

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

REPORT OF THE OFFICE OF THE INSPECTOR GENERAL

2017 THIRD QUARTER REPORT
JULY 01, 2017 THROUGH SEPTEMBER 30, 2017

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INSPECTOR GENERAL

OCTOBER 13, 2017



October 13, 2017

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

Enclosed for your review is the 2017 Third Quarter Report on the activities and initiative of the CHA Office of the Inspector General (OIG) pursuant to the mission and directives identified in the *Office of the Inspector General Charter*.

The OIG received 157 complaints during the third quarter. The OIG provided 96 investigative support matters to internal and external stakeholders; referred 29 complaints to other CHA departments; declined 24 complaints; initiated 8 investigations; and 8 investigations were closed during the quarter. The OIG has 42 pending investigations, of which 25 have been opened for more than 6 months. An investigation can remain open longer than 6 months for many reasons including but not limited to complexity of the case; under review by a prosecuting agency; indicted but no disposition on the cases; and investigations that are subject to grand jury inquiry. In order to maintain the integrity of on-going investigations, the OIG quarterly reports do not contain information on pending investigations.

Three criminal cases were closed during this quarter. Cassandra Evans was convicted of Theft of Government Funds. Evans was an employee of Eastlake Management & Development Corporation. Evans stole rent checks from residents of Lowden Homes and deposited the checks into her personal account. Evans was sentenced to 24 months' probation and ordered to pay full restitution to CHA. Additionally, two tenant fraud cases with significant loss to CHA resulted in convictions. Howard Headd was convicted of Class 1 Felony of Continuing Financial Crimes Enterprise. Headd and his wife, Doris Bell, perpetrated a fraud scheme against Healthcare and Family Services (FHS) and CHA by using two Social Security numbers. The fraud started at or around January 2000 through July 2015. The total loss to CHA was \$110,617. Arthur Dorsey was convicted of three counts of Continuing Financial Crimes Enterprise and three counts of Forgery. Dorsey was previously convicted of Murder, Attempted Murder and Escape of a Felon from a Penal Institution. Dorsey perpetrated a fraud scheme against CHA and the Social Security Administration by having two separate identities with two Social Security numbers. Dorsey committed the fraud from July 1993 through June 2015. The total fraud amount is over \$365,000, and of that amount, CHA's loss was \$211,303. Dorsey was sentenced to 78 months in the Illinois Department of Corrections. Headd and Dorsey cases were initiated by HCV staff notifying the OIG immediately after our extensive Fraud Awareness training for the HCV department in 2015.

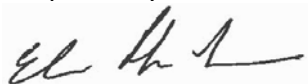
The OIG provided investigative support for the Resident Services department by utilizing open source information for CHA Health Partners during the third quarter. This will be a strong preventive measure to combat potential health care fraud against CHA residents. The OIG reviewed 18 health partnership applications. There was no derogatory information found.

The OIG data analysis included a review of the 2016 CAC Section 3 Small Grant Program; Registered Sex Offender list impacting CHA addresses for the last 90 days; and a status report on actions taken pursuant to various red flags that were indicative of potential landlord/tenant collusion. The details on each of these areas are covered in the body of this report.

The OIG will continue to maintain and protect its independence in order to accomplish our mission through comprehensive investigations, audits, advisories, and data analysis.

As always, I thank Chairman Hooker, Chair Markowski and the members of the Finance/Audit Committee for its continued support of promoting transparency, accountability and public trust in the administration of CHA programs through the OIG activities.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Elissa Rhee-Lee", written over a light gray rectangular background.

Elissa Rhee-Lee
Inspector General

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This quarterly report provides an overview of operations of the Office of the Inspector General (OIG) during the period of 07/01/2017 through 09/30/2017. 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 reports 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, at all times, 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 157 complaints/matters during the third quarter of 2017. Out of the 157 complaints, we provided investigative support to both internal and external stakeholders for 96 matters. We initiated 8 investigations, we referred 29 complaints to other agencies or departments and we declined 24 cases. Matters can be declined for a variety of reasons such as no specific information provided, insufficient resources to address, no actionable information contained in the allegation, or not within the OIG’s jurisdiction. The OIG closed 8 investigations during the third quarter.

Table # 1 Complaint by Method

Complaint by Method

Source	Number
Emails	32
Website Submissions	91
Hotline	21
In Person	11
Mail	0
Fax	0
Analytics	2
Total	157

Table # 2 Complaint Disposition

Complaint Disposition

Disposition	Number
Investigations	8
Investigative Support	96
Referrals	29
Declined	24
Total	157

Table # 3 Subject of Investigation

Subject of Investigation

Subject	Number
Program Participants	2
Contractors, Subcontractors, Vendor	2
Employees	2
Other	2
Total	8

Table # 4 Investigative Classification

Investigative Classification

Classification	Number
Administrative	7
Criminal	1
Total	8

Table # 5 Closed Investigations

Closed Investigations During the Quarter

Classification	Number
Administrative	4
Criminal	4
Total	8

Table # 6 Indictments/Convictions

Indictments/Convictions

Action Category	Number
Indictments	1
Convictions	3
Restitutions	1
Debarment	0
Total	4¹

Table # 7 Pending Investigations

Pending Investigations

Classification	Number
Administrative	10
Criminal	32
Total	42

¹ One OIG investigation resulted in a conviction. As part of sentencing, the subject was required to pay restitution (See Page 12-Closed Criminal Cases for details).

Table # 8 Pending Audits

Pending Audits

Audit Name	Time Frame
Property Rental Assistance Waitlist	10/31/2017
Use of Non-Federal Funds	12/31/2017

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 42 pending matters, 25 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	20
B. Indicted cases, but no criminal disposition	5
C. On-hold, in order to not interfere with another on-going investigation	0
Total	25

D. NOTABLE INVESTIGATIVE SUPPORT

CHA Health Partnership Initiative

In collaboration with CHA’s Resident Services Department, the OIG reviewed eighteen health partnership applications this quarter utilizing open source information. Of the eighteen 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.

OIG Ref #2017-03-00031

On March 20, 2017, the OIG received a complaint that CHA voucher holder K.H. (participant) had been renting a unit for the past 14 years from her sister, L.H.(landlord). The complaint also alleged that the sisters co-owned the 2-flat building. The OIG investigation determined that the sisters did co-own the building before K.H. became a voucher holder. K.H. quitclaimed her interest in the property to her sister, the landlord, after applying for a voucher and prior to being admitted into the program. K.H. received a voucher on April 15, 2002 and initially resided in a unit that was not owned by her sister. However, in April 2006, K.H. transferred to the property owned by her sister which she previously co-owned. Since April 2006, L.H. has received over \$87,000 in Housing Assistance Payments (HAP) while renting a unit to her sister.

Both the landlord and the participant were interviewed by the OIG. Both parties were uncooperative and denied that they were related to each other. The OIG obtained the birth certificates for both the landlord and the participant and confirmed that they were sisters. Within one month of being interviewed by the OIG, the participant sent a letter to the HCV Department informing the CHA that she was relinquishing her voucher.

The OIG referred the case to the HCV Department on September 19, 2017, and recommended that consideration be given on pursuing overpayment of the HAP. The OIG is also planning on reviewing the evidence in the case with the States Attorney's Office to determine if criminal prosecution is warranted.

OIG Ref #2017-04-00030

Through the use of analytics identifying landlords with P.O. Boxes, it was discovered that HCV participant S.M. was potentially renting a unit from her mother, E.M. The participant moved into her current subsidized unit in 2003. At that time, the property was owned by the participant's uncle but, was subsequently deeded to the participant's mother in January 2007. The landlord listed a P.O. Box as her primary address with the CHA and was suspected of residing in the subsidized unit. Since January 01, 2006, the CHA has paid this landlord over \$116,000 in housing assistance payments for participant S.M.

The allegation that the landlord was residing with her daughter, the HCV participant, was not sustained. The OIG investigation determined that the landlord resided in Crete, IL and not at the HCV address. However, it was determined that the landlord and the participant are mother and daughter, and both are in violation of the HUD regulation that does not allow individuals to rent from/to a relative.

There was no evidence that the landlord and the voucher holder took any overt steps to conceal their relationship, therefore, the OIG did not pursue a criminal referral to the Cook County State's Attorney's Office. Both the voucher holder and the landlord used their same last names on all CHA documents and correspondence. There was also no documentation that either the landlord or the tenant were ever confronted with their relationship by CHA personnel. However, the HAP contracts signed by the landlord and the Voucher agreements signed by the tenant clearly state that it is a violation for the tenant to rent a unit owned by a relative and for

the landlord to rent a unit to a relative. The above information was referred to the HCV Department for appropriate action.

OIG Ref# 2016-10-00049

A CHA OIG investigation was initiated in October 2016. The investigation determined that a CHA HCV participant and his landlord were violating CHA policy by renting a unit that was jointly owned by his daughter. The investigation further revealed evidence in both an affidavit submitted to the CHA by the co-owner and in the initial statements made by participant during his OIG interview that there were clear attempts to conceal this relationship from the CHA. The findings were referred to the HCV department for appropriate administrative action.

As a result, the participant's housing assistance was terminated effective July 13, 2017. The CHA also received full restitution from the landlord totaling over \$49,290.

The OIG considers this investigative matter to be closed.

E. SIGNIFICANT INDICTMENTS

An OIG investigation resulted in one criminal indictment this quarter. The following is a summary of this case.

Maurice Mills

Maurice Mills (Mills) was indicted on August 16, 2017 by the Cook County State's Attorney's Office for fraudulently obtaining Supplemental Security Income (SSI) benefits from the Social Security Administration (SSA) and for fraudulently obtaining housing benefits from the CHA. Mills was charged with four felony counts including theft, forgery, and wire fraud. The investigation was worked jointly by the SSA Office of the Inspector General and the CHA OIG. The case is being prosecuted by the Office of the Illinois Attorney General.

The investigation determined that Mills created a second identity in order to gain two types of benefits from SSA. Using that second identity, Mills obtained Retirement Insurance Benefits (RIB) from the SSA in 2008. In 2010, under Mills' regular identity, he obtained Supplemental Security Income (SSI) from the SSA for a back injury. From 2008 to the present, Mills received over \$43,000 in benefits from the SSA that he was not entitled to.

In December of 2011, Mills applied for housing benefits from the CHA and was accepted into a CHA Senior Building in January 2012. Mills provided false information to the CHA by failing to disclose his extensive criminal history and by failing to report the correct amount of income he was receiving in both RIB and SSI benefits from the SSA as well as other income from his second identity. Mills received over \$34,000 in benefits from the CHA that he was not entitled to.

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 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 sustained and closed. One case was declined. The following is a summary of the sustained criminal cases:

Howard Headd

A CHA OIG investigation was initiated on May 15, 2015 and worked jointly with Illinois Department of Healthcare and Family Services (FHS) and the United States Department of Housing and Urban Development (HUD) OIG. The investigation involved Housing Choice Voucher (HCV) participant Doris Bell (Bell) and her husband Howard Headd (Headd) at 8214 S. Paxton Ave. Chicago, IL 60617.

The investigation revealed that between January 2000 and July 2015, Bell received benefits from the CHA and the FHS by concealing income and assets through the use of a second Social Security number. The CHA loss was \$110,617. Additionally, Bell submitted fraudulent documents to the CHA that allowed her to collect housing assistance payments while residing in the house that she owned.

On August 12, 2016, the Cook County State's Attorney's Office filed a five count indictment against Bell charging her with two counts of Continuing Financial Crimes Enterprise, Forgery, Theft and State Benefits Fraud (Case Numbers: 2016 CR 12521 / 2016 CR 12519). Headd was charged with one count of Continuing Financial Crimes Enterprise and one count of Forgery for signing fraudulent documents to the CHA to conceal Bell's ownership in the property.

On July 6, 2017, Headd pled guilty before the Honorable Judge Joseph Michael Claps to one count of Continuing Financial Crimes Enterprise, which is a Class 1 Felony. Headd was sentenced to a 24-month probation.

Bell had previously pled guilty to one count of Continuing Financial Crimes Enterprise and one count of Theft on March 9, 2017. Both counts are Class 1 Felonies. Bell was sentenced to a 30-

month probation and ordered to make monthly restitution payments totaling \$6,800 to the CHA.

The OIG considers this investigative matter to be closed.

Cassandra Evans

The OIG initiated an investigation on March 11, 2016 regarding former CHA property manager Cassandra Evans (Evans), of Eastlake Management & Development Corporation (Eastlake).

The investigation revealed that between January 6, 2016 through February 9, 2016, rent checks made payable to Eastlake and/or Lowden Homes were endorsed by Evans and deposited into her personal account via ATM machines. The total amount of the theft of rent money was determined to be \$8,922.

On May 31, 2016, the Illinois Attorney General's Office filed a three count indictment against Evans charging her with Theft of Government Funds, Theft and Wire Fraud (Case Number: 16CR0845501).

On August 22, 2017, Evans pled guilty before the Honorable Judge Diane G. Cannon to one count of Theft of Government Funds, a Class 2 Felony. Evans was sentenced to a 24-month probation, 30 hours of community service and ordered to pay \$8,922 in restitution to the CHA via a cash bond refund.

The OIG considers this investigative matter to be closed.

Arthur Dorsey Jr.

A CHA OIG investigation was initiated on June 04, 2015. The investigation was related to HCV participant Arthur Dorsey Jr. (Dorsey) of 8117 S. Princeton Ave. Chicago, IL 60620. The investigation was initiated by the CHA OIG and worked jointly with the Social Security Administration (SSA) OIG and HUD OIG.

The investigation revealed that between July 1993 and July 2016, Dorsey stole over \$365,000 (CHA loss - \$211,303) from the CHA and the SSA by collecting housing assistance and Social Security benefits under two different identities. Additionally, Dorsey misrepresented his relationship with the landlord of one of the subsidized addresses, which was determined to be owned by his mother.

On August 12, 2016, the Cook County State's Attorney's Office charged Dorsey with six counts of Theft, three counts of Continuing Financial Crimes Enterprise, and three counts of Forgery.

On September 28, 2017, Dorsey pled guilty before the Honorable Judge Thomas J. Byrne to three separate counts of Theft and was sentenced to 78 months in the Illinois Department of Corrections.

Dorsey was previously convicted of Murder, Attempted Murder, and Escape of a Felon from a Penal Institution.

The CHA OIG considers this investigative matter to be closed.

CLOSED ADMINISTRATIVE CASES

One administrative case was closed and sustained. Three cases were closed and not sustained. The following is a summary of the sustained case.

OIG Ref# 2017-09-00011

An OIG investigation was initiated on September 08, 2017. The investigation revealed that a CHA employee used her position to order an electronic device (tablet) totaling \$345. The tablet had not been included in the items approved to order for the department and the employee falsified several documents to conceal the purchase.

The OIG recommended appropriate administrative action be taken against the employee, up to and including termination of employment. The OIG further recommended that if the employee action is termination, a “Do Not Rehire” designation should be put in place. The employee was terminated on September 18, 2017.

The OIG considers this investigative matter to be closed.

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 closed 2 audits in the third quarter. The PH Over Income audit and Lead Inspection Process audit is awaiting CHA management’s response. There are 2 pending audits this quarter.

H. ANALYTICS

The following are the significant data analytic initiatives for this quarter:

CAC Section 3 Grants Program

Pursuant to a Contract Agreement, the Central Advisory Council (CAC) was awarded approximately \$200,000 in 2016 to administer the Section 3 Small Grants Program. The program is to provide small grants (up to \$5,000) for residents in need of business development assistance. The OIG conducted a program evaluation to assess whether the grants were issued and used appropriately, as well as to identify any potential fraud, waste and/or abuse.

Findings:

- A total of \$143,149.66 was awarded to 33 Public Housing or HCV participants
- CAC used \$50,779.96 for a consultant to administer a 10-week entrepreneurship program to grant recipients
- File reviews show that most individuals sent in supporting documentation/receipts to verify that the grant was utilized for its intended purpose (i.e.: recipients spent their money on supplies, union dues, marketing, insurance, etc.)
- CAC did not adhere to the applicable procurement guidelines as stated in Section 2.10 of the Funding Agreement between the CAC and CHA. The consultant was not competitively rebid in 2017 and no supporting documentation establishing the basis on which such a contract was awarded for a second year was found.

Recommendations:

- Adherence to Section 2.10 of the Funding Agreement
- Amend language in the grant application
- Ensure the collection of all physical receipts and establish a plan for when recipients do not use the funds for the stated purposes (OIG created a sample letter/template for the CAC to use when recipients do not submit the required verification)
- Provide a list of recipients and their coinciding business name to the appropriate business units to ensure residents and participants are knowledgeable about how to report income from their start-up or existing businesses to the CHA

Registered Sex Offender Initiative

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)*.

Quarter 3 Results

The OIG found 8 lifetime offenders who listed HCV addresses on the registry for this quarter.² Four of these individuals were identified in previous quarterly analyses and the respective head of household had been issued an intent to terminate (ITT) or a Prohibitive Activity and Conduct (PAC) warning as a result. The additional 4 offenders who registered at the same address as a HCV participant 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.

There were no new registered sex offenders who listed a public housing address.

² If an offender did not identify an apartment number, the residence type was not categorized as a single family home, the last name of the offender did not match the tenants' last name, and/or the offender is not compliant with the registry then it was not considered a "match".

Status from Previous Quarterly Analyses

Enforcement Action	Total (40)
Terminated	2
ITT	4
PAC Meeting or Warning Notice	10
Waiting to Receive Verification Documents	3
Settlement Agreement	1
Provided Verification/No Further Action Necessary	20

The OIG will provide this analysis to the respective departments again during the fourth quarter and continue to follow up on any administrative action taken as a result.

Red Flag Analyses of Landlord/Tenant Collusion

The following table provides a status on the investigations that were opened based on various red flags of potential landlord/tenant collusion:

Enforcement Action	Total (16)
Investigation Pending	6
Investigation Not Sustained	3*
Investigation Sustained	7

**Two unsustained investigations were referred to the HCV Department for appropriate action.*

The table below further specifies the status of cases that were closed and referred:

Enforcement Action	Total (9)
Pending HCV Department Review	1
Pending CHA Legal Department Review	3
Approved Reasonable Accommodation (RA) Request	3*
Restitution	1**
Terminated	1

**In addition to the approved RA, the participant is requesting to move from his current unit.*

***Participant owed CHA \$49,290 in subsidy overpayments – also terminated from program.*