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2019 SECOND QUARTER REPORT

To the Chicago Park District Board of Commissioners, Park District employees and Residents of the City of Chicago, it is with great pleasure that I present the Chicago Park District Office of Inspector General's 2019 Second Quarter Report.

The variety of the cases discussed in this report reflect OIG's commitment to investigate, review and audit all matters "pertaining to waste, fraud, and abuse within the District" involving Park District employees, vendors, contractors, subcontractors, etc. As previously mentioned, OIG's ability to fulfill the scope of its mission is to a large measure dependent on having the necessary resources to do the work.

The Park District has demonstrated in several ways that it embraces OIG's independent oversight role. However, OIG requires appropriate funding to be equal to the task that the Park District has set for it. While always mindful of the Park District's acute financial constraints, OIG's recent discussions with the administration and Board of Commissioners about additional resources are reason for guarded optimism.

Sincerely,

Will Fletcher

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Inspector General

Report Fraud or Misconduct at the Chicago Park District: 312 742 3333 or submit an online complaint at <https://www.chicagoparkdistrict.com/about-us/departments/office-inspector-general>

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PENDING RESPONSES FROM PREVIOUSLY REPORTED CASES

INVESTIGATION INVOLVING A NON-PROFIT GROUP FUNDRAISING IN THE PARK DISTRICT'S NAME WITHOUT AN AGREEMENT

Findings:

In its Fourth Quarter 2018 and Annual Report, OIG made several findings related to the operations of a nonprofit organization, an advisory council and Person 1, who was the leader of both organizations.

Recommendations:

- a) Permanently enjoin Person 1 from membership in all advisory councils;
- b) Demand that the nonprofit organization cease and desist fundraising in the name of the Chicago Park District or the park with which it associated. **Update: The organization has apparently continued fundraising in 2019 in a similar manner.**
- c) Reject all permit or partnership applications from the nonprofit organization (the Park District agreed to follow this recommendation on a temporary basis while the investigation was ongoing but has not indicated whether it will do so on a permanent basis);
- d) Conduct periodic audits to confirm that designated nonprofits actually receive the required share of festival proceeds when special even permits are discounted.
- e) Enact procedures to verify that designated nonprofit organizations are in good standing. **Update: Park District has enacted procedures to determine the status of nonprofit organizations.**
- f) Consider a referral of the nonprofit organization's operations to the Internal Revenue Service for its review; and
- g) Consider a referral to the City of Chicago, Cook County and State of Illinois taxing authorities for review of whether the festivals and events affiliated with the nonprofit organization were subject to the collections of sales tax.

HIRING OF SKILLED TRADES EMPLOYEE WITHOUT CONFIRMING NECESSARY CREDENTIALS

Findings:

- a) A newly-hired skilled trades employee submitted false information in their 2017 job application; and
- b) The Park District hired the employee without confirming that their completion of required training for the position.

Recommendations:

- a) The skilled trades employee resigned shortly after their OIG interview. OIG recommended that the employee's resignation be classified as "resigned under inquiry" and that their name be placed on the Park District's "do not rehire" list;
- b) That the Park District commit to verifying that new employees have the credentials and qualifications for the positions to which they are hired and that current employees have retained all required certifications; and
- c) That the Park District audit whether current skilled trades employees in the same job have complied with the required training and experience for the position.

INVESTIGATIONS AND REVIEWS

1. **Link Card Benefits Fraud: Two Employees Exchanged Cash for Food Stamps; Spent \$32,000 in Benefits Over Four Years to Buy Items for an Unauthorized Candy Store in the Park**

An OIG investigation revealed that two employees illegally bought food stamp cards from Link Card benefits recipients and then used the credits to buy candy and snack food items for an unauthorized concession that operated at the park for several years. Between 2015 and 2019, Employee 1 made nearly 300 transactions at Sam's Club using Link Card benefits cards to purchase more than \$32,000 in items.

Food stamp benefits may not legally be redeemed for cash but the investigation established that Employee 2 found Link Card recipients and paid them 70 cents on the dollar for access to their benefits cards. Employee 2 gave the cards to Employee 1 who used them at Sam's Club to buy candy and soft drinks at Sam's Club, which were then put up for sale at an unauthorized concession at the park. Although OIG located records that indicated the concession operated for more than four years, witnesses stated that it was in the park for much longer.

Employees 1 and 2 admitted to the allegations related to the unlawful use of Link Card benefits. However, the employees denied personally benefiting from the benefits fraud or the sales of the concession. The Park District received no sales records or proceeds from the concession.

The investigation also discovered that Employee 1 purchased more than \$17,000 in personal items at Sam's Club without paying sales taxes on most of them. Employee 1 linked their Sam's Club card to the Park District's tax-exempt status to evade sales taxes on the purchases.

As a result of OIG's investigation, Employee 1 and 2 resigned their employment.

2. Independent Preschool Operating on Park District Property Without State or City Licenses

An OIG investigation established that an independent, for-profit preschool operating in the Park District under a permit agreement did not have the required State of Illinois and City of Chicago licenses to operate a preschool. The school, which had been operating in a wooded area of Park District land since 2016, did not have a waiver or exemption that would have allowed it to continue without the appropriate preschool operator license. In fact, the investigation discovered that the preschool had no license of any kind, not even a city business license. At the end of the summer of 2019, the Park District terminated the use and occupancy permit that allowed the preschool to operate on the site.

Following an inspection in early 2019, an Illinois agency determined that the preschool was operating without the required license under the Illinois Child Care Act. The school reached an informal agreement with the agency that allowed it to operate *status quo* through the summer during which time it could either obtain the required licensure or secure a waiver. The school did not obtain a license or a waiver by the end of the summer.

The preschool was a sharply divisive issue in the community. The site it occupied was entirely outdoors in an isolated section of parkland. The school, for children three years and younger, convened unless the outdoor temperature fell below 15 degrees Fahrenheit. During its visit to the site in February 2019, OIG observed one portable toilet and there appeared to be no running water available. Tuition for the 2018-19 school year was nearly \$8,500.

The school's proponents argued that its setting offered preschoolers sanctuary from the digital age and promoted a flinty resourcefulness gained from exposure to the outdoors. But the school was also the subject of numerous complaints by residents about trash and the school's use of open fires, which may have violated the Park District Code.

OIG did not recommend that the Park District discourage programming simply for being unconventional. However, the nature of the school's operations were clearly incompatible with the state's licensing requirements. The school's proponents argued that its divergence from the traditional preschool model was precisely what they found appealing about the program. But the school appeared to want to have it both ways: On the one hand, it projected itself as a first-of-its-kind program at the forefront of preschool care. On the other hand, the school wanted to offer assurance to the public that it had the approval of the Park District and the licensing authorities. Included in the school's messaging was the incorrect statement that it operated "in partnership" with the Park District. Although the Park District issued the school a use permit of the site, it had no role in the school's programming.

The preschool's website also stated that it "meets all applicable state and local regulations," which also proved to be false. The preschool had no license to operate as a preschool and it's not evident that it even had a City business license.

Under the terms of its Park District permit agreements in effect since 2016, the preschool stated that would “comply with all applicable federal, state and local laws, statutes, ordinances ...” The investigation found no evidence that the preschool has ever been found in compliance with any State of Illinois or City of Chicago laws governing preschool operators.

Although the preschool operated through the summer of 2019 with the Park District’s knowledge, OIG was unable to find a copy of the most recent version of the permit agreement (for 2018-2020) that had been signed by a Park District representative.

OIG recommended that the Park District:

- Terminate its agreement with the preschool for breach of the requirement that it “comply with all applicable federal, state and local laws, statutes, ordinances, rules, regulations, codes and executive orders ...” **The Park District followed the recommendation and terminated the agreement effective at the end of summer 2019.**
- Confirm going forward that any prospective permittees who are required to have childcare licensing meet the requirements and are in good standing. **The Park District has not responded to this recommendation.**

3. Review: Park District Did Not Verify Required Educational Credentials for Numerous Recent Hires

OIG reviewed 15 recent hiring rounds in which the hired candidate claimed to have a bachelor’s degree and found that the Park District verified the candidate’s educational background in only two cases. In each of the 15 cases, the job description either required (or expressed a preference for) a bachelor’s degree and the candidates claimed in their job applications to have the degree. However, the Park District didn’t verify the candidates’ educational backgrounds during the onboarding process.

OIG requested and reviewed proof of the candidates’ (who are now Park District employees) degrees.

QUARTERLY INFORMATION

Investigations by Quarter

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	2019 Total
Opened	20	21			
Closed	7	14			
Pending	23♦	28			

♦ Revised from First Quarter report.

Reviews by Quarter

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	2019 Total
Opened	2	10			
Closed	6	5			
Pending	2♦	7			

♦ Revised from First Quarter report.

Nature of Investigations and Reviews Initiated by Quarter

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	2019 Total
Criminal Misconduct or Fraud	3	6			
Waste, Inefficiency, Compliance, Advisories	3	9			
Other Rule, Code, Ordinance Violations	16	16			

Audits by Quarter

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	2019 Total
Opened	1	3			
Closed	1	3			
Pending	4	4			

Investigated and Reviewed Parties by Quarter

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	2018 Total
Officers	0	1			
Employees	22	31			
Other (Agents, concessionaires contractors, other parties, unknown)	5	7			

Internal Assists Performed by Quarter*

Department	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	2019 Total
Human Resources	59	2			
Purchasing	4	3			
Community Recreation	1	0			
Law	1	1			

Internal Assists Performed by Quarter♦

Department	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	2019 Total
Legislative & Community Affairs	0	1			
Office of Chief Administrative Officer	0	1			
Security	0	1			

♦ Internal Assists are OIG responses to Department requests for information, analysis and other assistance.

Cases Pending Over Six Months

[4]

Reasons:

Available time and resources: 3

Complex investigation (multiple issues or parties): 1

HIRING COMPLIANCE MONITORING ACTIVITY – SECOND QUARTER 2019

OIG reviews and monitors the Park District’s hiring and assignment determinations from the quarter to ensure that the actions taken comply with the Employment Plan. OIG reports on its compliance monitoring activities in each its quarterly reports.

1. Monitoring Contacts by Hiring Departments

OIG reviews all reported or discovered instances where hiring departments contacted Human Resources to lobby for or advocate on behalf of actual or potential applicants or bidders for positions that are covered by the Employment Plan or to request that specific individuals be added to any referral or eligibility list for upcoming jobs at the Park District.

Human Resources did not report any improper contacts by hiring departments for the second quarter of 2019. Since OIG started reporting the Park District’s hiring compliance monitoring activity, Human Resources has never reported any improper contacts by hiring departments.

2. Review of Exempt List Modifications

OIG reviews the Park District's adherence to exemption requirements and modifications to the list of job titles and number of positions that are Exempt from the Employment Plan procedures.

The following modifications to the Exempt List were approved in the second quarter of 2019:

Positions added to the Exempt List (0)

Positions removed from the Exempt List (0)

3. Review of Exempt Management Hires

Human Resources reported no Exempt hires made during the second quarter of 2019.

4. Review of Written Rationales

OIG reviews written rationales when no consensus selection (no one from the approved candidate pool was selected) was reached during a consensus meeting.

Human Resources did not submit any "no consensus" letters during the second quarter of 2019. The last "no consensus" letter OIG received was in 2015 when the Park District was still under the federal *Shakman* decree.

5. Review of Emergency Appointments

OIG reviews circumstances and written justifications for any emergency hires made pursuant to the Personnel Rules of the Park District Code.

Human Resources reported no emergency appointments during the second quarter of 2019. Human Resources has never reported an emergency appointment.

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6. Review of “Acting Up” Activity

OIG reviews all circumstances where employees are “acting up” (performing all or substantially all of the duties of an employee in a higher-paid classification). Activity in the second quarter of 2019 showed that 137 employees were “acted up” during the quarter and 7 employees who had been in “acting up” status were placed back in their positions.

Acting Up Activity – Second Quarter 2019

Position	Second Quarter	
	Acted up	Reversed
Community Recreation		
Lifeguard (H)	98	1
Natatorium Instructor (H)	5	0
Operations		
Laborer (Maintenance)	27	0
Labor Foreman	0	1
Natural Areas Worker	3	3
Floriculturist Apprentice	2	1
Floriculturist CL 1	2	0
Gardener	0	1
Executive Office		
Total	137	7

7. Hiring Sequence Audits

OIG audited a sample of Park District hires from the second quarter of 2019 for compliance with the Employment Plan.

The results from the audits completed in this quarter identified non-compliance with the Plan.

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The following hiring sequences from Q2 2019 were audited:

#4322 Accounts Payable Accountant – Non-compliance with Employment Plan identified.

- Applicants: 88
- Qualified candidates: 19
- Candidates interviewed: 6 (7 candidates invited to interviews)
- Other: HR informed OIG that no reference check of the winning candidate was completed.

#4361 Operating Engineer (Full-time) – Non-compliance with Employment Plan identified.

- Applicants: 123 (for two positions)
- Qualified candidates: HR did not provide a list of qualified candidates. The creation of a minimally-qualified list is a requirement of the Employment Plan.
- Candidates interviewed: 9 (an additional 6 candidates were invited for interviews)
- Other: HR indicated that it planned to verify employment references but it was not evident that a verification was completed.

#4188 Machinist (full-time) – Non-compliance with Employment Plan identified.

- Applicants: 16 (for two positions)
- Qualified candidates: HR did not provide a list of qualified candidates. The creation of a minimally-qualified list is a requirement of the Employment Plan.
- Candidates interviewed: 5 (an additional 7 candidates were invited to interview)
- Other: HR indicated that it planned to verify employment references but it was not evident that verifications were completed.

#4417 Development Manager

- Applicants: 38 (for two positions)
- Qualified candidates: 20
- Candidates interviewed: 7 (an additional two candidates were invited to interview)