OIG Final Report, OIG Case # 14A – 0001
Follow-Up Security Guard Services

Elissa Rhee-Lee, Inspector General
Michael Kosanovich, Deputy Inspector General
Beatriz Martinez, OIG Senior Auditor
Ellaye Accoh, OIG Senior Auditor
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A. Executive Summary

1. Background
The authority to perform this audit is pursuant to the Board approved Inspector General Charter, which states that the OIG has the power and duty to audit the administrative programs of the Chicago Housing Authority (CHA). The OIG is tasked to identify inefficiencies, waste, fraud, abuse, misconduct and mismanagement, and to promote economy, efficiency, effectiveness, and integrity in the administration of CHA programs and operations. The role of the OIG is to audit CHA operations and make recommendations for improvement, when appropriate. CHA management is responsible for establishing and maintaining processes to ensure that CHA programs operate economically, efficiently, effectively, and with integrity.

- Standards:
The OIG conducts audits of programs in accordance with Generally Accepted Government Auditing Standards issued by the Comptroller General of the United States and The Principles and Standards for Offices of the 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. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives to identify conditions and/or an environment that results in and/or could result in waste, fraud, abuse, misconduct or mismanagement.

All departments impacted by this follow-up audit cooperated fully with the OIG staff. We thank CHA management for its cooperation and willingness to better improve the program.

2. Objective and Scope
The OIG conducted a follow-up review of the Security Guard Services Audit. The purpose of our follow-up review was to determine the status of previous observations and recommendations for improvement.

The purpose of the original audit, issued February 18, 2014 was to determine whether:

1. Security Guard Service Vendors are adhering to the requirements of contracts, 11642, 11643, and 11644.
2. PPM were adhering to the Cash Disbursements section of the PPM Financial Policy and Procedures Manual with regard to security services.
3. PPM maintained effective accounting controls over obligations, and expenditures.
4. Assess effectiveness of CHA’s internal controls Security Guard Services Contract.

To determine the current status of our previous recommendations, we communicated with management to determine the actual actions taken to implement recommendations for improvement. We performed limited testing to verify the implementation of the recommendations for improvement.

3. Approach and Methodology
The follow-up audit was performed by conducting interviews, reviewing documentation, inspections, testing and other measures deemed necessary. Other measures include, but are not limited to utilizing investigative techniques to collect, analyze, evaluate and interpret relevant data. Interviews were conducted with key personnel from the Property Office (PO) previously known as Asset Management Departments.

4. Summary of Results

Of the five recommendations in the original audit report, we determined that four were implemented and one was not implemented. The Safety and Security Department and PO developed a SharePoint site to centralize all security related documents such as insurances, invoices, and security credentials. The SharePoint is not being utilized to store the security documents. We commend PO for their implementation of our recommendations.
B. Status of Recommendations

This section reports our follow-up review on actions taken by management on the Recommendations in the original audit of the Security Guard Services. The observations and recommendations contained herein are those of the original audit, followed by the current status of the recommendations.

Observation: 1. Contracts for all PPMs Risk Level: High

The observation regarding inconsistent terms and conditions of the contracts were not submitted to the PPMs for response. The PPM Manual requires that the PPMs have a “fully executed contract” with the security guard service provider. However, there was no definition of what constitutes a “fully executed contract”. Therefore, this issue should be addressed internally amongst CHA’s Legal, Procurement and the Asset Management departments.

Recommendation:

Asset Management work with Legal and Procurement to define “fully executed security contract” stated in the PPM Procedural Manual. Asset management provide PPMs with contract template with minimum required provisions pursuant to 24 CFR and HUD regulations.

CHA Asset Management Response:

- Asset Management agrees with the recommendation to better define the requirements and expectations for what constitutes a fully executed security contract.
- Asset Management will conduct a review of the current security contract template with CHA Legal, Procurement, and Risk Management in the 1st quarter of 2014 to determine areas for improvement or revision. Subsequently, Asset Management will issue a written advisory to PPMs to clarify expectations and require firms to adhere to the revised security contract template.

Current Status: Implemented

CHA executed new ground security services contracts with all security service providers on CHA sites.

Observation: 2. Insurance Coverage for all PPMs Risk Level: High

Security company did not provide required insurance coverage and/or endorsement.

Recommendation:

PPMs monitor the security vendor’s insurance portfolios to ensure that the minimum required insurance coverage amounts are met and that CHA is listed as an additional insured on the insurance policy ensure compliance with Section 17.8 and 17.9 of the PPM Manual.
**CHA Asset Management Response:**

- CHA Asset Management agrees with the recommendation.
- All required insurance documentation for these contracts has been provided and added to the respective security folder.
- CHA Asset Management has also completed a review of every other security contract and security folder (not just those selected for this review) to ensure that all required insurance documentation is present.
- CHA Asset Management has added a more detailed review of insurance certificates to the existing payment process checklist to ensure that each payment has all proper insurance documentation in place prior to approval of each CHA payment for contracted services.

**Current Status: Implemented**

The Safety and Security Department has been working with the P.O. to develop and implement a SharePoint site to centrally catalog all insurance and security credentials. This new site will become the standard as CHA transitions to the new centrally procured security contracts that are scheduled to transition in summer of 2017.

**Observation: 3. Security Folders for all PPMs Risk Level: Low**

- PPMs did not have the required documentation in the security folders on site for audit purposes as required by PPM Manual, Chapter 17.
- During field work, the PPMs informed the OIG that it was not their practice to maintain security folders that contain security officers’ credentials on site. As field work progressed, the PPMs started collecting information from the security vendors to meet the documentation requirements. Except for the education requirement, the documents requested for the audit were also part of requirements for licensed Private Security companies in the State of Illinois.

**Recommendation:**

Maintain security folders at premises as required by the PPM Manual, Chapter 17.

**CHA Asset Management Response:**

- CHA Asset Management agrees with the recommendation that PPMs must have security folders as required by the PPM Procedural Manual.
- Asset Management will review the requirement about where the folders should be located (currently stated as “on the premises”) to take into consideration electronic file practices in 1st Quarter 2014. If any revisions or clarifications to the PPM Procedural Manual are required as a result of this review, a new written advisory will be issued.
- CHA Asset Management has also completed a review all security folder (not just those selected for this review) to ensure that all required elements are present.
Current Status: Not Implemented

The Safety and Security Department has been working with the P.O. to develop and implement a SharePoint site to catalog centrally all security folders which would then be accessible to each vendor, PPM and the Property Office staff. This new site will become the standard as we transition to the new centrally procured security contracts that are scheduled to transition in August of 2017.

Security Department staff continue to implement the action plans with the security firms and have successfully tested the new SharePoint site with the two newly contracted firms in summer of 2015.

Observation: 4. Required Verification of Credentials for all PPMs Risk Level: Medium

PPMs did not provide evidence of compliance with Section 17.2 and 17.3 of the PPM Manual.

a. PPMs did not establish a process to ascertain that the security vendors had the required credentials for security guards, including Off Duty Police Officers.
b. In addition, WSA did not provide Off Duty Police identifications as per the contract.

Recommendation:

a. PPMs develop a process to ensure compliance with Section 17.2 and 17.3 of the PPM Manual.
b. The PPMs verify the accuracy and completeness of each document submitted by the Security companies.
c. The PPMs obtain from the security vendor copies of the required documentation for Off Duty Police Officers.

CHA Asset Management Response:

- CHA Asset Management agrees with the recommendations.
- CHA Asset Management will issue an advisory to all PPM firms to strengthen the procedures related to security guard credentials in 1st Quarter 2014. The new procedures will require the PPM firms to sign an affidavit declaring that they have reviewed the credentials of each employee and that the credentials are current, complete and valid for each guard for every request for payment.
- CHA Asset Management will conduct a review of the enhanced credential review procedures to ensure PPM compliance on a quarterly basis.

Current Status: Implemented

The Safety and Security Department has been working with the P.O. to develop and implement a SharePoint site to catalog centrally all insurance and security credentials. This new site will become the standard as we transition to the new centrally procured security contracts that are scheduled to transition in Summer of 2017.

To date, all new security personnel submit their credentials to the Director of Safety Strategies as an interim measure.
Observation: 5.  Billing  Risk Level: High

Charges were unsupported.

Recommendation:

a. The PPM ensure that security vendor invoices and security guard timesheets are matched for accuracy and that payment is made in accordance with established contract rates.

CHA Asset Management Response:

- CHA Asset Management agrees with the recommendations.
- CHA will conduct audits of 2013 security invoices as part of the financial year end close out to determine if there have been any other payments not in line with established contract rates.
- In 2014, CHA will conduct quarterly reviews to ensure that security vendor invoices and security guard timesheets are matched for accuracy and that payments are made in accordance with established contract rates.
- CHA will require that any reimbursement due to the CHA for payments made in excess of the contracted rates be paid to the CHA within 30 days after giving written notice;
- Finally, CHA will issue an advisory that all increase in security coverage (hours, rates or service level) must be approved by the Director of Asset Management.
- Any security increase that results in long term changes to security costs must be incorporated into a revised contract within 30 days of the change. No increase in security coverage will be allowed without proper approvals.
- Any violation in these policies will result in sanctions to the PPM firms.

Current Status: Implemented

The Director of Security Strategies now personally directs all staffing changes in terms of quantity and credentials to ensure that invoices received match assignments made directly from CHA and not from the PPM. The Director also reviews and approves each invoice to ensure accuracy in terms of assignments and hours worked.

Additional improvements in the area of invoicing that will be implemented, as part of the new centralized procured security contracts, is to utilize the SharePoint site to catalog all security logs, incident reports and sign in logs/time sheets to improve controls.

One final area that is being investigated to strengthen the controls is the use of the door access control system. This is an RFID control system that is currently being piloted and expected to be rolled out to each property by the end of 2017. This system is being tied to our camera system which would allow us to verify each guard's time of start and end, along with their patrol locations.