



**Association of Inspectors General
524 West 59th Street, 3532N
New York, New York 10018**

Elissa Rhee-Lee
Inspector General
Chicago Housing Authority Office of Inspector General
60 East Van Buren Street, 21st Floor
Chicago, IL 60605

Dear Inspector General Rhee-Lee,

On behalf of the Association of Inspectors General's (AIG's) Peer Review Team (Team), I am writing to share with you some observations we made when we were at your offices from August 12, 2019 through August 14, 2019. The Peer Team was invited to conduct a Peer Review of your organization's Audit Division (AD) and Investigations Division (ID). The Team unanimously concluded that both the AD and ID Divisions complied with the standards set by the AIG's Principles and Standards for Offices of Inspector General (Green Book) and the Generally Accepted Government Auditing Standards (Yellow Book) issued by the U.S. Government Accountability Office. An earlier letter dated August 15, 2019 provided this unqualified opinion. The purpose of the present letter is to provide the comments shared with you and your executive staff during the exit conference that took place on August 14, 2019.

On August 14, 2019, the Team met with you and your Deputy Inspector General (DIG). We provided you with our general conclusion regarding compliance, and noted several areas of distinction and consideration regarding the Divisions. We met separately with the DIG who also oversees both Divisions. In general, the same comments were shared, although more operational detail and operating considerations may have been provided to assist the DIG with his functional responsibilities.

The remainder of this letter will address Division-specific areas of distinction and consideration. These comments are based on the direct observations of the Team members assigned to review the Division; Team member interviews with external stakeholders; interviews with Division staff, case file reviews; review of Divisional administrative and operating materials; and the professional judgment and experience of the Peer Reviewer. Once again, nothing in this management letter diminishes the Team's unanimous conclusion that both the AD and ID Divisions met the respective AIG standards for the period under review.

Overall – Areas of Distinction

- **Stakeholder Relationships** – Throughout the week, PRT members met with various stakeholders, both internal and external, all of whom held the CHA OIG in high regards. Internal stakeholders described a professional working relationship with CHA OIG staff and understood and respected the CHA OIG's role and commitment within their organization. External stakeholders also described a professional working relationship with CHA OIG staff and commended their work product, as well as their overall partnership.
- **Conflicts of Interest** – The CHA OIG, while technically employees of the Chicago Housing Authority, should be commended for its continued ability to remain separate and apart from the Chicago Housing Authority in its operations and all staff activities. The CHA OIG maintains a strict adherence to its independence while also achieving a positive working relationship with the Chicago Housing Authority by avoiding any potential appearances of impropriety (i.e., attendance at a Chicago Housing Authority event, social relationships, or professional relationships).

Overall – Areas of Recommendation

- **Whistle-blower Complaints** – The Illinois' Whistleblower Act protects employees who disclose illegal conduct to government officials or refuse to participate in illegal activities. Several other Illinois statutes contain anti-retaliation provisions. As part of an established Whistle-blower (WB) program, the CHA OIG Inspector General, for charter language purposes, should be specifically designated as an appropriate official to whom complaints can be made.

Audit Division – Areas of Distinction

- **Staff Qualifications** – Peer Reviewers met with staff members, reviewed staff qualifications, and examined their training files and found that all staff members contained more than the requisite experience necessary for their positions. The CHA OIG has made it their mandate that all staff members become Certified Fraud Examiners, as well as Certified Inspector General Investigators or Certified Inspector General Auditors. Both of these certifications include a training course followed by an examination. The value of training opportunities provided to CHA OIG staff is an investment in the future of the CHA OIG as a highly-trained staff adds to the credibility of the organization.
- **Collaboration** – The CHA OIG Audit staff collaborate on many levels. They rely upon each other to review each other's work, but also share information, brainstorm solutions, and push each other toward improvement. This collaborative spirit fosters a dedication to the mission of their work and a continuous drive toward improvement. During the course of the peer review, Audit staff took ownership of

the suggested improvements and immediately began collaborating on potential solutions.

- **Workpaper Organization** – The Audit staff’s workpapers, whether physical or digital, are organized in a consistent and logical manner. The workpapers are organized and documented in “sufficient detail to enable an experienced auditor, having no previous connection to the audit, to understand from the audit documentation the nature, timing, extent, and results of audit procedures performed, the audit evidence obtained and its source...” as required by Yellow Book.

Audit Division – Areas of Consideration

- **Annual Risk Assessment** – AD’s Risk Assessment currently consists of an evaluation of information reviewed from a number of sources such as CHA Internal Audit, organizations similar in nature, news reports, CHA OIG team meetings, discussions with CHA management, etc. These evaluations are assigned a level of risk for the purposes of the development of the CHA OIG Annual Plan. This assessment process is discussion-based in a “round table” setting and culminates in the annual audit plan, but is not documented. It is recommended that the AD formalize their annual risk assessment to ensure an appropriate identification of risks and ratings based on a documented methodology. This will also ensure that items not included in the annual audit plan remain documented and can be used in future determinations.
- **Independence Statements** – Although the Administrative and Procedural Rules and Regulations states, “The OIG auditors involved in a performance audit or program review shall complete an Independence Statement to evaluate and record any potential threats to independence related to that audit or review,” such individual statements are not completed. While AD staff complete an Annual Independence Statement, it is recommended that AD complete individual attestations to ensure a thoughtful consideration of threats to independence for each assigned audit. Procedures should also be developed to implement and document steps to mitigate threats to independence or risks of bias.
- **Procedural Rules and Regulations** – the current procedural rules and regulations related to the Audit Division do not include enough detail to make it a useful tool for current and future staff. Examples include:
 - 5.2 “Audits/reviews of the Authority’s programs and operations are conducted in accordance with Principles and Standards for Offices of the Inspector General, (the Green Book).” However, the Green Book’s “Quality Standards for Audits,” simply defers to the Yellow Book or Red Book. It is recommended that AD update the procedural rules and regulations to clarify that its audits and reviews are conducted in accordance with the Yellow Book.
 - Independence Statement (as previously discussed)

- “The OIG Auditors shall produce high-quality work products through adherence to its quality control system for all projects.” “The OIG Audit Section quality control system shall include processes that are designed to prevent, detect, and correct errors and continually improve its efficiency and effectiveness.” Although there is a quality control system in place, it should consist of a documented process.
- Planning – “All audits and reviews shall begin with initial planning designed to determine and refine the project, objective, scope, and methodology.” Although it is understood that any potential new hire would not be left alone, the procedures as it stands, does not provide a tool for them to grow on their own.
- Documented Supervisory review is not completed as described in the policies. “Quality assurance during project planning and fieldwork shall be achieved through internal review by members of the OIG and documented supervisory approval at key milestones (objectives, methodology, and tentative findings).” The AD does have an audit program with areas for supervisory approval, but is not being utilized.
- **Methodology** – Currently the individual audit programs and the final audit reports contain template language for the methodology that is customized to include interviews conducted. The language does not provide sufficient detail to understand how the methodology supports the audit objectives. The Yellow book states, in pertinent parts:
 - 6.10 The methodology describes the nature and extent of audit procedures for gathering and analyzing evidence to address the audit objectives. Audit procedures are the specific steps and tests auditors perform to address the audit objectives. Auditors should design the methodology to obtain reasonable assurance that the evidence is sufficient and appropriate to support the auditors’ findings and conclusions in relation to the audit objectives and to reduce audit risk to an acceptable level.
 - 7.13 In reporting audit methodology, auditors should explain how the completed audit work supports the audit objectives, including the evidence gathering and analysis techniques, in sufficient detail to allow knowledgeable users of their reports to understand how the auditors addressed the audit objectives. Auditors may include a description of the procedures performed as part of their assessment of the sufficiency and appropriateness of information used as audit evidence. Auditors should identify significant assumptions made in conducting the audit; describe comparative techniques applied; describe the criteria used; and, when sampling significantly supports the auditors’ findings, conclusions, or recommendations, describe the sample design and state why the design was chosen, including whether the results can be projected to the intended population.

Investigations Division – Areas of Distinction

- **Outreach Program** – The CHA OIG Investigations Division’s Outreach Program is commendable as it promotes a positive working relationship by reaching out to all employees and contractors on a yearly basis and promotes awareness to customers concerning a variety of topics (i.e., the OIG’s function and purpose).
- **Working Group Partnerships** – The ID has partnered with various law enforcement working groups, consisting of local, state, and federal partners to establish presence amongst their peers. As part of this process, the PRT was invited to attend one of their local meetings and experienced the collaborative effort that the ID is creating.
- **Staff Qualifications** – Peer Reviewers met with staff members, reviewed staff qualifications, and examined their training files and found that all staff members contained more than the requisite experience necessary for their positions. The CHA OIG has made it their mandate that all staff members become Certified Fraud Examiners, as well as Certified Inspector General Investigators or Certified Inspector General Auditors. Both of these certifications include a training course followed by an examination. The value of training opportunities provided to CHA OIG staff is an investment in the future of the CHA OIG as a highly-trained staff adds to the credibility of the organization.
- **Work Product / Case Files** – Final investigative reports were well-written with clarity and understanding. It is noted that external stakeholders also commended the quality of investigative work products. Investigative case files and work papers were complete and well organized.

Investigations Division – Areas of Consideration

- **Independence Statements** – We recommend that the ID develop policies and procedures similar to that of the AD, that will require investigators to sign a Statement of Independence for each case that is assigned.
- **Subpoenas** – We recommend that Policy 4.11 be updated to ensure that the language contained within the policy is the same as the current language in the OIG Charter regarding the issuance of subpoenas.
- **Investigation Plan** – Preparation of an Investigation Plan (IP) is key to a successful investigation. Although IPs can be a fluctuating document, it serves as a necessary tool in planning. It is recommended that the ID expand its current IP format to require initial information such as lists of potential witnesses, governing directives, documentary evidence to be reviewed, etc. This will not only assist the investigator in identifying key steps in the planning process, but will assist in supervisory oversight.

Inspector General Rhee-Lee
Peer Review Management Letter
October 1, 2019

Lastly, we would like to commend you on leading a commendable organization. The sheer size of the governmental operations that your office oversees and your office's jurisdiction and responsibility are unparalleled by any other local government inspectors general office. Your office is unique, and as Peer Reviewers, we had an insightful learning experience. We hope that you find our comments helpful and we look forward to continuing to support your organization's needs in the future.

Please feel free to contact me or any member of the Peer Review Team if you have any questions.

Yours truly,



Flora Miller, Team Leader, AIG Peer Review for CHA OIG, August 2019
Peer Review Committee, Association of Inspectors General

cc:

Darwyn Jones, Team Member, AIG Peer Review for CHA OIG, August 2019
Oscar Restrepo, Team Member, AIG Peer Review for CHA OIG, August 2019