

**OFFICE OF THE INSPECTOR GENERAL
CHICAGO HOUSING AUTHORITY**

REPORT OF THE OFFICE OF THE INSPECTOR GENERAL

2018 FIRST QUARTER REPORT

JANUARY 01, 2018 THROUGH MARCH 31, 2018

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INSPECTOR GENERAL

APRIL 13, 2018



April 13, 2018

To Chairman Hooker, Chair Markowski and Members of the Finance/Audit Committee:

Enclosed for your review is the 2018 First Quarter Report on the activities and initiatives of the CHA Office of the Inspector General (OIG) pursuant to the mission and directives mandated in the *Office of the Inspector General Charter*.

The OIG received 151 complaints during the first quarter. The OIG provided 106 investigative support matters to internal and external stakeholders; referred 24 complaints to other CHA departments; declined 20 complaints; initiated 1 investigation; and closed 3 investigations during the quarter.

The OIG has 35 pending investigations, of which 32 have been opened for more than 6 months. An investigation can remain open longer than 6 months for variety of reasons including but not limited to complexity of the case; under review by the prosecuting agency; indicted but no dispositions; and investigations that are subject to grand jury inquiry. In order to maintain the integrity of on-going investigations, the OIG quarterly reports will not contain information on pending investigations.

The Illinois Attorney General's Office indicted CHA contractor Mohd Assaf of two separate indictments pending in DuPage County and Cook County. The OIG conducted the investigation on both matters. The joint press release is attached to this report.

The OIG completed the Project Based Voucher (PBV) Waitlist audit this quarter. Summary of findings and CHA Property Office's responses are contained herein.

On March 28, 2018, the OIG conducted multiple Fraud Awareness Training sessions for approximately 600 CHA staff.

On March 27, 2018, I presented certain OIG activities to the Finance/ Audit Committee during the closed session of the committee meetings.

I thank Chairman Hooker, Chair Markowski and members of the Finance/Audit Committee for your interest, and continued support of promoting transparency, accountability, and public trust in the administration of CHA programs. I believe that the OIG audits and investigations have certainly contributed to the enhanced environment of accountability and transparency. This opinion was shared with the OIG by many CHA employees and Eugene Jones, CEO.

Respectfully submitted,

Elissa Rhee-Lee
Inspector General

<u>TABLE OF CONTENTS</u>	<u>PAGE</u>
A. MISSION STATEMENT	4
B. INVESTIGATIONS AND PROGRAM REVIEW STANDARDS	4
C. INVESTIGATIONS AND AUDITS – STATISTICAL TABLES	5
✓ COMPLAINTS BY METHOD	5
✓ COMPLAINT DISPOSITION	5
✓ SUBJECT OF INVESTIGATION	5
✓ INVESTIGATIVE CLASSIFICATION	6
✓ CLOSED INVESTIGATIONS	6
✓ INDICTMENTS/CONVICTIONS	6
✓ PENDING INVESTIGATIONS	6
✓ PENDING AUDITS AND REVIEWS	6
✓ INVESTIGATIONS NOT CONCLUDED WITHIN SIX MONTHS	7
D. NOTABLE INVESTIGATIVE SUPPORT	7
E. SIGNIFICANT INDICTMENTS	7
F. CLOSED INVESTIGATIONS SYNOPSIS	8
✓ CLOSED CRIMINAL CASES	8
✓ CLOSED ADMINISTRATIVE CASES	9
G. CLOSED AUDITS AND REVIEWS SYNOPSIS	9
H. ANALYTICS	18
I. FRAUD AWARENESS TRAININGS	19

This quarterly report provides an overview of operations of the Office of the Inspector General (OIG) during the period of 01/01/2018 through 03/31/2018. This report includes statistical and narrative summaries of OIG activities for the past quarter.

A. MISSION OF THE INSPECTOR GENERAL'S OFFICE

The OIG is an independent oversight office whose mission is to promote economy, efficiency and integrity in the administration of programs and operation of the Chicago Housing Authority (CHA).

The OIG achieves this mission through:

- Criminal Investigations
- Administrative Investigations
- Program Reviews
- Performance Audits
- Analytics
- Advisories
- Fraud Awareness Training

From these activities, the OIG issues report of findings and disciplinary and policy recommendations to ensure that CHA officers, the Board of Commissioners, employees and vendors are held accountable for running an efficient, cost-effective operation. Furthermore, the OIG seeks to prevent, detect, identify, expose and eliminate waste, inefficiency, misconduct, fraud and abuse of public authority in CHA's use of funds.

B. INVESTIGATIONS AND PROGRAM REVIEW STANDARDS

The OIG conducts its investigations in accordance with the *Association of Inspectors General Principles and Standards for Office of Inspectors General*, generally accepted principles, quality standards and best practices applicable to federal, state, and local offices of Inspectors General. These include both general standards and qualitative standards as outlined in the above publication. Additionally, the OIG, always exercises due professional care and independent impartial judgement in conducting investigations and the issuance of reports and recommendations.

The OIG conducts audits of programs in accordance with *Generally Accepted Government Auditing Standards issued by the Comptroller General of the United States and Principles and Standards for the Offices of Inspector General*. Those standards require that we plan and perform the audit to obtain sufficient, and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. The adherence to these standards ensures that audits and program reviews comprise the requisite independence, planning, organizing, staff qualifications, direction and control, coordination, reporting, confidentiality and quality assurance.

C. INVESTIGATIONS

The OIG conducts both criminal and administrative investigations into the performance of officers, employees, contractors, functions, and/or programs, either in response to complaints, audits or upon OIG's own initiative.

The OIG received 151 complaints/matters during the first quarter of 2018. Out of the 151 complaints, we provided investigative support to both internal and external stakeholders for 106 matters. We initiated 1 investigation, we referred 24 complaints to other agencies or departments and we declined 20 cases. Matters can be declined for a variety of reasons such as insufficient information provided, insufficient resources to address, no actionable information contained in the allegation, or not within the OIG’s jurisdiction. The OIG closed 3 investigations during the first quarter.

Table # 1 Complaint by Method

Complaint by Method

Source	Number
Emails	48
Website Submissions	80
Hotline	12
In Person	5
Mail	6
Fax	0
Analytics	0
Total	151

Table # 2 Complaint Disposition

Complaint Disposition

Disposition	Number
Investigations	1
Investigative Support	106
Referrals	24
Declined	20
Total	151

Table # 3 Subject of Investigation

Subject of Investigation

Subject	Number
Program Participants	0
Contractors, Subcontractors, Vendor	1
Employees	0
Other	0
Total	1

Table # 4 Investigative Classification

Investigative Classification

Classification	Number
Administrative	1
Criminal	0
Total	1

Table # 5 Closed Investigations

Closed Investigations During the Quarter

Classification	Number
Administrative	0
Criminal	3
Total	3

Table # 6 Indictments/Convictions

Indictments/Convictions

Action Category	Number
Indictments	2
Convictions	0
Restitutions	0
Debarment	0
Total	2¹

Table # 7 Pending Investigations

Pending Investigations

Classification	Number
Administrative	10
Criminal	25
Total	35

Table # 8 Pending Audits

Pending Audits

Audit Name	Time Frame
Follow-up Occupancy	06/30/2018

¹ One OIG investigation resulted in 2 indictments (See Page 7– Significant indictments)

INVESTIGATIONS NOT CONCLUDED WITHIN SIX MONTHS

Under the *Inspector General Charter*, the OIG must provide quarterly statistical data on pending investigations/matters open for more than six months. Of the 35 pending matters, 32 have been open for at least six months. The following table shows the general reasons why these matters remain open.

Table # 9 Investigations Not Concluded within Six Months from Initiation

Reasons	Number of Investigations
A. Complex investigation, generally involve difficult issues of multiple subjects and/or under review by prosecuting agency	27
B. Indicted cases, but no criminal disposition	5
C. On-hold, to not interfere with another on-going investigation	0
Total	32

D. NOTABLE INVESTIGATIVE SUPPORT

CHA Health Partnership Initiative

In collaboration with CHA’s Resident Services Department, the OIG reviewed twelve health partnership applications this quarter utilizing open source information. Of the twelve applications reviewed, there was no derogatory information identified. The OIG will continue to review partnerships on an ad-hoc basis and ensure activities provided by health partners are in the best interests of the CHA and its residents.

E. SIGNIFICANT INDICTMENTS

An OIG investigation resulted in two criminal indictments against the same defendant this quarter. The following is a summary of this case.

Mohd Assaf

The CHA OIG initiated an investigation involving former CHA vendor, Mohd A. Assaf (Assaf), the owner of M & M Painting Services Inc. Assaf has been a contractor with the CHA since 2008. Assaf has been paid a total of 5.8 million dollars from 2008 through 2016.

The OIG conducted an administrative investigation which was subsequently sustained related to fraudulent business practices when he was contracted to perform work on CHA properties through direct procurement with a Private Property Management Firm. The OIG recommended debarment proceedings which was concluded in 2017. The CHA management concurred with

the decision of the Hearing Officer and M&M and Mohd Assaf have been barred from future work with CHA for 5 years.

The OIG also conducted a parallel criminal investigation against Assaf and his company. The investigation revealed that between November 2016 and February 2018, Assaf attempted to and/or successfully cashed or deposited fraudulent CHA checks totaling over \$193,000. Assaf created the fraudulent checks from valid CHA checks he was issued while his company was an active CHA vendor from September 2008 to April 2016.

On January 30, 2018, the Office of the Illinois Attorney General filed a multi-count indictment against Assaf in the DuPage County Circuit Court charging him with four counts of forgery and three counts of theft. An arrest warrant was issued for Assaf and the bond was set at \$75,000.

On February 21, 2018, the Office of the Illinois Attorney General filed a multi-count indictment against Assaf in the Cook County Circuit Court charging him with five counts of forgery and four counts of theft.

Assaf is currently being held with no bond and his criminal court cases in DuPage County and Cook County are still ongoing.

F. CLOSED INVESTIGATIONS SYNOPSIS

An OIG investigation can be either administrative, criminal or both. Administrative investigations generally involve violations of HUD regulations and/or CHA rules, policies or procedures. For sustained administrative investigations, the OIG prepares a summary report of the investigation and its findings. These summary reports are presented to the CEO and the impacted department to facilitate an appropriate resolution. They are available upon request to the Audit Committee. In order to maintain confidentiality and integrity of the pending investigations, the OIG has omitted any information on pending/open investigations.

In criminal investigations, if there is sufficient evidence gathered for potential prosecution, the investigation will be presented to a prosecuting agency for review. In the event a tenant fraud case is declined by the prosecuting agency, the evidence obtained can be referred to CHA departments for appropriate administrative sanctions including termination of participant's voucher, debarment, or civil action remedies.

CLOSED CRIMINAL CASES

Three criminal cases were closed this quarter. One case was not sustained and two cases were declined. The following is a summary of the significant criminal cases.

OIG Ref# 2017-03-00055

A CHA OIG investigation was initiated in March 2017. The investigation revealed that a CHA HCV participant had fraudulently received duplicative rental assistance from FEMA during the time they were receiving rental assistance from the CHA. The investigative findings were presented for criminal prosecution. Due to the statute of limitations related to specific charges expiring

in 2017, the matter was declined by the prosecuting agency in March 2018. The matter will remain open under the CHA OIG's FEMA Fraud Initiative pending the outcome of the participant's Intent to Terminate (ITT) hearing.

OIG Ref# INC-2017-05-00038

A CHA OIG investigation was initiated in May 2017. The investigation revealed that a CHA HCV participant had fraudulently received duplicative rental assistance from FEMA during the time they were receiving rental assistance from the CHA. The investigative findings were presented for criminal prosecution. Due to the statute of limitations related to specific charges expiring in 2017, the matter was declined by the prosecuting agency in March 2018. The matter will remain open under the CHA OIG's FEMA Fraud Initiative pending the outcome of the participant's ITT hearing.

CLOSED ADMINISTRATIVE CASES

There were no closed administrative cases this quarter.

G. CLOSED AUDITS AND REVIEWS SYNOPSIS

The investigative team continues to rely heavily on the audit and analytics team for investigative support in financial frauds and forensic accounting matters. This support is critical to allow the OIG to conduct and lead multi-jurisdiction, complex investigations. The audit staff's support on investigative matters will continue to be an integral part of OIG investigations.

The OIG finalized the Project Based Voucher (PBV) Waitlist for the PRA Program Audit in March 2018. The OIG did not audit the complete PRA program operation. Below is CHA management's response to the audit.

Project Based Voucher (PBV)

As a part of the Plan for Transformation, CHA designed a program named Property Rental Assistance (PRA) as another option to provide long term quality housing to low-income families, using funds from the Housing Choice Voucher (HCV or Section 8) Program. Initially, the PRA program was managed by the HCV Department. In October 2010, the PRA program was moved to the Asset Management Department, otherwise known as the Property Office (P.O.), as a pilot initiative of the Mixed Income portfolio. The P.O. still manages the program today.

Unlike HCV, the housing subsidy is attached to a specific unit or building owned by a private developer, whom CHA has a PRA contract with, or is attached to a building owned by CHA. CHA issues a Housing Assistance Payment (HAP) to the owner on behalf of the tenant. This assistance program is called Project Based Voucher (PBV). CHA commits PBV's to privately developed and owned housing units. CHA sends a list of applicants (from CHA waitlists) to owners for screening and selection based on the Tenant Selection Plan (TSP) included in the contract with CHA.

Observation 1: Lack of Managerial Control and Oversight of the PBV Waitlist

Risk Level: High

During the audit, the OIG interviewed leadership and staff from the Property Office as well as the contractor performing the day-to-day operations of the program. Based on these interviews, the OIG noted that the P.O. lacks managerial control and oversight of the PRA program administered by contractor NMA. Each of the following sub-findings led the OIG to reach this conclusion.

A. Significant Number of Applicants were not Selected from CHA's Waitlist

During the audit period, 54% of the PBV participants were not selected from CHA's waitlist. This situation has precluded the CHA from reducing the number of applicants on its own waitlist for more than a decade. The utilization of the owner's waitlist applicants should only be used when there are no eligible CHA waitlist applicants.

Pursuant to CHA Housing Choice Voucher Program Administrative Plan, (HCV ADM Plan) Section 17-VI.C:

Selection from the Waitlist:

Applicants who will occupy units with PRA assistance will be selected from the CHA's PRA waitlist. The CHA may establish selection criteria or preferences for occupancy of particular PRA units. The CHA will place families referred by the PRA owner on the PRA waitlist.

Owner Referrals:

The CHA may allow direct owner referrals of applicants after 30 to 60 days of unsuccessful attempts by the owner to process referrals from the CHA's waitlists.

Specifically, the OIG noted that the PRA Property Managers were housing more applicants from their own waitlist than from applicants referred from the CHA's waitlist. The total number of PBV's issued during the audit period is 1,347. This number is reduced to 1,171 when excluding the Veterans Affairs Supportive Housing (VASH) and Regional Housing Initiative (RHI) population. From this, the number of ID's starting with a "t," or who purportedly did not come from CHA's waitlist, is 821. Generally, a separate waitlist code is attached to each tenant's record, and those noted as "vpbv" will further identify those participants who came from an owner's waitlist. In absence of this code, the OIG searched the Yardi database to identify whether a participant has been on any CHA waitlist or was a previous CHA participant.

When excluding vouchers that target the veteran family population, participants that were transferred from CHA public housing and applicants that had been on a previous CHA waitlist, the number of tenants selected outside of the CHA's waitlist is 632 or 54 % of the 1,171 applicable PBV's issued during the audit period (See appendix A & B).

When conducting the field work, PRA Property Managers informed the OIG that their outreach efforts were unsuccessful at locating CHA's applicants because of outdated applicants' contact information (See Finding II).

During the field work, the OIG documented cases where PRA Property Managers could not provide their own historical waitlist documents from which a participant was supposedly

selected. The OIG also noticed that some PRA Property Managers selected participants from exclusively from the CHA waitlist. The *Section 6. (d). Owner Responsibility* of PRA HAP contract stated that the owner is responsible for maintaining sufficient record, and take necessary actions, to assure compliance with all obligations relating to contract units.

Risk:

1. Inefficient administration of the Program.
 - The OIG was not able to review and inspect documents and or historical data that would provide insight as to the root cause of why more applicants were selected from the owner's waitlist over the CHA's waitlist.
2. Owner/Property Managers' ability to circumvent the CHA waitlist and potentially discriminate against individuals during the selection process causing the CHA to be in violation of the Federal Fair Housing Act (42 U.S. Code § 3601-3619)²
3. Potential waste due to CHA's inability to house applicants from its own waitlist.
4. Possibility exists that the participants were not selected from any waitlist.
5. CHA reputational risk

Recommendation:

1. CHA P.O. should perform quality control of contractor NMA's performance in the administration of the PBV waitlist of the PRA program.
2. CHA should review the accuracy of applicant contact information before forwarding them to PRA Owners / Property Managers.
3. Review internal process to ensure the program's integrity.
4. Establish a process to ensure consistent application of the HCV ADM Plan, as it relates to PRA, to prevent abuse by Property Managers.

² The Fair Housing Act, which is Title VIII of the Civil Rights Act of 1968, prohibits discrimination against certain protected classes in residential dwellings, including discrimination because of race, color, national origin, religion, sex, disability and the presence of children. The Act was amended by Congress in 1988, and in 2013, HUD published a proposed rule that implements the affirmative duty to further fair housing (78 Fed. Reg. 43710).

Management Response:		
X Concur with observation and recommendation	<input type="checkbox"/> Do not concur with observation and recommendation	<input type="checkbox"/> Concur with part of the observation and recommendation
<p>Response: Property Office received two recent approvals for the following:</p> <p>1) Refer to the attached Approved Property Office Site-Based Waitlist Initiative: Property Office has received approval to transition to its own online site-based waitlist; thus allowing CHA to continuously track and record each selected PBV participant for PBV units directly from the CHA online site based waitlist portal.</p> <p>2) Refer to the attached CHA Board authorization for the 2018 Proposed HCV Administrative Plan (Admin Plan). Changes to Chapter 17 of the Admin Plan: Selection of PRA Program Participants will assist CHA in ensuring the quality control of the PRA program is adhered to per OIG's recommendations:</p> <p><u>Changes to Selection of PRA Program Participants</u> Changes to the former waitlist process will reduce the timeframe in leasing a PBV unit, allow CHA to have more waitlist control and enforced monitoring for PBV program participants. Property Office is implementing an online site based waitlist portal for PBV developments. This new system will be monitored by Property Office's Occupancy Department.</p> <p>The former Admin Plan Chapter 17 required CHA to fill PBV units through the use of a 50%/50% split from both the public housing general waitlist and PRA waitlist. Unfortunately, this selection process prohibited PBV participants from directly selecting a PBV property in which they were interested in residing at, contributed to the delay in unit leasing and discouraged PBV owners from participating in the program.</p> <p>Refer to the attached Property Office Site-Based Waitlist Initiative-Received court approval of site based waitlist plan. Implementation FY2018 Qtr. 2. Refer to Nov 27, 2017 Board Authorized HCV Admin Plan FY2018 Chapter 17: Selection of PRA Program Participants</p>		
Custodian:	Ketsia Colinet, Director of Housing Policy & Occupancy	
Implementation Timeline:	FY2018 Qtr. 2	

B. Inability to Provide a Record of CHA's Approval for Owner Referrals

CHA's P.O. was unable to provide records authorizing Owners or Property Managers to use their own waitlists to fill PRA vacant units. Likewise, contractor NMA failed to keep supporting documentation. As a consequence, the OIG could not determine whether tenants that are occupying PRA units complied with the CHA selection criteria, or have been selected from any waitlist.

Pursuant to HCV ADM Plan Section 17-VI.C:

Selection from the Waitlist.

Applicants who will occupy units with PRA assistance will be selected from the CHA's PRA waiting list. The CHA may establish selection criteria or preferences for occupancy of particular PRA units. The CHA will place families referred by the PRA owner on the PRA waitlist.

Owner Referrals:

Beginning 180 days from initial occupancy of new construction and substantial rehabilitation developments, the CHA may begin referring applicants from the existing PRA waiting list for screening by the owner. Within 90 days of initial occupancy, the owner may refer applicants from the development's waitlist for certification of eligibility if all units have not been leased to families on the waitlist. Once the proposed family's eligibility and preference status is determined by the CHA, the CHA will place the family on the PRA waitlist and process their application. For existing housing, the CHA will refer applicants for vacant contract units for the first 30 to 60 days after HAP contract execution. The CHA may allow direct owner referrals of applicants after 30 to 60 days of unsuccessful attempts by the owner to process referrals from the CHA's waiting lists.

During the audit, the OIG interviewed the Deputy Chief Property Officer to confirm the number of applicants, referred by Owners or Property Managers, that CHA has approved during the period audited. The Deputy P.O. informed the OIG that the department does not maintain records or documentation of CHA approvals. The P.O. did not document authorization given to owners to fill vacant PRA units with applicants from their waitlists. NMA also provided the OIG with the same explanation and added that from this point on, they will document and keep record of any and all approvals.

The OIG also noted that Owners or Property Managers have to wait for a tenant to be approved for a unit before scheduling a unit inspection. This process further lengthens the vacancy period.

Risk:

1. Inefficient administration of the Program.

Recommendation:

1. CHA P.O should keep a record of approvals given to an owner to use their own waitlist for each unit.
2. Applicants should be selected as described is in the above section.
3. Property Managers should schedule unit inspections as soon as the units become available.

Management Response:		
<input checked="" type="checkbox"/> Concur with observation and recommendation	<input type="checkbox"/> Do not concur with observation and recommendation	<input type="checkbox"/> Concur with part of the observation and recommendation
<p>Response One: Refer to the attached <u>Approved Property Office Site-Based Waitlist Initiative</u> Property Office has received approval to transition to its own online site based waitlist; thus allowing CHA to continuously track and record each selected PBV participant for PBV units directly from the CHA online site based waitlist portal.</p> <p>Response Two: PBV Property Owners/Managers are currently required to notify CHA/NMA immediately of all upcoming or recently vacated PBV unit(s). As part of the existing inspection process, Property Management/Owners must place a request to the 3rd party inspection vendor, CVR to conduct a unit inspection. This process is aligned to the HCV Housing Quality Standards (HQS) process.</p> <p>Response Three: Property Office will continue to conduct onboard trainings of the PBV process for any new PBV Owners/Property Management team. However, Property Office has identified that the original PBV Owner/Property management firm does not conduct a transfer of knowledge of the PBV program to its new employees. Therefore, Property Office has taken appropriate compliance measures and currently conducts training via live webinar. Property Office will commence to recording and distributing these live webinar trainings on a quarterly basis to PBV owners/property managers for compliance assurance.</p>		
Custodian:	Jewell Walton, Sr. Director RAD & PBV Programming	
Implementation Timeline:	FY2018 Qtr. 2	

C. No Quality Control Review of Owners' Tenant Selection Process

Pursuant to HCV ADM Plan Section 17-VII.A:

Overview

After an applicant has been selected from the waitlist and met CHA and owner eligibility requirements, the family will sign the lease and occupancy of the unit will begin.

*Under its MTW authorization, * the CHA may choose to approve qualified owners'/property managers to conduct initial eligibility determination, regular re-examinations, and interim re-examinations. In such instances **the CHA will conduct a quality control review of the property manager's determinations of eligibility** and re-examinations to assure that they are performed in accordance with the applicable provisions of the administrative plan.*

Neither CHA, nor NMA conducted a quality control review of the Owner's determination of applicants' eligibility and/or owners' tenant selection process.

In addition, as shown in Appendix A and B, there are numerous instances where the effective date of the Housing Assistance Payment (HAP 50058) preceded the date applicants applied for the waitlist. In some cases, the application date and/or selection date were not recorded in

Yardi. These irregularities give indications that the selection of the participant did not follow the normal procedure as described in the ADM Plan. If the P.O was conducting periodic reviews of this section of the program, these irregularities would have been questioned and corrected.

Risk:

1. Inefficient administration of the Program.
2. Owner / Property Manager ignoring or circumventing CHA’s policies.

Recommendation:

1. CHA P.O. should conduct a periodic review of owners’ tenant selection process and eligibility determination. The review should be documented and supporting records should be kept on file for transparency and compliance with the HCV ADM Plan and for audit purposes.

Management Response:		
X Concur with observation and recommendation	<input type="checkbox"/> Do not concur with observation and recommendation	<input type="checkbox"/> Concur with part of the observation and recommendation
<p>Response: Property Office intends to re-instate quality control of the PBV program and place the required information into the designated SharePoint site. http://chaportal/housing/assetmanagement/PRACompliance/SitePages/Home.aspx</p> <p>Staff will be hired or trained on conducting periodic review of program eligibility determination. The owners’ selection process will become an internal function as Property Office has received approval to transition to its own online site based waitlist; thus allowing CHA to continuously track and record each selected PBV participant for PBV units directly from the CHA online site based waitlist portal. <u>Refer to the attached Approved Property Office Site-Based Waitlist Initiative</u></p> <p>The quality control review will be documented and supporting records should be kept on file for transparency and compliance with the HCV Admin Plan and for future audit purposes.</p>		
Custodian:	Eric Garrett, Deputy Chief Portfolio Management	
Implementation Timeline:	FY2018 Qtr. 2	

Observation 2: Inaccurate PBV Waitlist Information

Risk Level: Medium

The PBV applicants from CHA’s waitlist referred to Owners or Property Managers have inaccurate and/or outdated contact information. As a consequence, PRA Owners/Property Managers are unable to perform outreach efforts to CHA applicants for proper screening and placement.

Pursuant to HCV ADM Plan Section, 17-VI. E:

Leasing

During the term of the HAP contract, the owner must lease contract units to eligible families that are selected from the CHA’s waiting list. The contract unit leased to the family must match the voucher size of the family.

During the field work, owners expressed frustration with the CHA referral process. The main issues raised included incorrect applicant addresses, and/or phone numbers, family size unmatched vacant unit size, and referring the same applicants. They stated that they were provided contact information along with applicant names that were not current, and as a result, they were unsuccessful in their outreach efforts to CHA applicants.

Risk:

1. Inefficient administration of the Program.
2. Owner inability to minimize the length of vacancy.
3. Incentive for Owners to circumvent the CHA waitlist.

Recommendation:

1. See Recommendation A(1) above.
2. Prior to referring applicants to Owners, CHA should use reasonable efforts to poll or screen the applicants to ascertain whether or not they are interested in the area and/or the project.

Management Response:		
<input checked="" type="checkbox"/> Concur with observation and recommendation	<input type="checkbox"/> Do not concur with observation and recommendation	<input type="checkbox"/> Concur with part of the observation and recommendation
<p>Response: <u>Refer to the attached Approved Property Office Site-Based Waitlist Initiative</u></p> <p>Property Office has received approval to transition to its own online site based waitlist. This new initiative will allow PBV owners/property managers to receive applicants who are interested in their specific development; thus enabling those to reduce the time of PBV unit vacancy and perform expedited outreach efforts to applicants for proper screening and placement.</p> <p>The new site-based waitlist initiative will allow CHA to submit to owners, only PBV participants that are interested in their specific property. The Property Office anticipates much of the inaccurate and outdated information will be refreshed. Additionally, applicants will be required to update their contact information annually and may update their status at any time electronically.</p>		
Custodian:	Ketsia Colinet, Director of Housing Policy & Occupancy	
Implementation Timeline:	FY2018 Qtr. 2	

Observation 3: Vacancy Loss Payment

Risk Level: High

CHA was exposed to substantial vacancy loss.

The HAP contract provides vacancy payments to owners for two full months following the calendar month that tenants move out. For the audit period, CHA has experienced a PBV vacancy loss exposure totaling \$1,571,931. However, the Authority disbursed only \$137,298.58 for PBV vacancy loss or 8.73% of the total. As shown below, the vacancy loss increased during the 2015 fiscal year.

Fiscal Year	Vacancy Occurrences	Vacancy Loss Exposure	Vacancy Payments
2014	328	\$513,257	\$15,238
2015	373	\$590,357	\$77,028.58
2016	282	\$468,317	\$45,032

The P.O. and NMA staff explained the low disbursement rate as followed:

- Most Property Managers are not familiar with the vacancy payments and claim submission procedures.
- The Property Managers do not submit vacancy reports and claims within time allotted by the ADM Plan.

Risk:

1. Inefficient administration of the Program.
2. Owner inability to minimize the length of vacancy.
3. CHA is unnecessarily paying for vacancies.

Recommendation:

1. Train Owners and/or the Property Managers on vacancy payments and claim submission procedures.

Management Response:		
<input type="checkbox"/> Concur with observation and recommendation	<input type="checkbox"/> Do not concur with observation and recommendation	<input checked="" type="checkbox"/> Concur with part of the observation and recommendation
<p>Response One: Property Office identified the incorrect use of vacancy payment claim forms that were non-compliant with HUD regulations. Property Office also determined that some historical practices demonstrated unfair PBV owner/property manager approval or denial of their vacancy payment claims.</p> <p>Response Two: PBV Property Owners/Managers are currently required to notify CHA/NMA immediately of all upcoming or recently vacated PBV unit(s). As part of the existing inspection process, Property Management/Owners must place a request to the 3rd party inspection vendor, CVR to conduct a unit inspection. This process is aligned to the HCV Housing Quality Standards (HQS) process.</p> <p>Response Three: All PBV Owners/Property Managers are required to be familiar with the vacancy payments and claim submission procedures within time allotted by the Admin Plan. Property Office will continue to conduct onboard trainings of the PBV process for any new PBV Owners/Property Management team. However, Property Office has identified that the original PBV Owner/Property management firm does not conduct a transfer of knowledge of the PBV process to its new employees. Therefore, Property Office has taken appropriate compliance measures and currently conducts training via live webinar. Property Office will commence to recording and distribute these live webinar trainings on a quarterly basis to PBV owner's/property managers for compliance assurance.</p>		
Custodian:	Jewell Walton, Sr. Director RAD & PBV Programming	
Implementation Timeline:	FY2018 Qtr. 2	

H. ANALYTICS

The following are significant data analytic projects for this quarter:

Registered Sex Offender List Analysis

As part of a quarterly analysis, the OIG continues to identify the number of lifetime registered sex offender names (offenders) listing a public housing or HCV address, pursuant to the *Quality Housing and Work Responsibility Act of 1998 (Section 578)*.³

Quarter 1 Results

The OIG found 14 lifetime offenders who listed CHA addresses on the registry for this quarter. Eight of these individuals were identified in previous quarterly analyses. Five of the six

³ This Act became effective on June 25, 2001.

additional offenders registered at the same address as an HCV participant and were not listed as household members to the according participant’s voucher. This indicates that these CHA participants may have unauthorized occupants living in their unit. As a result, HCV sends each participant a notice requesting proof of residency for the offender and must provide documentation showing the subsidized address has been removed from the Registry.

There was one newly registered sex offender who listed a public housing residence and is a CHA head of household. The Property Office is currently working with the Legal Department on evicting this individual.

Status from Previous Quarterly Analyses

Enforcement Action	Total (54)
Terminated	4
Under Eviction	2
PAC Agreement or Warning Notice	14
Awaiting Verification Docs	11
Settlement Agreement	1
No Further Action	22

Red Flag Analyses of Landlord/Tenant Collusion

The OIG staff met with the HCV Department upon issuing an OIG Advisory last quarter regarding the use of a P.O. Box by a landlord. The HCV Department has made the recommended changes and no longer allows property owners to provide a P.O. Box as their sole address. Specifically, when a Request for Tenancy Approval (RTA) is submitted, the property owner must use a physical address on all the documents within the RTA packet. The OIG would like to thank the HCV Department for its cooperation and willingness to continue to better improve the program.

I. FRAUD AWARENESS TRAINING

On March 28, 2018, OIG staff presented fraud awareness training to CHA employees. The OIG will continue to provide training to diverse groups of internal and external stakeholders this year. The OIG believes that training is pivotal in the reporting and prevention of fraud, waste and abuse of CHA funds.

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MADIGAN: CHICAGO HOUSING AUTHORITY VENDOR CHARGED WITH THEFT & FORGERY

Chicago — Attorney General Lisa Madigan and the Chicago Housing Authority (CHA) Office of the Inspector General (OIG) today announced theft and forgery charges against a former CHA vendor for making and depositing fraudulent CHA checks totaling over \$193,000.

Madigan charged Mohd A. Assaf, 36, of Lombard, Ill., the owner of M&M Painting Services Inc., with five counts of forgery and four counts of theft in Cook County Circuit Court. Additionally, Madigan's office charged Assaf with four counts of forgery and three counts of theft in DuPage County Circuit Court.

Madigan alleged that Assaf cashed over \$193,000 in fraudulent CHA checks at currency exchanges and financial institutions in both Cook and DuPage counties between November 2016 and February 2018. Assaf is being held without bail.

"The defendant exploited his work for the Chicago Housing Authority to steal resources intended for public housing residents," Madigan said. "I appreciate the work of the CHA's Office of the Inspector General in this investigation."

"Inspector General Elissa Rhee-Lee and her team continue to be persistent in pursuit of theft and fraud," CHA CEO Eugene Jones, Jr. said. "They should be commended for holding CHA contractors to the highest ethical standards."

"The defendant Mohd Assaf was a CHA contractor who acted with impunity for the last several years," CHA Inspector General Elissa Rhee-Lee said. "He has left a trail of victims including the CHA. I commend the Assistant Attorney General Lisa Hennelly and CHA OIG Investigator Justin King for their persistence in bringing forth a day of reckoning for Assaf."

Assaf's next court appearance is April 18 before Cook County Judge Arthur Hill, Jr. The public is reminded that the defendant is presumed innocent until proven guilty in a court of law.

The investigation was conducted by the Chicago Housing Authority Office of the Inspector General. Assistant Attorney General Lisa Hennelly is handling the case for Madigan's Public Integrity Bureau.