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Office of Inspector General

City of Chicago

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Report of the Office of Inspector General: *****

quarterl y report of the Office of Inspector General Second Quarter 2016

July 2016

866-IG- TIP LINE (866-448-4 754)

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July 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 second quarter of 2016, filed with the City Council pursuant to Section 2-56-120 of the Municipal Code of Chicago.

The activities summarized in this quarterly report speak to both the progress and the many challenges that the City still faces in creating a paradigm of proactive ethical government. In particular this quarterly report summarizes actions that departments are taking to reform their systems based on OIG's work. In June, the Mayor committed his office and the City to the concept of building comprehensive risk management so that claims are no longer seen as a cost of doing business but are analyzed for trends and preemptively addressed. In addition, the Department of Finance and the Department of Water Management worked together to address the findings of a 2015 OIG audit in a way that will bring marked improvement to the City's water billing system. Finally, a contractor followed the letter and the spirit of its duty to cooperate by taking immediate action to terminate an employee, after the employee refused to cooperate with OIG's investigation into allegations of bribery.

However, also in this report are reminders of just how far the City has to go. The responsive initiative for comprehensive risk management purposefully puts off, to some unspecified future time, police misconduct-a large category of claims payouts of taxpayer money connected to a critical challenge in both the City and the country. Further, this quarter the City's final disposition of findings and recommendations in a few of OIG's investigative cases carried collateral implications of possible concern. For example, the City reported that a Department of Buildings official who violated City rules for years, creating a concerning appearance of preferential treatment, would not receive so much as a reprimand. In addition, an employee who OIG showed was living outside the boundaries of the City was retained out of concern that the employee would file an appeal with the Human Resources Board (HRB). While these cases are not necessarily endemic, they are demonstrative of a tension that can arise in government oversight. The need to keep City operations running while conserving resources and maintaining ethical and transparent government is not an easy balance to strike, but it is one that I see as the next step in a City that is committed to the general march forward.

Finally, work on the single biggest issue facing the community-police and police accountability reform-is underway, based in significant part on the recommendations of the Mayor's Police

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Accountability Task Force (PATF). This is a critical and urgent task, but one that requires input from all stakeholders—including those segments in our broader community who are most impacted by its consequences. If done right as a matter of substance and with clarity of process, and without retreat to the expediency that the urgency of the issues may prompt, Chicago can demonstrate itself as committed to and capable of proactive, transformative change. Chicago has the opportunity to serve as a leader and a model for communities facing similar challenges across the country. On the basis of this administration's record in recent years of tackling other problems wrought by the neglect and acquiescence of many generations, we believe it up to the challenge, and stand committed to assisting it where and as desired.

I encourage you to help us in all our work by sending OIG your complaints and concerns as well as your ideas for audits. As always, do not hesitate to alert our office if you have suggestions for improving the City or OIG.

Respectfully,

Joseph M. Ferguson Inspector General City
of Chicago

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OIG Quarterly Report -Second 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 April 1, 2016, through June 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 494 complaints during the quarter. The following table outlines the actions OIG has taken in response to these complaints.²

Table #1 - Complaint Actions

| Status | Number of Complaints |
|----------------------|-----------------------------|
| Declined | 367 |
| Opened Investigation | 27 |
| Referred | 64 |
| Pending | 36 |
| Total | 494 |

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.

²OIG also took action on complaints received in earlier quarters by declining 23 complaints, opening OIG administrative or criminal investigations based on 3 complaints, and referring 14 complaints.

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 Overview

2. Newly Opened Matters

During the quarter, OIG opened 107 matters, including 17 based on complaints received in earlier quarters. Of the opened matters, 101 centered on allegations of misconduct, 1 on waste and inefficiency and 5 on other. Of the 107 opened matters, 77 were immediately referred to other departments or investigative agencies. A total of 30 cases proceeded to an OIG investigation and remained open at the end of the quarter.

³ 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.

The following table categorizes the 107 matters opened by OIG based on the subject of the matter.

Table #2 - Subject of Investigations and Referrals

| Subject of Investigations and Referrals | Number of Investigations and Referrals |
|--|---|
| Employees | 90 |
| Contractors, Subcontractors, and Persons Seeking Contracts | 2 |
| Elected Officials | 5 |
| Other | 10 |
| Total | 107 |

3. Cases Concluded in Quarter

During the quarter, OIG concluded 120 opened matters, 77 of which were the aforementioned referrals to City departments or other investigative agencies. Of the 77 referred matters, 64 were referred to a City department, and 13 were referred to a sister agency. Of the remaining concluded matters, seven 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 28 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 eight 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 216 pending matters, including the 30 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 216 pending matters, 71 investigations have been open for at least 12 months.

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

^J In addition to the seven closed cases, OIG also issued six summary reports of investigation related to an ongoing investigation.

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

| Reason | Number of Investigations |
|---|---------------------------------|
| Additional complaints were added during the course of the investigation. | 1 |
| Complex investigation. May involve difficult issues or multiple subjects. | 58 |
| Investigation delayed due to nature of allegations, relative risk to the city, and resource requirements. | 3 |
| 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. | 5 |
| Total | 71 |

6. Ethics Ordinance Complaints⁵

OIG received three ethics ordinance complaints this quarter. One complaint was declined because it did not indicate a violation of Chapter 2-156, and two proceeded to an investigation. OIG opened one investigation from a pending complaint related to an ethics ordinance violation that was 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.

Effective July 1, 2013, the OIG ordinance, MCC § 2-56-120, was amended establishing a new requirement that OIG report the number of ethics ordinance complaints declined each quarter and the reasons for declination.

^h 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."

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

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 |
|-------------|--------------------------------|--------------------|------------------------------------|---|
| 08-1756 | Procurement | 5 | Permanent Debannent | Settlement/15-Month Debarment |
| 13-0054 | Buildings | 1 | Appropriate Discipline/ Discharge | No Disciplinary Action |
| 14-0338 | Ethics/ Streets and Sanitation | 1 | Probable Cause Finding | Probable Cause Finding and Settlement |
| 14-0393 | Water Management | 1 | Discharge, Ineligible For Rehire | No Disciplinary Action |
| 14-0525 | Finance | 1 | Termination, Ineligible For Rehire | Termination, Ineligible For Rehire |
| 14-0572 | Finance | 1 | Termination, Ineligible For Rehire | Termination, Ineligible For Rehire |
| 16-0 M0 | Buildings | 1 | Termination, Ineligible For Rehire | Settlement/Resign in Lieu of Discharge, Ineligible For Rehire |

In addition to the sustained cases listed here and described below, during the second quarter there were two other events of note. A City contractor tired a Parking Enforcement Officer I (PEO) after the PEO failed to cooperate with an OIG investigation. OIG received three separate, but similar complaints alleging the PEO sought money from motorists to whom the PEO had issued parking tickets. As part of its investigation, OIG twice attempted to interview the PEO about the allegations. The PEO failed to appear for either interview - claiming to have overslept the first time. Less than an hour before the second scheduled interview, the PEO's attorney informed OIG that the PEO would not attend the interview. Based on the PEO's refusal to attend the second

that recommended by OIG, PBC must describe that action and explain the reasons for that action. If OIG issues a report to the Chairman of the City Council Committee on Committees, Rules and Ethics, the Chairman must forward the report 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 F.thics is required).⁸ Six additional maters were reported to the department and were awaiting response as part of a pending case.

scheduled OIG interview, the City contractor terminated the PEO's employment. In its letter to OIG, the contractor noted the importance of its duty to cooperate in OIG investigations. Also during the quarter, the Department of Finance (DOF)

took action based on an OIG referral by a City employee's delinquent debt in the Employee Indebtedness program and identifying an issue to remedy in its data matching process for the program.

OIG Case #08-1756

In December 2012, an OIG investigation concluded that a firm specializing in underground utilities and excavation had fraudulently obtained certification as a Minority-owned Business Enterprise (MBE) based on numerous material misrepresentations including, among others, that it was owned and operated by an African-American. In fact, the firm was owned and managed in all material respects by three Caucasian family members of the purported minority owner.

Based on its fraudulently-obtained MBE status, the firm received a \$5.1 million subcontract on a project that received tax increment financing funding from the City. The firm was ultimately paid more than \$7 million through the subcontract. Additionally, after responding to initial OIG interview requests, the purported minority owner and two family members, refused to submit, or failed to respond, to follow-up interviews, thereby avoiding having to explain evidence of the company's fraudulent certification. That failure to cooperate violated the MCC. Based on these findings, OIG recommended that the firm, any affiliated companies, the purported minority owner, and the three managing family members, be permanently debarred from doing business with the City.

In January 2013, the Department of Procurement Services (DPS) sent the firm, the purported minority owner, and three managing family members notices of proposed debarment. The firm and its principals provided a response in February 2013.

After lengthy negotiations, DPS finalized settlement agreements with the firm and the firm's four principals, imposing a 15-month debarment. In the settlement agreements, the firm and its principles acknowledged that the City had a reasonable basis to conclude that the information provided by OIG in its report was in all respects accurate and complete, and that the individuals supplemented their responses after further inquiry and action by OIG and the Chief Procurement Officer. The City acknowledged the individuals' contentions "that they did not intend to knowingly make false statements to the City and/or fail to cooperate" with OIG.

OIG Case #13-0054

An OIG investigation established that, between 2012 and 2015, a high ranking official in the Department of Buildings (DOB) conducted permit reviews and inspections at 32 properties where a very close friend served as the general contractor, in violation of City and DOB policy. All 32 reviews and inspections performed for the general contractor violated the City's Personnel Rule on conflicts of interest. In addition, the official performed two of the inspections and nine of the permit reviews after the implementation of DOB's own March 2014 conflict of interest policy.

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OIG reviewed phone records showing that the official and the contractor spoke nearly twice a day on average from February 2012 through January 2013, and the contractor acknowledged they had been friends for 15 to 20 years. OIG reviewed all of the general contractor's permits approved or inspected by the official from January 1, 2012, to May 19, 2015. That review revealed that the official further violated DOB policy by finalizing inspections at two properties based solely on a report from the project's architect. Other irregularities in the permits and inspections further created the appearance of preferential treatment by the official for the contractor.

Accordingly, OIG found that the official engaged in activity which resulted in a conflict of interest, demonstrated incompetence, violated departmental rules, and engaged in conduct unbecoming a public employee. OIG recommended that DOB impose discipline up to and including discharge against the official commensurate with the gravity of violations, past disciplinary and work history, department standards, and any other relevant considerations.

OIG's investigation also established that the general contractor's firm consistently failed to obtain all the required DOB inspections. OIG therefore recommended that DOB consider enforcement or other action to ensure the firm's compliance with applicable laws and regulations and that DOB consider further inspections of the general contractor's properties where no DOB inspector ever completed a final inspection.

Finally, OIG's investigation suggested that DOB is not actively monitoring or enforcing all inspection requirements for DOB permits. In multiple instances, DOB staff approved final inspections of work where the contractor had not obtained an initial rough inspection, and DOB took no enforcement action. In a few instances identified, the official approved final work with no inspection at all. DOB staff described ad hoc attempts to address such situations, which, in this case, gave rise to allegations of preferential treatment. Therefore, OIG requested that DOB's response to this report include information regarding actions taken to ensure the safety of the specific properties identified that did not receive the required inspections, and any procedures it has to address the approval of permitted work without required inspections.

In response to OIG's findings, the DOB Commissioner declined to impose any discipline on the official or take any enforcement action against the general contractor.

Regarding the official's conflict of interest, the Commissioner noted that the official approved only one of the four projects highlighted by the originating complaint after DOB implemented its conflict of interest policy. The Commissioner did not respond to OIG's finding that the official had, on 32 occasions, violated the City's Personnel Rules by reviewing permits and inspecting work of a close personal friend, or that the official had approved two inspections and nine permit applications of the general contractor after the March 2014 DOB conflict of interest policy went into effect. Nevertheless, the Commissioner stated she understands the risk of real or perceived improprieties in situations like this and takes this very seriously. Thus, the Commissioner stated, she is restructuring the DOB organization chart such that all senior officials report directly to the Commissioner, is reviewing and updating DOB policies, and is scheduling specialized ethics training for DOB senior management.

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The Commissioner further concluded that, the general contractor received no preferential treatment. In addition, because none of the specific projects appeared to present life safety issues, they did not warrant DOB inspections even though, according to the Department's records, inspections required by DOB were not completed. The Commissioner stated that the number of permit inspections required for a project is not mandatory and that DOB supervisors have broad discretion to decide whether rough or final inspections are required at all. The Commissioner noted that architects and engineers are allowed to self-certify corrections during the plan review process, and DOB is beginning a pilot program to allow architects, contractors, and engineers to certify corrections for rough and final inspections. Thus, the Commissioner concluded, the official had discretion to approve DOB's final inspection based solely on the architect's certification. The Commissioner's response did not address whether DOB plans to clarify when inspections are required or why DOB records in this case show the absence of required inspections with no record that a supervisor waived the inspections. However, the Commissioner noted, the Building Code "is a guide to keep people safe, not strict construction laws. We

must have management that is knowledgeable and willing to make decisions so that projects can go forward, while at the same time ensuring life safety and the integrity of the process."

(C) OIG Case #14-0338

An OIG investigation established that a Department of Streets and Sanitation (DSS) Division Superintendent violated the Governmental Ethics Ordinance. From 2006 through 2014, the Superintendent failed to disclose on Statement of Financial Interests Forms (SFI) that a spouse received compensation in excess of \$5000 for services rendered to an entity doing business with the City. The Superintendent's spouse served as the Executive Director of a local chamber of commerce that regularly received more than \$54,000 in annual City grant money.

Prior to 2013, the Ethics Ordinance required OIG to find the Superintendent had an "intent to mislead" in order to impose a sanction under the Ordinance. On July 1, 2013, the City Council lowered the requirement for an employment sanction from "intent to mislead" to "knowingly furnished false or misleading information." As a result of the previous rules and amendments, OIG concluded that only the Superintendent's 2014 SFI met the Ethics Ordinance standard to be subject to penalties. By failing to disclose the required information in the 2014 SFI, the Superintendent knowingly furnished false information. On this basis, OIG asked the Board of Ethics (BOE) to issue a finding that there was probable cause to believe that the Superintendent violated the Ethics Ordinance and impose appropriate sanctions.

At its January 2016 meeting, BOE found there was probable cause that the Superintendent violated the Ethics Ordinance. On April 13, 2016, BOE voted unanimously to approve a settlement with the Superintendent. The Superintendent agreed to amend all SFIs from 2008 to 2014 to reflect the spouse's employment. The Superintendent also agreed to pay a \$2000 fine, which would have been the maximum fine should BOE have found a violation. The settlement agreement is available on BOE's website.

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(D) OIG Case #14-0393

An OIG investigation established a Department of Water Management (DWM) Operating Engineer lived in Hazel Crest, Illinois, in violation of the MCC. An anonymous complainant informed OIG that the Operating Engineer had lived in Hazel Crest for at least three years with his or her spouse, children, and multiple in-laws. The Operating Engineer's reported City address belonged to an aunt, who was a former City employee, and the home was originally purchased by the Operating Engineer's grandmother.

OIG conducted ten surveillances of the Hazel Crest residence and four surveillances of the City property. OIG observed the Operating Engineer at the Hazel Crest residence during eight of the ten surveillances, including on six days the Operating Engineer worked for the City. OIG never observed the Operating Engineer or any vehicles belonging to the Operating Engineer at the City property.

OIG reviewed records associated with each property. Neither the Operating Engineer nor the spouse had a mortgage, lease, or utility bill in either of their names at either address. Some records did place the Operating Engineer at the City property, but all were self-reported: a driver's license, car registration, City stickers, residency affidavit, voting records, and court filings. The Operating Engineer's spouse was registered to vote at the Hazel Crest residence.

OIG analyzed the Operating Engineer's debit card transactions from June 2013 through July 2015. The analysis showed that 92 percent of the debit card transactions during those two years were in the suburbs, the majority in Hazel Crest or Homewood and Country Club Hills, suburbs that border Hazel Crest. Only 7 percent of the Operating Engineer's debit card transactions were in the City. A plurality of the City transactions occurred near the Operating Engineer's workplace, not the purported City residence. Fewer than ten transactions over two years took place in the vicinity of the reported City address.

In addition to surveillances and financial records, neighbors' interviews also established the residency violation. A neighbor of the Hazel Crest residence reported that the Operating Engineer, the spouse, and the children had lived in the home for about three years. A neighbor of the Chicago property said two "old people" lived in the house. Records reviewed by OIG showed a 65-year-old and a 91-year-old lived at the Chicago address. The Operating Engineer was in his or her early 40s at the time of OIG's investigation.

The only witness who asserted that the Operating Engineer lived in the Chicago residence was the Operating Engineer's aunt, who, as a former City employee, was likely aware of the residency requirement. However the aunt's story contradicted the Operating Engineer's as she claimed that the Operating Engineer, the spouse, and the children all lived in the Chicago home and that the Operating Engineer had lived in the Chicago home for his or her entire life.

In an interview with OIG, the Operating Engineer acknowledged that the spouse and children had lived in Hazel Crest for a number of years and that the children attended school in Hazel Crest. The Operating Engineer denied living in Hazel Crest, but admitted to spending as much

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time in Hazel Crest as he or she wanted - including every night the week of OIG's interview. The Operating Engineer said the Chicago house was a family home that the Operating Engineer had lived in on-and-off since childhood. The Operating Engineer said the children lived in Hazel Crest because Chicago is not safe for children.

The evidence established the Operating Engineer's presence at the Hazel Crest residence and intent to live there. To the extent the Operating Engineer ever established residency at the City home, it was abandoned by failing to maintain a physical presence in the City home and having no intent to return to the City home as a permanent residence. A stated intent to return at some point in the distant future once the children are out of school is speculative - especially as nothing legally ties the Operating Engineer to the home.

Based on the evidence, OIG recommended that DWM take action consonant with the Residency Ordinance and Personnel Rules, which mandate discharge, and designate and refer the employee for placement on the ineligible for rehire list maintained by the Department of Human Resources (DHR).

After DWM served the Operating Engineer with charges seeking discharge for violating the residency ordinance, the Operating Engineer provided a five-page response, an Illinois School Report Card and print-outs from CPS.edu

<<http://CPS.edu>> containing general information about specific Chicago public schools, and copies of pieces of mail addressed to the Operating Engineer at both addresses. The response did not dispute the underlying facts established by OIG's investigation, but provided alternate explanations for those facts and questioned the credibility of the witnesses.

Ultimately, DWM, in consultation with the Department of Law (DOL), rejected OIG's recommendation to discharge the Operating Engineer. After its review of the Operating Engineer's rebuttal, DWM said it did not believe there was sufficient evidence to prove that the Operating Engineer's actual domicile was in the suburbs. DWM feared that it would not prevail before the Human Resources Board (HRB) if it proceeded with discharge and noted that should the termination be overturned, the Operating Engineer would receive back pay. In the meantime, DWM would have to pay overtime or acting up pay until it filled the Operating Engineer's position. DWM concluded by saying that "[t]his investigation has made [the Operating Engineer] fully aware of [his or her] obligation to be an actual resident of the City of Chicago. Any hint of non-compliance in the future will be addressed immediately and the Department will take all appropriate action." It is unclear how DWM and DOL will further monitor the employee's residency or take appropriate action at "any hint of non-compliance."

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E) *OIG Case #14-0525*

An OIG investigation established that a DOF Supervising Clerk violated the Illinois Criminal Code and the Personnel Rules when, on July 17, 2014, the clerk stole a \$200 payment from a customer instead of paying the customer's tickets. Specifically, the Supervising Clerk accepted cash from a customer and provided the customer with a receipt. The Supervising Clerk later canceled the payment without the customer's knowledge, leaving the customer to believe the tickets were settled. Once it became aware of the situation, DOF resolved the customer's tickets.

OIG recommended DOF terminate the clerk and refer that individual for placement on the ineligible for rehire list maintained by DHR. DOF agreed with OIG's recommendations and terminated the clerk on May 5, 2016. The employee appealed, and an arbitration is scheduled for August 2016. OIG will report the results of the appeal in a future quarterly report.

F) *OIG Case #14-0572*

An OIG investigation established that a DOF Booter solicited and obtained a \$100 bribe from a driver. The Booter, while on duty and operating a City van, identified a vehicle that City records noted had a boot inappropriately removed from it two months prior. The Booter threatened that the driver's car would be towed unless the driver gave the Booter \$100. The

driver obtained \$100 from a grocery store ATM while the Booter waited. The driver's account was corroborated by video from the store's security cameras, the driver's ATM receipt, and City records establishing the Booter's presence at the store. The Booter ultimately accepted the cash from the civilian and did not take any enforcement action with respect to the vehicle.

The Booter's solicitation of the civilian and acceptance of a bribe violated the City's Personnel Rules. The Booter is also facing criminal charges brought by the Cook County State's Attorney's office based on the above-described conduct. OIG recommended that DOF terminate the Booter and refer the Booter for placement on the ineligible for rehire list maintained by DHR. DOF agreed with OIG's recommendation and terminated the Booter, which the Booter has appealed.

G) *OIG Case #16-0110*

An OIG investigation established that a DOB Building Inspector solicited and received a bribe from a property owner in exchange for allowing renovation work to continue without required City permits. OIG reviewed the Inspector's work activity records, including GPS data, for the days and times the Inspector was alleged to be at the renovation site. GPS data confirmed the Inspector was at or in the vicinity of the renovation site on the days and times in question. OIG also reviewed transcripts of the property owner's conversations with the Inspector and confirmed the transcripts reflected the Inspector sought and received money from the property owner in exchange for not shutting down the renovation work. The Inspector is facing criminal charges for this action as described below.

By soliciting money in exchange for providing the property owner a favor, the Inspector engaged in an act that violated federal law and gave preferential treatment to the building owner in violation of the City's Personnel Rules. OIG recommended DOB terminate the Inspector's

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employment and refer the Inspector for placement on the ineligible for rehire list maintained by DHR. DOB agreed with OIG's recommendation and terminated the Inspector's employment. After the Inspector's discharge, DOB entered into a settlement agreement with the Inspector in which the City allowed the Inspector to resign in lieu of discharge, and the Inspector agreed to waive any right to contest the charges or discharge. Per City policy, the Inspector will be placed on the ineligible for rehire list in perpetuity.

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 Cook County State's Attorney's Office, the U.S. Attorney's Office, or the Illinois Attorney General's Office, as appropriate. For the purposes of OIG quarterly reports, 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 HRB¹¹) and grievance arbitrations concerning OIG's disciplinary recommendations.

1. Synopses of Criminal Cases

During this quarter, three criminal charges resulted from or were related to OIG cases. A criminal charge in the form of a complaint or indictment is not evidence of guilt. The defendants are presumed innocent and are entitled to a fair trial at which the government has the burden of proving guilt beyond a reasonable doubt.

(A) United States v. Roberto Uribe, 16-C R-0022 8 8-1 (N D IL)

Roberto Uribe, a Building Inspector for DOB, was arrested on April 5, 2016, for allegedly demanding a \$300 bribe from a property owner in exchange for allowing renovation work without a permit.

According to the criminal complaint, Uribe initially approached workers performing renovations at the building and asked if they had a permit to work on the front window facade. The workers put Uribe in touch with the building owner, who met with Uribe and learned of the bribery

¹ OIG may issue summary reports of investigation recommending administrative action based on criminal conduct prior to, during, or after criminal prosecution.

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://www.cityofchicago.org/city/en/depts/dhr/auto-generated/dhr our structure.html](http://www.cityofchicago.org/city/en/depts/dhr/auto-generated/dhr%20structure.html) (accessed July 9, 2015)

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solicitation. Cooperating with federal authorities, the building owner surreptitiously recorded the bribery demand and payment. Uribe allegedly told the owner, "I'm looking out for you, we're looking out for each other."

Uribe is charged with attempted extortion for soliciting the bribe. The attempted extortion charge is punishable by up to 20 years in prison and a \$250,000 fine.

B) State of Illinois v. Christopher Williams, 16-CR-6300 (Cir. Ct. of Cook County)

On May 04, 2016, Christopher Williams was arraigned on criminal charges including a Class 1 felony for theft of government property, a Class 2 felony for theft of property, and six counts of Class 3 felonies including one count of theft by deception and four counts of wire fraud.

The indictment alleged that, while employed by a City vendor as a security guard stationed at Department of Revenue payment centers, Williams received money from individuals under the pretense that he would settle and pay their fines and fees with the City. Williams then used a blank Department of Family and Social Services (DFSS) check to pay the fines and fees at a City payment kiosk, while keeping the money he had collected. Williams's alleged schemes drained the DFSS account of more than \$40,000 before DFSS employees noticed the fraudulent transactions and had the bank reverse those payments.

C) State of Illinois v. Brent Watson, 16-CR-09145-01 (Cir. Ct. of Cook County)

On June 24, 2016, Brent Watson, a City of Chicago Firefighter, was arraigned on criminal charges including two counts of theft and one count each of burglary and wire fraud.

The indictment alleges that Watson and his wife, Wendy Watson, accessed a foreclosed unit in their condo building without the permission or authority of the owner. The couple subsequently rented the unit out to new tenants, representing themselves as the owners of the properties and collecting monthly rent payments on the units. Because Watson had represented himself as a firefighter to the tenants, OIG partnered with the Cook County State's Attorney in the investigation, bringing this matter before the Grand Jury.

2. Developments in Prior Charged Criminal Cases

During this quarter, there was one significant development in a previously reported criminal case.

(A) United States v. Elizabeth Perino, 11 -CR-492 (N D IL)

On June 17, 2016, following a vveeklong trial, a jury in the Northern District of Illinois found Elizabeth Perino, a former sub-contractor for the City of Chicago, guilty for actions taken to defraud the City of Chicago Minority and Women-Owned Business (MWBE) program. Perino was convicted on three counts of wire fraud and one count of mail fraud, 18 U.S.C. § 1343 and 1341.

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Through her. company, Perdel Contracting Company, Perino acted as a pass-through on a multimillion dollar runway repair project at OTiare Airport and provided fraudulent MWBE invoices to support previously unmet goals in a compliance audit of another O'Hare public works project. More specifically, Perino schemed with the prime contractor and caused documents to be prepared and submitted to defraud the City by falsely claiming to have provided equipment and labor when Perdel did not perform, manage, or supervise any work on either project. Perino was originally charged by complaint in July 2011, following a joint investigation OIG and the Federal Bureau of Investigation with assistance from DPS. The conviction is punishable by a maximum sentence of 80 years in prison. A sentencing hearing is set for October 21, 2016.

3. Synopses and Results of Administrative Appeals or Grievances

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

(A) Update of OIG Case #13-0103

An arbitrator determined that the Chicago Fire Department (CFD): did not have "just cause" to terminate the employment of a Firefighter who worked as an extra on the television show Chicago Fire for one day while on medical leave, but said that the Firefighter was still subject to discipline for the misconduct. As reported in the third quarter of 2015, CFD discharged the Firefighter after an OIG investigation established that the Firefighter worked on the television program Chicago Fire while on medical leave. CFD's General Orders prohibit firefighters on medical leave from engaging in any outside employment during the leave. The arbitrator agreed with CFD that the Firefighter's activities constituted work and

violated the CFD General Order, but said the violation was not egregious. The arbitrator said there is a difference between an employee performing manual labor while on medical leave and non-strenuous work. The General Order, he said, left room for penalty short of termination.

The arbitrator did not reinstate the Firefighter or award back pay, but instead said CFD should treat the Firefighter as if the Firefighter had retired three months after the date of the termination. At the time of the Firefighter's termination, the Firefighter was three months away from being able to retire with medical benefits. Therefore, the arbitrator's decision protected the City from compensating the Firefighter for three months of pay while ensuring that the Firefighter was able to receive full retirement benefits.

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Recoveries

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

Update of OIG Case #09-0407

As previously reported in the fourth quarter of 2013, an engineering company operating as a WBE enterprise fraudulently billed the City for over \$200,000 of "burden and overhead" fees for the services of two consultants, in addition to the consultants' hourly fees. The company levied these fees even though the consultants worked at the Chicago Department of Transportation (CDOT), used City equipment, and were supervised by CDOT employees. By operating solely as a payroll processor for the consultants and thereby providing no commercially useful function, the company, which was a subcontractor on a City master consulting agreement (MCA) for roadway construction engineering services before obtaining its own City MCA, also violated the City's Debarment Rules.

In addition to recommendations regarding the individual consultants and City employees, OIG recommended that DPS impose sanctions on the engineering company pursuant to the City Debarment Rules. In March 2016, DPS entered into a settlement agreement with the company, in which the company agreed to pay the City \$10,000. The company also submitted an ethics and compliance plan to the City's Chief Procurement Officer.

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 two audits and one follow-up inquiry released this quarter.

(A) Chicago Fire Department Commissary Transactions Audit

CFD contracts with a vendor to maintain a store, called the Commissary, which issues, exchanges, and repairs CFD members' uniforms. OIG conducted an audit of CFD's issuance and exchange of uniform items at the Commissary.

OIG found 99.9% of Commissary transactions adhered to CFD policies or operational practices approved by CFD management. However, we also found that the Department neither submitted nor was appropriated a budget that accurately reflected the funds it intended to spend on

" Published April 20, 2016. See <http://chicagoinspectoriencral.ortt/wp-content/uploads/2016/04/Audit-of-CFD-Commissary.pdf>.

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Commissary expenses, hindering accountable financial evaluation by the Department and the City. Although we concluded that CFD and the vendor effectively managed the Commissary transactions, OIG recommended that CFD work with the Office of Budget and Management (OBM) to ensure that it budgets for all Commissary-related expenditures and, likewise, that all intended uses of the Illinois Fire Academy Training and Improvement Grant funds, including those for Commissary-related expenses, are budgeted. In response to OIG's recommendation, CFD stated that it would ensure that future grant funds would be processed in compliance with the City of Chicago Grants Management Policy, thus budgeting all intended Commissary funding.

B) Department of Administrative Hearings Adjudication Timeliness Audit¹

OIG conducted an audit of the Department of Administrative Hearings's (DOAH) efforts to ensure timely adjudication of cases. The purpose of the audit was to determine if DOAH used nationally recognized performance measures, namely clearance rate and time to disposition, to assess the flow and timeliness of cases under its purview. Clearance rate is the ratio of cases closed to cases opened in a given reporting period. A clearance rate under 100% means that a case backlog will grow because more cases are opened than closed. Time to disposition measures the number of days it took to close a case.

OIG's analysis found that DOAH's overall clearance rate for all cases between 2012 and 2014 was 993%. However, we also identified some case types with clearance rates substantially lower than the Department's overall rate. In addition, we found that some case types had significant changes in time to disposition between quarters, revealing occasional spikes in case length.

Based on the audit results, OIG recommended that the Department use clearance rate and time to disposition, as well as other similar measures where appropriate, to evaluate its own performance on an ongoing basis. When management identifies changing trends, it should work with ticketing departments to identify causes and, if necessary, create a plan to address them. In response to the audit, DOAH committed to adopting clearance rate and time to disposition standards and monitoring its performance through quarterly reporting and appropriate corrective actions.

C) Departments of Water Management and Finance Water Service Account Inventory and Revenue

*Follow-Up Inquiry*¹³

OIG inquired about the status of corrective actions taken by DWM and DOF in response to OIG's June 2015 audit of the City's Water Service Account Inventory and Revenue. OIG concluded the Departments had begun implementation of the corrective actions related to the original audit findings and that, once completed, the corrective actions may reasonably be expected to resolve the core findings noted in the original audit. Specifically, DWM now requires all new water accounts install a water meter immediately, thus reducing the opportunity for a construction site to receive water free of charge. DWM began notifying contractors that

¹² Published May 24, 2016. See <<http://chicagoinspectoreneral.ora/wp-content/uploads/2016/05/Audit-ot-DOAH->Adjudication-Timel incss.pdf>.

¹³ Published April 5, 2016. See <<http://ehicaaoinspectoriicnral.ori/wp-content/uploads/2016/04/Water-Servicc->Account-Inv-And-Rcv-Audit-Follow-Up.pdf>.

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were issued a permit before the change and expects to complete water meter installation at those sites by September 30, 2016. At the time of the follow-up, DWM had not finished converting certain non-metered service to metered service as required by MCC § 11-12-210, and had identified 515 accounts that remained non-compliant. DOF was still working to collect unbilled revenue amounts identified in the original audit. Finally, DWM obtained an amendment to the MCC regarding rates charged for temporary use of water from hydrants and aligned its practices to ensure the correct amount is charged to users.

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 two advisories and one notification this quarter.

*(A) Advisory Concerning Departmental Documentation of Operating Policies and Procedures*¹⁴

OIG completed a review of the City's practices for documenting operating policies and procedures. Regularly maintained, thorough, and well communicated policies and procedures are critical tools for both operational efficiency and government accountability. Policies that are not documented and distributed may be unknown to staff, inadequately followed, or misunderstood. OIG investigations and audits have revealed that various departments do not properly document, and communicate to staff, their policies and procedures. This lack of documentation and communication undermines the City's ability to govern effectively and efficiently and has resulted in lost revenue and decreased employee accountability.

For this review, OIG sent a questionnaire to 32 City departments to learn about their specific policy- and procedure-making practices. We received a variety of responses. Some departments reported that they fully documented and regularly updated policies and procedures, notified staff of policy and procedural changes, and documented that notification. However, others reported that they,

- did not have a written or defined policy and procedure review process;

- had documented and updated fewer than 75% of their policies and procedures;
- did not update controls to ensure the implementation of new policies and procedures.

With 32,059 staff employed in various departments, offices, and field locations, ensuring that all City employees are familiar with relevant policies and procedures can be a challenge. OIG suggested that the Mayor's Office provide a framework for how departments should create, document, distribute, and review policies and procedures. In response, the Mayor's Office recognized the importance of "thorough and well-communicated" policies and procedures, and

Published April 28, 2016. Sec <http://chicagoinspectoraclerul.org/publications-and-procs.s/oit-iidvisQrv-reaardina-eilv-operalina-poheies-and-procedures>.

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stated it would notify departments regarding expectations on how policies and procedures should be created, approved, and distributed. In addition, the Mayor's Office will begin requiring departments to submit an annual report outlining activity related to their policies and procedures.

(B) Advisory Concerning Claims Analysis and Risk Management^{1^}

An OIG inquiry determined that the City does not currently have a comprehensive risk management program and lacks the ability to analyze claims trends across the wide variety of claim types as is recommended best practice for local governments. This is a matter of significant concern because the City spends many tens of millions of dollars annually to pay claims. Based on the limited data available, OIG estimated that in 2013 and 2014 the City paid over \$457.8 million iii claims-\$203.1 million for workers' compensation, \$146.3 million for police misconduct and other public safety claims, \$54.9 million to settle a dispute with its parking meter contractor, and \$53.5 million on other claims, such as property damage or personal injury due to vehicle accidents-averaging \$4.4 million per week. OIG raised our concern about the City's lack of comprehensive risk management with DOF, which concurred that "regular analysis coupled with action taken as a result of that analysis may decrease claims and the associated liability."

Currently, the City has no comprehensive risk management program taking into account the multitude of risks and claims it faces. As a result, the City cannot analyze the total universe of its claims experience to reveal trends, and it takes no coordinated or proactive approach to reducing the frequency and severity of events leading to claims. OIG identified two key areas of concern to conducting claims analysis: fragmented responsibility for risk and claims-related activity and the lack of complete and accurate data.

Based on the risk management efforts of four other jurisdictions and best practice guidance for local governments, OIG suggested that the City invest in a modern, comprehensive risk management program with the key components of centralization, investment, and transparency. Specifically, the advisory suggested that Mayor's Office and City Council,

- invest in the City's capacity to collect and retain data in a manner that allows for optimal analysis;
- develop and implement a comprehensive risk management program, and take responsibility for the program's results; and
- publicly report relevant data in a format that promotes accountability for risk management.

In response, the City stated that it would establish a cross-departmental risk management working group, including project management support to address the data concerns outlined in the advisory. The working group will include worker's compensation claims in its analyses, but will exclude police misconduct for the time being, "in order to avoid pre-supposing the results of

^{1:1} Published June 30, 2016. See <http://chicagoinspector.org/publications/index.php/oiu-advisory-concerning-claims-analysis-and-risk-management-advisory/>.

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the Department of Justice review or duplicating those efforts." The City did not state whether it would publicly report on claims data.

(C) Notification Regarding Department of Streets and Sanitation Snow Program

OIG issued a notification to DSS after two OIG investigations identified systemic employee management and supervision issues within DSS's snow program. In one instance OIG found that a DSS dispatcher was paid overtime for an entire day of work during a snow event even though the dispatcher left halfway through the shift, was arrested for shoplifting, and did not return to work. When the dispatcher did not clock out, the dispatcher's supervisor assumed that the employee had worked a full shift and edited the dispatcher's time sheet to reflect that assumption. In explanation for the error, the supervisor stated that during a snow event, the primary focus of Snow Command and those working the snow program, is to get trucks on the street and get the snow plowed.

In a second instance, OIG found that, in January and February 2015, motor truck drivers (MTDs) plowed an elected official's residential block 46 times over the course of five days. The elected official's block was plowed before neighboring streets received service even though the official did not live on a main snow plow route, which receives priority plowing. These actions were in apparent violation of DSS's stated employee guidance and policies, including the City's official snow program maps. The investigation did not reveal deliberate preferential treatment, but rather a welter of fundamental misunderstandings of responsibilities and expectations in the snow program. These misunderstandings contributed to mismanagement and performance of duties that deviated from general program protocols, and did so in a way that created the appearance of preferential treatment for the elected official. Equally concerning, the evidence indicates that at least one DSS supervisor was untroubled by the appearance of preferential treatment and assumed the route deviation was expected as a past practice.

As a result of both incidents, OIG urged DSS to consider providing more robust and consistent direction and guidance to its drivers and supervisors, putting its procedures and policies in writing, clarifying and bringing into programmatic consistency MTD foremen's supervisory responsibilities, and refreshing ethics training for field employees and supervisors.

DSS informed OIG that it identified the first incident OIG described and reviewed the event with the supervisor on duty, who admitted to the oversight and received a verbal reprimand. In addition, DSS stated that it began making changes to the snow program in the summer of 2015 by reviewing and evaluating its snow operations to determine how it could provide better service to residents by ensuring manpower and routes were balanced, ensuring manpower and equipment were properly staged to support an expeditious transition from arterial programs to residential street programs, and

streamlining routes to eliminate duplicative work where possible. DSS said it provided drivers and foremen with training on the changes and reviewed with them basic policies, procedures, and rules. The training outlined conditions and procedures for modifying a route, clarified the supervisory systems for MTD foremen during a snow storm, and reminded all snow supervisors of their administrative responsibilities. Finally, DSS committed to formalizing

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its policies in writing and providing them to MTDs and supervisors to ensure consistent clear messaging.

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.

H. Hiring Oversight

Under Chapter XII of the City of Chicago General Hiring Plan, Chapter XI of CPD Hiring Plan, and Chapter IX of the CFD Hiring Plan,¹⁶ 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. During the second quarter of 2016, OIG received two reports of direct contacts.

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.

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 retiled, though not amended, on May 15, 2014. The City of Chicago also tiled 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 11, 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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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 second quarter of 2016, OIG received notice of one political contact:

- An elected official contacted a DOL employee to inquire about the status of three candidate's placement on the referral list for the covered position of Firefighter.

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 65 notifications of exempt appointments in the second quarter.

In the first quarter of 2016, DOL requested to add a position to Schedule G¹⁷ of the Exempt List. DHR agreed and granted DOL's request to add the Director of Labor Relations onto the Shakman Exempt List. OIG reviewed DHR's response within the second quarter did not have any objections.

In addition to these ongoing reviews, OIG is required to conduct an annual review of the full Exempt List to ensure that the City is maintaining an accurate record of Shakman Exempt employees and titles. OIG completed its Exempt List review this quarter. This year's review included 1,289 City positions classified as Shakman Exempt, which the City is allowed to fill using the Shakman Exempt Position Hiring Process outlined in Chapter VIII of the General Hiring Plan.

OIG's review found DHR's records of the Exempt List to be substantially accurate. OIG identified two instances where employees were accounted for on payroll records but not on DHR's database records, and 11 instances where employees were accounted for on DHR's database records, but not in payroll records. Furthermore, OIG found a small number of discrepancies between the number of Shakman Exempt positions identified on the Exempt List compared with DHR's database records.

In its response, DHR explained that the identified discrepancies were caused due to the different dates the relevant reports were created. After reviewing DHR's response, OIG had no further substantive comments or concerns regarding the City's Exempt List.

D) Senior Manager Hires

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

Of the 55 hire packets OIG reviewed in the second quarter, 21 pertained to Senior Manager positions, six of which contained errors. All of the errors were due to inaccurate or incomplete Hire Certifications, which DHR corrected. Due to the nature of the errors, OIG did not request further action.

¹⁷ Schedule G is comprised of First Deputy, Managing Deputy, Deputy Commissioner, Public Affairs Liaisons, Intergovernmental Affairs Liaisons,

and other miscellaneous titles.

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E) *Written Rationale*

When no consensus selection is reached during a Consensus Meeting, a Written Rationale must be provided to OIG for review.¹⁸

During the second quarter of 2016, OIG received two Written Rationales for review. OIG reviewed both notices and did not have concerns or objections.

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 second 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.

OIG received notice of 117 Task Order Requests during the second quarter. OIG received notice of 18 contracts or agreements. The chart below details contracts OIG received notice of in the second quarter of 2016.

Table #5 - Contract and Volunteer Opportunity Notifications

| Contracting Department | Contractor, Agency, Program, or other Organization | Duration of Contract or Agreement |
|--|---|--|
| Business Affairs and Consumer Protection | University of Chicago | 10 weeks |
| City Clerk | Professional Dynamic Network, Inc. | 4 months |
| Cultural Affairs and Special Events | Home Run Inn, Inc. | 12 months |
| Cultural Affairs and Special Events | Artist in Residence | 3 months |
| Cultural Affairs and Special Events | Artist in Residence | 3 months |

¹⁸ 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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| Contracting Department | Contractor, Agency, Program, or other Organization | Duration of Contract or Agreement |
|--|---|--|
| Business Affairs and Consumer Protection | University of Chicago | 10 weeks |
| City Clerk | Professional Dynamic Network, Inc. | 4 months |
| Cultural Affairs and Special Events | Home Run Inn, Inc. | 12 months |
| Cultural Affairs and Special Events | Artist in Residence | 3 months |
| Family Support Services | Chicago Metropolitan Battered Women's Network | 60 months |
| Finance | Chicago Summer Business Institute | 5 weeks |
| Finance | Professional Dynamic Network, Inc. | 6 months |
| Fleet and Facilities Management | Chicago Public Schools | 6 weeks |
| Innovation and Technology | Catalyst Consulting Group | 18 months |
| Innovation and Technology | Catalyst Consulting Group | 18 months |
| Innovation and Technology | Dell Marketing LP | 6 months |
| Inspector General | Professional Dynamic Network, Inc. | 6 months |
| Library | Midwest Tape | 60 months |
| Mayor's Office | Personal Service Agreement | 1 year |
| Mayor's Office | Personal Service Agreement | 1 year |
| Police | Early College STEM Schools Summer Initiative | 5 weeks |
| Public Health | M3 Medical Management Services | 4 months |

In 2015, the Chicago Department of Public Health (CDPH) acknowledged its utilization of temporary psychiatric services beyond the one year limitation established in the City's Contractor Policy. At that time CDPFI had not been able to fill its five vacancies for psychiatrists in four of CDPH's six mental health centers. CDPH cited the national shortage of trained mental health professionals, the comparatively low salary CDPH offered, and the City's residency policy as barriers to attracting qualified professionals. CDPH offered a corrective action plan to come into compliance with the Contractor Policy.

In the second quarter of 2016, 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 two of its six mental health centers. In an effort to remedy this situation, the City and CDPH have,

- J. increased the hourly wage for psychiatrists from \$87.73 to \$96;
2. reposted the vacancy and increased their sourcing efforts; and
3. implemented a loan forgiveness program with the National Health Service Corp.

OIG will continue to monitor and report on CDPH's ability to fill all of its staff psychiatrist vacancies.

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 seven titles within the following Departments: OBM, Planning and Development, and CDPH. OIG reviewed all instances of a change to minimum qualifications, and did not have concerns or objections.

In the first quarter of 2016, DOL requested to use the Private Secretary hiring process to appoint an Administrative Assistant to Deputy Corporation Counsel (AAD). OIG objected to the proposed appointment and cited a 2012 memorandum from DHR that limited the use of the Private Secretary hiring process to two titles exclusively, Executive Administrative Assistant I (EAI) or Executive Administrative Assistant II. The Executive Administrative Assistant positions require a Bachelor's degree from an accredited college supplemented by at least one year experience performing administrative functions. Comparatively, the AAD requires three years of relevant work experience, but a college degree is not required. In response, DHR updated the AAD job specification to align the requirements with the EAI position by now requiring a bachelor's degree. OIG no longer has any objections to DOL or DHR's use of the Private Secretary process to fill AAD titles.

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 seven referral lists, none of which contained errors.

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.

C) *Testing*

The Hiring Plan requires DHR to conduct an audit of DHR test administrations and scoring each quarter. In the second quarter, OIG audited testing administration materials²⁰ for 15 completed test administrations²¹ covering 8 City departments completed during the first quarter of 2016.

OIG found errors affecting two test administrations and reported them to DHR. These errors did not affect any candidates' placement on position eligibility lists or any final candidate selection decisions. None of the errors constituted a violation of the Hiring Plan. The individual errors and DHR's response to each error are detailed below.

i. Fleet and Facilities Management - Garage Attendant in Charge Multiple Choice Test

OIG observed that the grading of a candidate's answer sheet did not conform to the answer key. The DHR Testing Manager did not agree with OIG's assessment and gave the candidate credit for a correct answer. A rescore would not have affected the candidate's placement on the eligibility list or the final selection decision for the position, so no further action was taken by OIG.

ii. Streets and Sanitation - Seasonal Field Vehicle Investigator Skills Assessment

The testing materials did not include a referral or bid list for this sequence. OTG recommended that DHR Testing ensure referral or bid lists are included in the requested testing materials. The DHR Testing Manager agreed with the recommendation.

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, Aviation, CDOT, DOB, Fleet and Facility Management (2FM), and six other City departments selected at the discretion of OIG.

Auditing the hiring sequence requires an examination of the 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.

"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; (X) 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.

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 DIIR Recruiting Division for candidate selection and processing.

In the second quarter of 2016, OIG completed an audit of hire packets for 29 hiring sequences. OIG selected these hiring sequences based on risk factors such as past errors, complaints, and historical issues with particular positions. These 29 hiring sequences involved 15 departments and 57 selected candidates. Of the 29 hire packets audited, errors were identified in 4 hiring packets. These errors involved incomplete Hire Certification forms. In all four sequences, the error involved interviewers or Human Resource Liaisons failing to initial the Hire Certification. OIG provided these findings to DHR, which took steps to correct the Hire Certifications and complete the hire packets. No further action was required.

During its review of the Hire Packet for CPD Captain-SES OIG found that the hire packet did not contain the Screening Board's list of referred candidates to the Merit Board or the Merit Board's list of recommended candidates to the Superintendent. Without this information, OIG was unable to confirm which candidates the Screening Board referred to the Merit Board and which candidates the Merit Board recommended for hire to the Superintendent. OIG recommended that DHR work with CPD-HR to include the CPD Screening Board's referral list and the Merit Board's Recommendation memorandum in Captain-SES hire packets. This will ensure that the completed hire packet reflects that the Screening and Merit Boards followed all procedures required by Chapter IV.B of the CPD Hiring Plan for Sworn Titles.

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 55 hire packets in the last quarter. In those 55 packets, there were 10 errors related to Hiring Certifications. All ten errors involved participants in the hiring sequence failing to initial the Hiring Certification. OIG provided these findings to DHR, and corrective steps were taken to correct the Hire Certifications and complete the hire packets. No further action was required.

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.

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 the first quarter audit within the second quarter. During the first quarter of 2016, OIG audited assignment packets from four Non-Bid Duty Assignment

sequences, and three Non-Bid Unit Assignment sequences completed in the fourth quarter of 2015. Of the packets audited, OIG identified six errors in four assignment sequences. Five of the errors involved missing, incorrect, or incomplete documentation. The sixth was a processing error regarding intra-bureau unit assignments. The selected

candidate did not submit an application or any of the required documents as outlined by the Notice of Job Opportunity as posted on CPD's Administrative Messaging Board. Once brought to CPD's attention, the former Supervisor of Personnel Administration reasoned that the selected candidate was not required to submit an application because the assignment occurred within the same Bureau. OIG disagreed and presented the findings to CPD-HR management who agreed that all non-bid unit assignments, including intra-bureau assignments, should be filled through the process outlined in Appendix E.

In contrast, OIG recognizes that assignments to a different geographical area of the same unit would not necessarily result in a change of job duties and therefore it is reasonable for CPD to move officers within those units without going through the process outlined in Appendix E. In the event of future organizational changes which may result in additional non-bid units or non-bid duty assignments that are further broken down into geographical areas, OIG recommended that CPD-FIR notify and work with OIG to determine the process for making assignments among these new areas.

OIG has completed the second quarter audit, and will report on the findings in the third 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 second quarter of 2016, OIG selected a sample of assignment packets for completed process review covering 17 specialized unit assignment sequences completed in the first quarter of 2016. OIG identified six errors in five assignment sequences. These errors involved missing, or incomplete Hire Certifications, and one candidate assessment form error.

CFD expressed some difficulty in obtaining the selected candidates' signatures on Hire Certifications. OIG recommended that CFD instruct selected candidates to complete Hire Certifications, either as a part of the interview process or immediately following candidate selection via electronic mail. Additionally, OIG recommended that every member of the CFD Personnel Division (CFD-IIR) that participated in the assignment process should sign the Master Hire Certification for each assignment sequence. CFD-HR agreed to create a new process for obtaining the signature of candidates selected for assignments on Hire Certifications.

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

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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, 5 test administrations, 22

sets of interviews, and 16 consensus meetings. The table below shows the breakdown of monitoring activity by department."

In the first and second quarters of 2016, OIG monitored two sets of interviews and consensus meetings for the same title in CPD. While monitoring, OIG observed and learned of several issues, including scheduling conflicts with the conference room where the interviews were conducted, candidates escorted to the wrong interview panel, and interview packets containing unrelated confidential employee information. Additionally, the interview panelists were not provided with candidates' resumes. OIG recommended that all CPD-HR employees participate in DHR's department specific Human Resource Liaison training aimed at improving performance and standardizing personnel practices. CPD-HR and DHR agreed with OIG's recommendation and the training was completed in the second quarter. OIG will continue to monitor CPD hiring sequences and Human Resource Liaison performance.

Table #6 - Second 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 |
| Aviation | | | 1 | 1 |
| Business Affairs and Consumer Protection | | | | 1 |
| City Clerk | 2 | | | |
| Cultural Affairs and Special Events | | | 1 | 1 |
| Family and Support Services | 1 | | | |
| Finance | | | 1 | 1 |
| Fire | | | 2 | 2 |
| Fleet and Facilities Management | | | 2 | 2 |
| Human Resources | | | 1 | 1 |
| Independent Police Review Authority | | | 1 | |
| Planning and Development | | | 1 | 1 |
| Police | | 3 | 4 | 2 |
| Procurement Services | | | 1 | |
| Public Health | 3 • | | 1 | 1 |
| Public Library | 4 | | | |
| Streets and Sanitation | | | 1 | 1 |
| Transportation | 4 | 2 | 3 | 1 |
| Total | 14 | 5 | 22 | 16 |

" If a department is not included in this table, OIG did not monitor any elements of the departments' hiring sequences).

(I) Acting Up²⁴

OIG audits the City's compliance with Chapter XI of the General Hiring Plan and the Acting Up Policy.

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

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

| Department | Position | Number of Employees | Date of Response | Duration of Waiver |
|-------------------|----------------------------------|----------------------------|-------------------------|---------------------------|
| Transportation | Foreman of B/S Iron Workers | 1 | June 17,2016 | August 31, 2016 |
| Water Management | Chief Mason Inspector | 1 | June 17,2016 | August 31, 2016 |
| Water Management | Construction Laborer Sub-Foreman | 1 | June 17,2016 | August 31, 2016 |
| Water Management | Foreman of Pipeyards | 1 | June 17,2016 | August 31, 2016 |
| Public Health | Administrative Assistant II | 1 | June 9,2016 | August 5, 2016 |
| Public Health | Administrative Assistant 1111 | 1 | June 9,2016 | August 5, 2016 |
| Public Health | CDCI Supervisor | 1 | June 9,2016 | August 5, 2016 |
| Public Health | Epidemiologist HI | 1 | June 9, 2016 | August 5, 2016 |

In the first quarter of 2016, OIG initiated an audit of 2FM, CDOT, and DWM's requests for Acting Up waivers in 2015. The purpose of this audit was to measure compliance with the Acting Up Policy's 90-day limitation and Waiver Request requirements. The audit was completed and sent out to City Departments in the second quarter.

The audit found that the departments generally complied with the waiver requirements for employees exceeding 90 days of Acting Up within a calendar year. Only a small number of employees at DWM and 2F1V1 had Acted Up over 90 days without an approved waiver. OIG determined that these instances were not caused by systemic issues, but were the result of human error. OIG notified DWM and 2FM of the errors and they promptly submitted the required waiver requests to DHR.

:" "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.

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OIG found that CDOT had a substantial number of employees Acting Up beyond 90 days without an approved waiver. OIG further found that these violations were the result of a failure to track and report Acting Up at CDOT. OIG worked with CDOT to improve the accuracy of their Acting Up reporting. These improvements included using additional resources and staff to review Acting Up reports, using payroll reports to confirm the accuracy of reported Acting Up, and

collecting Acting Up data on a regular and consistent basis. Subsequently, CDOT has submitted waivers for all employees who have exceeded 90 days of Acting Up, and it began the hiring process for titles most frequently Acted Up into. OIG will continue to monitor progress at CDOT.

(J) Arbitrations and Potential Resolution of Grievances by Settlement

Chapter XII.C.7 of the City's Hiring Plan requires the Hiring Oversight section of OIG to audit grievance settlement decisions that may impact procedures governed by the Hiring Plan.

OIG received one notice of a settlement agreement from DHR during the second quarter of 2016. OIG reviewed the matter and did not have concerns 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 second quarter of 2016. OIG concluded one pending escalation within the second quarter. The details of the escalation are reported below.

i. Department of Public Health

On January 20, 2016, DHR escalated a hiring sequence to OIG due to concerns that the hiring manager may have given preferential treatment to an interviewed candidate who formerly worked at CDPH as an intern and later as a contractor.

OIG monitored the Consensus Meeting, and reviewed all documentation from the hiring sequence. OIG found no evidence of preferential treatment on the part of the interviewers. Out of an abundance of caution OIG recommended that CDPH assign an independent, senior level Hiring Manager to make the final selection decision and the interviewers should discuss each interviewed candidate at the consensus meeting. CDPH and DHR agreed to and complied with OIG's recommendations.

(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 11 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 #7 - Disposition of Hiring Oversight Complaints Received in the Second Quarter • 2016

| Status | Number of Complaints and/or Cases |
|--|---|
| Cases Pending at the End of the 1 st Quarter of 2016 | 11 |
| Complaints Received in the 2 nd Quarter of 2016 | 11 |
| Complaints Declined without Inquiry in the 2 nd Quarter of 2016 | 0 |
| Complaints Pending at the End of the 2 nd Quarter 2016 | 0 |
| Cases Referred by OIG Investigations in the 2 nd Quarter 2016 | 0 |
| Total Cases Closed in the 2 nd Quarter 2016 | 6 |
| 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 June 30, 2016 | 16 |