifications this

quarter.

(A) *Advisory Concerning the Independent Police Review Authority's Reporting of Use-of-Force Incidents*¹⁵

OIG evaluated the accuracy and completeness of the Independent Police Review Authority's (IPRA) quarterly public reporting on uses of force by the Chicago Police Department (CPD) prior to 2015. OIG determined that IPRA's public reporting, which was the only use-of-force reporting available to the public, was inaccurate and incomplete, and did not match the number of actual incidents for any weapon type during the time periods reviewed. Per MCC § 2-57-110, IPRA produced quarterly public reports on its investigations into CPD weapon discharges. IPRA was not required to report all use-of-force shootings, however the agency voluntarily reported more than its ordinance required and divided these investigations into five reporting categories: Hit Shooting, Non-Hit Shooting, Shooting/Animal, Taser, and Oleoresin Capsicum (OC) Discharges.

OIG found that IPRA was unaware of 6 non-hit shootings, 14 Taser incidents, and 111 OC spray discharges. OIG also determined that IPRA did not follow best practices for use-of-force

¹⁴ Published September 15, 2016. See

<<http://chicagoinspectorgeneral.org/publications-and-press/follow-up-of-dss->garbage-collection-performance-audit/>.

¹⁵ Published August 2, 2016. See

<<http://chicagoinspectorgeneral.org/publications-and-press/oig-advisory-regarding->use-of-force-reporting/>.

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reporting. IPRA did not articulate a clear purpose for its public reporting, unduly relied on MCC reporting requirements, and oriented its reporting around its own investigations rather than striving to provide a truly comprehensive overview of CPD's use of force.

OIG suggested that the City articulate a clear vision for the purpose of use-of-force reporting and provide the resources required to issue accurate and robust reports, including unfettered access to the relevant data. The Mayor's Office "fully embrace[d] the recommendations" and committed CPD to issuing public reports on uses of force beginning in September 2016. As of October 14 the City had yet to publish its first report, but planned to do so imminently. IPRA agreed with OIG's suggestions to develop clear policies and procedures, improve its information technology capabilities and practices, and maintain detailed records of all incidents summarized in its reports.

B) *Notification Regarding Implementation of the City's Information Security and Technology Policies*

OIG issued a notification to the Mayor's Office regarding DOIT's multi-year plan to fully implement the City's Information Security and Technology Policies (ISTP). OIG encouraged the Mayor's Office to empower and resource DOIT to expedite its implementation plan, and to ensure all departments understand and prioritize their roles in achieving and maintaining full compliance with the ISTP. In response, the Mayor's Office and DOIT committed to increasing the number of DOIT staff dedicated to information security; convening a working group including DOIT, the Mayor's Office, and representatives of other departments to coordinate

implementation through regular meetings; setting formal long-term milestones for full and ongoing implementation of the ISTP; and keeping OIG apprised of its progress towards full implementation.

C) *Notification Regarding Collateralization of SSA funds, OIG Cases #13-0527 and #11-0214*

OIG issued a notification to DPD about improper use of special service area (SSA) funds as collateral for commercial bank lines of credit. The improper practice was revealed in separate OIG investigations of two community organizations. The practice violates DPD's rules, and further signals that an offending service provider may be financially weak, may have poor internal controls, and lacks rigor in compliance, and thus can place City funds at risk. Accordingly, OIG suggested that DPD work to ensure that it was identifying and remedying all such inappropriate activity. OIG noted that DPD could potentially expand the scope of its annual audits to include the review of service providers' loan agreements and consider including language in future Service Provider Agreements expressly forbidding the use of SSA funds as collateral.

In response, DPD stated that it had created and distributed to all the SSA service provider agencies, a "SSA Provider Disclosure" form that requires the agencies to disclose any loans or lines of credit that the agency uses to fund SSA programs and services. Agencies that disclose such an agreement "must also submit a copy of the agreement for review." In addition, DPD

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secured additional funding for its independent auditor to annually "review all loan and line of credit agreements."

(D) *Notification Regarding City of Chicago Mileage Reimbursement Policy (OIG Case #14-0113)*

OIG notified the Mayor's Office, DOF, and CDOT, that DOF has not been actively auditing the mileage reimbursement process as required by City policy.

The Local Mileage Reimbursement & Other Local Transportation Policy governs personal vehicle use and other transportation use by City employees. The policy outlines a number of audit and oversight requirements including random audits of employee mileage claims and odometer readings by individual departments, quality assurance process reviews and individual utilization reviews by DOF, and periodic compliance audits by Internal Audit. The Policy also requires that the City and sister agencies upload reimbursement information to the City's website on a monthly basis, and requires that employees are trained on the policy.

OIG's notification followed an investigation of alleged mileage falsification. While OIG did not find evidence of falsification in that investigation, OIG determined that a CDOT division was not complying with its audit responsibilities under the policy, nor was DOF, which issued the policy in 2011. Despite its role in administering the policy, DOF did not know how or whether departments were auditing mileage reimbursement. Moreover, OIG learned that DOF itself does not presently conduct any audit or quality assurance functions as required by the policy.

OIG recommended that DOF evaluate the policy to determine whether the audit and oversight requirements are effective, reasonable, and clear, and provide guidance and training to departments regarding the audit activities they are expected to perform. OIG further recommended that the City ensure that the oversight functions are funded and DOF is authorized to execute its assigned responsibilities.

In a joint response, DOF and CDOT stated that, after being contacted by OIG, DOF engaged an external accounting firm to audit mileage and reimbursement practices in each department. The audit will include an evaluation of the mileage policy and recommendations for updates. The response further stated that DOF will issue a revised policy in the first quarter of 2017, provide training for departments on the new policy, and conduct follow-up compliance audits. The departments also outlined the specific steps taken to ensure that the CDOT division initially under investigation effectively monitors and audits the mileage reimbursement process. Finally, the response confirmed that DOF has the resources to perform its role in the mileage reimbursement process.

G. Other Reports and Activities

As an expert in government oversight and as part of its mission to promote economy, effectiveness, efficiency, and integrity, OIG may periodically participate in additional activities to improve accountability in City government. This section is reserved in order to describe such activities as they occur.

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II. Hiring Oversight

Under Chapter XII of the City of Chicago General Hiring Plan, Chapter XI of CPD Hiring Plan, and Chapter IX of the Chicago Fire Department (CFD) Hiring Plan," OIG is required to review and audit various components of the hiring process and report on them quarterly. The City's Hiring Plans require both reviews and compliance audits. The Hiring Plans define reviews as a "check of all relevant documentation and data concerning a matter," and audits as a "check of a random sample or risk-based sample of the documentation and data concerning a hiring element."

1. Hiring Process Reviews

A) Contacts by Hiring Departments

OIG tracks all reported or discovered instances where hiring departments contacted DHR or CPD Human Resources (CPD-HR) to lobby for or advocate on behalf of actual or potential Applicants or Bidders for Covered Positions or to request that specific individuals be added to any referral or eligibility list. OIG did not receive any reports of direct contacts in the third quarter.

B) Political Contacts

OIG tracks all reported or discovered instances where elected or appointed officials of any political party or any agent acting on behalf of an elected or appointed official, political party, or political organization contact the City attempting to affect any hiring for any Covered Position or Other Employment Actions.

Additionally, City employees often report contacts by elected or appointed officials that may be categorized as inquiries on behalf of their constituents but not an attempt to affect any hiring decisions for any Covered Position or Other Employment Actions.

During the third quarter of 2016, OIG received notice of five political contacts:

- An agent of an elected official contacted a DOL employee in support of a candidate for the covered position of Assistant Corporation Counsel.
- An elected official contacted DHR in support of a candidate appealing his removal from the police officer eligibility list.

¹⁶ On June 24, 2011, the City of Chicago filed the 2011 City of Chicago Hiring Plan (General Hiring Plan). The General Hiring Plan, which was agreed to by the parties and approved by the Court on June 29, 2011, replaced the 2007 City of Chicago Hiring Plan, which was previously in effect. This Hiring Plan was refiled, though not amended, on May 15, 2014. The City of Chicago also filed an amended Chicago Police Department Hiring Plan for Sworn Titles (CPD Hiring Plan) and an amended Chicago Fire Department Hiring Plan for Uniformed Positions (CFD Hiring Plan) on May 15, 2014, which were approved by the Court on June 16, 2014. Collectively, the General Hiring Plan, the CPD Hiring Plan, and the CFD Hiring Plan will be referred to as the "City's Hiring Plans."

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- An elected official contacted OIG to inquire about the status of a candidate's application for the covered position of firefighter.
- An elected official contacted DHR to inquire about the status of a candidate's application for the covered position of police officer.
- An agent of an elected official contacted DHR to inquire about the status of a candidate's applications to various covered positions.

C) *Exemptions*

OIG tracks all reported or discovered Shakman Exempt appointments and modifications to the Exempt List on an ongoing basis from DHR. OIG received 51 notifications of exempt appointments in the third quarter.

D) *Senior Manager Hires*

OIG reviews hires pursuant to Chapter VI covering the Senior Manager Hiring Process.

Of the 44 hire packets OIG reviewed in the third quarter, 9 pertained to Senior Manager positions, none of which contained errors.

E) *Written Rationale*

When no consensus selection is reached during a Consensus Meeting, a Written Rationale must be provided to

OIG for review.¹⁷

During the third quarter of 2016, OIG did not receive notice of any Written Rationales for review.

F) *Emergency Appointments*

OIG reviews circumstances and written justifications for emergency hires made pursuant to the Personnel Rules and MCC § 2-74-050(8).

The City reported no emergency appointments during the third quarter of 2016.

G) *Review of Contracting Activity*

Prior to offering any contract or other agreement terms to any business, individual, not-for-profit agency, or other organization or entity for services to the City, the requesting department shall give OIG advance notification. OIG is also required to review City departments' compliance with the City's "Contractor Policy" (Exhibit C to the City's Hiring Plan). Per the Contractor Policy, OIG may choose to review draft contract or agreement terms to assess whether they are in compliance with the Policy. This review includes analyzing the contract for common law employee risks and ensuring the inclusion of the Shakman Boilerplate language. In addition to contracts, pursuant to Chapter X of the Hiring Plan, OIG must receive notification of the procedures for using volunteer workers at least 30 days prior to implementation.

¹⁷ A "Consensus Meeting" is a discussion that is led by the DHR Recruiter at the conclusion of the interview process. During the Consensus Meeting, the interviewers and the Hiring Manager review their respective interview results and any other relevant information to arrive at a hiring recommendation.

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OIG received notice of 41 Task Order Requests' during the third quarter. OIG received notice of 25 contracts or agreements. The chart below details contracts OIG received notice of in the third quarter of 2016.

Table #5 - Contract and Volunteer Opportunity Notifications

Contracting Department	Contractor, Agency, Program, or other Organization	Duration of Contract or Agreement
Aviation	Broadway Electrical	5 years
Aviation	SDI Presence, LLC	141 months
Innovation and Technology	Senryo, Inc.	6 months
Buildings	Globetrotters Engineering	3 months
Buildings	Globetrotters Engineering	3 months
Buildings	Globetrotters Engineering	3 months
City Clerk	Professional Dynamic Network, Inc	3 months
Cultural Affairs and Special Events	Superlative Group	2 years
Cultural Affairs and Special Events	Artist in Residence	12 weeks
Cultural Affairs and Special Events	Artist in Residence	12 weeks

Cultural Affairs and Special Events	Artist in Residence	28 weeks
Cultural Affairs and Special Events	Artist in Residence	8 weeks
Cultural Affairs and Special Events	Artist in Residence	16 weeks
Cultural Affairs and Special Events	Artist in Residence	7 weeks
Cultural Affairs and Special Events	Artist in Residence	7 weeks
Cultural Affairs and Special Events	Studio Blue	12 months
Independent Police Review Authority	Professional Dynamic Network, Inc	2 months
Finance	Personal Service Contractor	1 year
Finance	Personal Service Contractor	1 year
Public Health	Locus Tenens	6 weeks
Public Health	Locus Tenens	6 weeks
Public Health	Locus Tenens	6 weeks
Public Flealth	Locus Tenens	6 weeks
Public Health	Locus Tenens	6 weeks
Public Health	M3 Medical Management Services	3 months

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In the third quarter of 2016, the Chicago Department of Public Health (CDPH) acknowledged its continuing violation of utilization of psychiatric services from a temporary staffing agency beyond the one-year limitation of the City's Contractor Policy in three of its six mental health centers. CDPH is continuing its efforts to permanently staff these positions. OIG and DHR will continue to monitor and work with CDPH to fill all of its staff psychiatrist vacancies.

Additionally, OIG conducted a review of DOAH's use of Administrative Law Judges (ALJs) to ensure compliance with the Contractor Policy. OIG's findings were shared with DOAH during the third quarter. ALJs are independent contractors appointed by the DOAH Director to conduct administrative hearings to determine whether municipal code violations have occurred. ALJs are not City employees, yet they perform services for the City. Under the Contractor Policy, ALJs fall within the definition of Personal Service Contractors and therefore are subject to all applicable restrictions.¹⁸ OIG found that DOAH was not in compliance with the Policy. OIG identified at least one ALJ that had formed a common-law employee relationship with DOAH and another ALJ that may have violated a departmental policy by continuing to serve as an ALJ after being appointed to a City commission.

OIG recommended that DOAH,

- submit all required paperwork and obtain required approvals for its current ALJs;
- work with OIG, DOL, DPS, and DHR to determine whether the Contractor Policy should be amended to offer ALJs an alternative appointment process;
- review the responsibilities of all ALJs and take steps to sever any common-law employee relationships; and
- enforce its prohibitions on serving as an ALJ while employed with the City of Chicago.

In response, DOAH agreed to collaborate with DHR and DOL to draft a proposed amendment to the Contractor Policy. A new section of the policy would address ALJs and the unique operational needs of DOAH. DOAH revised the language used in the current ALJ engagement agreements to bring the department into compliance with the Policy. DOAH disagreed with OIG's finding that an ALJ was a common-law employee. DOAH, however, did remove the ALJ's name plate from the City office space, revoked the ALJ's parking space from a private City-owned parking lot, and modified the ALJ's email address used to conduct City business with other City departments. DOAH also revised its prohibition on serving as an ALJ while employed with the City so that the identified ALJ was no longer in violation of the departmental policy.

OIG continues to work with DOAH and DHR to finalize the proposed Policy amendments. Additionally, OIG is continuing its discussion with DOAH regarding any other unresolved common law employee issues.

¹⁸ Under Section II.A.1 of the Contractor Policy, all departments must (1) obtain prior written approval from DHR and the Office of Budget Management; (2) include the Shakman Boilerplate language in the contract; (3) obtain the contractors agreement to cooperate with any inquiries by OIG; and (4) obtain a certification from the personal service contractor that there are not aware of any political reasons or other improper considerations influencing his or her selection.

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2. Hiring Process Audits

A) *Modifications to Class Specifications,¹⁹ Minimum Qualifications, and Screening and Hiring Criteria*

OIG reviews modifications to Class Specifications, minimum qualifications, and screening/hiring criteria. In the last quarter, OIG received notification that DHR changed the minimum qualifications for 12 titles within the following departments: CDA, City Clerk, Emergency Management and Communications, CFD, Fleet and Facility Management (2FM), DPD, CPD, CDPFI, DSS, CDOT, and DWM. OIG reviewed all instances of a change to minimum qualifications, and did not have concerns or objections.

B) *Referral Lists*

OIG audits lists of Applicants/Bidders who meet the predetermined minimum qualifications generated by DHR for City positions. Each quarter, OIG examines a sample of referral lists and notifies DHR when potential

issues are identified. OIG recognizes that aspects of candidate assessment are subjective and that there can be differences of opinion in the evaluation of a candidate's qualifications. Therefore, our designation of "error" is limited to cases where, based on the information provided, OIG found that,

- a candidate who did not quantitatively meet the minimum qualifications was referred for hiring;
- a candidate who failed to provide all of the required information and/or documents listed on the job posting was referred for hiring; or
- a candidate who quantitatively met the minimum qualifications was not referred for hiring.

In the last quarter, OIG audited two referral lists, none of which contained errors.

C) *Testing*

The Hiring Plan requires DHR to conduct an audit of DHR test administrations and scoring each quarter. In the third quarter, OIG audited testing administration materials²⁰ for 17 completed test

administrations covering seven City departments completed during the second quarter of 2016.

¹⁹ "Class Specifications" are descriptions of the duties and responsibilities of a Class of Positions that distinguish one Class from another. They are, in effect, the general descriptions utilized to determine the proper level to which a Position should be assigned, and they include the general job duties and minimum qualifications of the Position. Class Specifications shall include sufficient detail so as to accurately reflect the job duties.

²⁰ "Testing administration materials" include (1) the test booklet (or booklets, if multiple versions of the test were administered); (2) the sign in/sign out sheets; (3) the answer key; (4) the final cut score(s)-the threshold score for passing the exam-and any documentation regarding the change of a cut score(s); (5) the individual test scores for each candidate for each test that was administered; (6) the finalized test results sent to the DHR Recruiter; (7) the answer sheets completed by the candidates; (8) the rating sheets completed by the interviewers as part of the Foreman Promotional Process; (9) any additional emails or notes identifying issues surrounding the test administration or scoring (e.g., documentation identifying the individual test score changes for tests that are rescored, memos to file regarding non-scheduled candidates being allowed to test, etc.); and (10) the Referral List.

²¹ A "test administration" is considered to be completed when a test has been administered and the final candidate scores have been sent from the DHR Testing Division to the DHR Recruiting Division for candidate selection and processing.

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OIG found two documentation errors affecting multiple administrations of the Test of Supervisory Skills (TOSS) and reported them to DHR. Specifically, the TOSS answer key and candidates' individual test scores were not provided to OIG during its audit of testing materials. These errors did not affect any candidates' placement on position eligibility lists or any final candidate selection decisions. Neither of the errors constituted a violation of the Hiring Plan. OIG recommended that DHR ensure the answer key and a condensed list of candidate test scores are included in the requested testing materials for all administered TOSS exams. The DHR Testing Manager did not provide any response to OIG's recommendations.

D) *Selected Hiring Sequences*

Each quarter, the Hiring Plan requires OIG to audit at least 10% of in-process hiring sequences and at least 5% of completed hiring sequences conducted by the following departments or their successors: DSS, DWM, CDA,

CDOT, DOB, 2FM, and six other City departments selected at the discretion of OIG.

Auditing the hiring sequence requires an examination of hire packets, which include all documents and notes maintained by City employees involved in the selection and hiring process for a particular position. As required by the Hiring Plan, OIG examines some hire packets during the hiring process and examines other packets after the hires are completed.

In the third quarter of 2016, OIG completed an audit of hire packets for 35 hiring sequences. OIG selected these hiring sequences based on risk factors such as past errors, complaints, and historical issues with particular positions. These 35 hiring sequences involved 16 departments and 123 selected candidates. Of the 35 hire packets audited, errors were identified in two hiring packets. These errors involved incomplete Hire Certification forms. Both errors involved the Hiring Manager failing to sign the Hire Certification form. OIG provided these findings to DHR, which took steps to correct the Hire Certifications. No further action was required. \

E) *Hiring Certifications*

OIG audits the City's compliance with Chapter XII.C.5 of the General Hiring Plan. A Hiring Certification is a form completed by the selected candidate(s) and all City employees involved in the hiring process to attest that no political reasons or factors or other improper considerations were taken into account during the applicable process.

OIG reviewed a total of 44 hire packets in the last quarter. In those 44 packets, there were two errors related to Hiring Certifications. Both errors were discussed above.

F) *Selected CPD Assignment Sequences*

Pursuant to Chapter XII of the CPD Hiring Plan for Sworn Titles, OIG has the authority to audit Other Employment Actions, including district or unit assignments, as it deems necessary to ensure compliance with this Hiring Plan. Generally, OIG audits assignments not covered by a collective bargaining unit and located within a District or Unit.

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Assignment packets include all documents and notes maintained by employees involved in the selection processes outlined in Appendix D & E of the CPD Hiring Plan. OIG selects a risk-based quarterly sample of assignment packets for completed process review after selections have been made and the candidate has begun their assignment.

OIG received a response to its second quarter assignment audit during the third quarter. OIG's audit covered ten assignment sequences from the second quarter and identified five errors in four of those sequences. All of the errors involved missing, incorrect, or incomplete documentation. OIG recommended that CPD-HR ensure districts and units maintain and produce all candidate applications, both complete and incomplete. OIG also

recommended that CPD-HR remind District Commanders of the Hiring Plan provisions regarding positions and assignments above the Police Officer level, and of the importance of signed letters of recommendation.

CPD-HR agreed with our recommendations. OIG has completed the third quarter audit, and will report on the findings in the fourth quarter.

(G) .. Selected CFD Assignment Sequences

Pursuant to Chapter X of the CFD Hiring Plan for Uniformed Positions, OIG has the authority to audit Other Employment Actions, including assignments, "as it deems necessary to ensure compliance with [the] CFD Hiring Plan." Assignment packets include all documents utilized in a specialized unit assignment sequence, including, but not limited to, all forms, certifications, licenses, and notes maintained by individuals involved in the selection process. OIG selects a risk-based sample of assignment packets for completed process review after CFD issues unit transfer orders and candidates have begun their new assignments.

During the third quarter of 2016, OIG selected a sample of assignment packets for completed process review covering 12 specialized unit assignment sequences completed in the second quarter of 2016. OIG identified three errors in three assignment sequences. These errors involved missing, or incomplete Hire Certifications, and two candidate assessment form errors. Given the nature of the errors, OIG did not request further action.

Additionally, in the second quarter of 2016, OIG completed an audit of CFD assignments and details. OIG found CFD did not consistently post Temporary Assignment opportunities (commonly referred to among CFD members as a "90-day detail") and CFD frequently allowed CFD members to work long-term in Specialized Units outside of the procedures set forth in CFD Hiring Plan. OIG recommended that CFD,

- follow the Temporary Assignment process set forth in the CFD Hiring Plan;
- only allow members to work in Specialized Units after going through the Specialized Unit Assignment process or through a qualified Detail or Temporary Assignment;
- utilize the Temporary Assignment process to staff apparatuses that are not in use year round; and
- develop a fair and transparent process for the assignment of relief officers within the Bureau of Special Operations.

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CFD agreed with OIG's recommendations and worked to standardize the Specialized Unit and Temporary Assignment processes in compliance with the CFD Hiring Plan. On September 1, 2016, the Fire Commissioner issued a General Order initiating a formal Temporary Assignment process. OIG will continue to audit and monitor the CFD Temporary Assignment and Specialized Unit Assignment processes.

(H) Monitoring Hiring Sequences

In addition to auditing hire packets, OIG monitors hiring sequences as they progress by attending and observing intake meetings, interviews, tests, and consensus meetings. The primary goal of monitoring hiring sequences is to identify any gaps in internal controls. However, real-time monitoring also allows OIG to

detect and seek to address compliance anomalies as they occur.

OIG identifies the hiring sequences to be monitored based on risk factors such as past errors, complaints, and historical issues with particular positions. During the past quarter, OIG monitored 14 intake meetings, 21 sets of interviews, and 14 consensus meetings. The table below

²²

shows the breakdown of monitoring activity by department.

Table #6 - Third Quarter 2016 OIG Monitoring Activities

Department	Intake Meetings Monitored	Tests Monitored	Interview Sets Monitored	Consensus Meetings Monitored
Administrative Hearings	1			
Animal Care and Control			1	1
Business Affairs and Consumer Protection			2	1
Emergency Management and Communications	1			1
Family and Support Services			1	1
Finance			2	2
Fire			1	1
Human Resources	1			
Independent Police Review Authority	6			
Innovation and Technology	1			
Law			1	
Planning and Development	1		3	2
Police	2		3	
Procurement Services			1	1
Public Health			2	2
Public Library			2	1
Transportation			1	1
Water Management	1		1	
Total	14		21	14

²² If a department is not included in this table, OIG did not monitor any elements of the department's hiring sequence(s).

OIG received notice of 28 DHR-approved waiver requests to the City's 90-Day Acting Up limit in the third quarter of 2016.²⁴ The following chart details those waivers.

Table #7 - Third Quarter 2016 Acting Up Waiver Requests Approved by DHR

Department	Position	Number of Employees	Date of Response	Duration of Waiver
Fleet and Facility Management	Foreman of Machinists		July 14, 2016	September 30, 2016
Fleet and Facility Management	Garage Attendant in Charge		September 22, 2016	December 31, 2016
Water Management	Assistant Chief Operating Engineer	!	July 19, 2016	September 30, 2016
Water Management	Foreman of Machinists	!	July 19, 2016	September 30, 2016
Water Management	Chief Water Rate Taker	!	August 25, 2016	August 31, 2016
Water Management	Chief Water Rate Taker	!	September 9, 2016	December 31, 2016
Water Management	Foreman of Pipe Yards	1	September 9, 2016	July 28, 2016
Transportation	Foreman of Asphalt Helpers	2	August 26, 2016	September 30, 2016
Transportation	Foreman of Cement Finishers	2	August 26, 2016	September 30, 2016
Transportation	Foreman of Concrete Laborers	14	August 26, 2016	September 30, 2016
Transportation	General Foreman of Laborers	1	August 23, 2016	September 30, 2016
Public Health	Administrative Assistant II	1	September 22, 2016	November 6, 2016
Public Health	CDCI Supervisor	1	September 22, 2016	November 6, 2016

In response to an audit completed by OIG in the second quarter, CDOT began the hiring process for the titles most frequently Acted Up into during the third quarter. OIG found that CDOT had a

²³ "Acting Up" means an employee is directed or is held accountable to perform, and does perform, substantially all of the responsibilities of a higher position.

²⁴ Pursuant to the Acting Up Policy, no employee may serve in an Acting Up assignment in excess of 90 days in any calendar year unless the department receives prior written approval from DHR. The department must submit a Waiver Request in writing signed by the Department Head at least 10 days prior to the employee reaching the 90-day limitation. If the department exceeds 90 days of Acting Up without receiving a granted Waiver Request from DHR, the department is in violation of the Policy.

substantial number of employees Acting Up beyond 90 days without an approved waiver due to its failure to accurately track and report Acting Up.

As of the end of the third quarter, CDOT took affirmative action to fill positions that had chronically been used for Acting Up. CDOT permanently filled three Asphalt Foremen, and has posted and is in the testing phase to fill Foreman of Concrete Laborers, Dispatcher Concrete, and District Clerk (Asphalt).

(J) Arbitrations and Potential Resolution of Grievances by Settlement

Chapter XII.C.7 of the City's Firing Plan requires the Hiring Oversight section of OIG to audit grievance settlement decisions that may impact procedures governed by the Hiring Plan. OIG did not receive notice of any settlement agreements from DHR during the third quarter of 2016.

OIG received notice of the addition of three job titles to the American Federation of State, County, and Municipal Employees (AFSCME) Bargaining Unit. OIG reviewed the matter and did not have comments or objections.

3. Reporting of Other OIG Hiring Oversight Activity

A) Escalations

Recruiters and Analysts in DHR and CPD-HR must escalate concerns regarding improper hiring by notifying OIG. In response to these notifications, OIG may take one or more of the following actions: investigate the matter, conduct a review of the hiring sequence, refer the matter to the DHR Commissioner or appropriate department head for resolution, or refer the matter to the OIG Investigations Section.

OIG did not receive any escalations in the third quarter of 2016.

B) Processing of Complaints

OIG receives complaints regarding the hiring process, including allegations of unlawful political discrimination and retaliation and other improper considerations in connection with City employment. All complaints received by OIG are reviewed as part of OIG's complaint intake process. Hiring-related complaints may be resolved in several ways depending upon the nature of the complaint. If there is an allegation of a Hiring Plan violation or breach of a policy or procedure related to hiring, OIG may open a case into the matter to determine if such a violation or breach occurred. If a violation or breach is sustained, OIG may make corrective recommendations to the appropriate department or may undertake further investigation. If, after sufficient inquiry, no violation or breach is found, OIG will close the case as not sustained. If, in the course of inquiry, OIG identifies a non-hiring-related process or program that could benefit from a more comprehensive audit, OIG may consider a formal audit or program review.

OIG received six complaints related to the City's hiring practices in the past quarter. The chart below summarizes the disposition of these complaints as well as the complaints and cases from the previous quarter that were not closed when OIG issued its last report.

Table #8 - Disposition of Hiring Oversight Complaints Received in the Third Quarter 2016

Status	Number of Complaints and/or Cases
Cases Pending at the End of the 2 nd Quarter of 2016	16
Complaints Received in the 3rd Quarter of 2016	6
Complaints Declined without Inquiry in the 3rd Quarter of 2016	0
Complaints Pending at the End of the 3rd Quarter 2016	0
Cases Referred by OIG Investigations in the 3rd Quarter 2016	0
Total Cases Closed in the 3rd Quarter 2016	4
Closed by Referral to OIG Investigations	0
Closed by Referral to DHR/Department	0
Closed with Recommendations to the Hiring Department and/or DHR	0
Cases Pending with OIG Hiring Oversight as of September 30, 2016	18

