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INSPECTOR GENERAL

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### 2019 THIRD QUARTER REPORT

To the Chicago Park District Board of Commissioners, Park District employees and Residents of the City of Chicago:

It may not be surprising that our office has the smallest budget of the five municipal offices of inspectors general given the Chicago Park District's size and budget overall compared with the City of Chicago and the other sister agencies. However, our office's budget is approximately half as much as the office of inspector general with the fourth lowest budget, the City Colleges of Chicago OIG. This disparity exists although the Park District's budget is larger than that of the City Colleges and the scope of its operations is more expansive.

Although the Park District's need for an office of inspector general has proven to be the same as that of the City and sister agencies, our office is not on an equal footing with the other OIGs in terms of our capacity to meet the demand. In its 2020 budget proposal, OIG requested hiring three full-time employees to fill legal, analytical, supervisory and administrative support needs. The proposal was significant but would have reduced only by half the budget gap between our office and City Colleges OIG. Just prior to the 2020 budget's posting, however, we learned that none of the requested full-time positions was budgeted. We were informed that our request for full-time positions would receive more consideration in the future without any details.

OIG continues to benefit from our first inspector general's success in achieving buy-in for our role starting with the example set by the administration and continuing throughout the agency. Without exception, OIG is met with professionalism from all corners of the Park District even when disagreements occur. However, the Park District should bring into focus how it intends to match its recognition of the need for an inspector general with the resources necessary for one to fully address its mission.

Sincerely,

*Will Fletcher*

Will Fletcher  
Inspector General

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## PENDING RESPONSES FROM PREVIOUSLY REPORTED CASES

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 event 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.

## INVESTIGATIONS AND REVIEWS

### 1. Senior Park District Official Steered Multi-Million Dollar Tech Contract to Company that Had Paid Hundreds of Thousands of Dollars to a Company that Senior Official Owned

An OIG investigation found that a Senior Official steered a Park District contract worth up to \$7 million to a multinational technology services corporation (Tech Firm) that had paid hundreds of thousands of dollars to a company Senior Official owned (Subcontractor 1) that acted as a minority-owned subcontractor on Tech Firm's large public agency projects. Acting in his/her official capacity, Senior Official abruptly terminated a months-long competitive bidding process for a Park District technology contract under suspicious circumstances before formally proposing that the Park District Board directly award the contract to Tech Firm. Between 2014 and 2017, Tech Firm paid Subcontractor 1 more than \$320,000 for subcontracting work on large public agency contracts, approximately \$145,000 of that

amount was paid after Senior Official started working at the Park District and presided over the selection of a vendor for the multimillion dollar contract. Tech Firm paid Subcontractor 1 almost \$40,000 after the Park District Board approved the agreement in 2017. Tech Firm formally severed ties with Subcontractor 1 about a month after it won the Park District contract. (See timeline of investigation [here](#))

The investigation also showed that, in 2016, when Senior Official's company was in crisis over a minority-owned business certification issue directly related to his/her Park District employment, Senior Official, with the help of a Tech Firm sales manager (Sales Manager), concealed its issues within his/her own company so that Subcontractor 1 could not only maintain its existing Tech Firm subcontracting work, but gain additional projects. The misrepresentations saved Subcontractor 1's partnership with Tech Firm, directly allowing Senior Official's company to earn hundreds of thousands of dollars in 2016-17.

Although Sales Manager risked his/her standing at Tech Firm helping Senior Official conceal the decertification from his/her own colleagues at the company, Senior Official was eventually in a position to reward Sales Manager's critical assistance. In 2017, Senior Official used his/her Park District position to direct a multimillion dollar contract to Tech Firm. Further, Sales Manager was Tech Firm's lead representative in negotiations and was credited for landing the contract with the Park District. Senior Official never disclosed his/her active business relationship with Sales Manager and Tech Firm to anyone at the Park District.

In fact, Senior Official repeatedly denied having active or recent business ties with Tech Firm even as rumors about them reached the Park District administration in the summer of 2017. When senior Park District officials asked about the rumors, Senior Official falsely stated that Subcontractor 1 once had a relationship with Tech Firm but that it ended years ago. Others reported that Senior Official claimed to no longer have ownership of Subcontractor 1. Based in part on Senior Official's misrepresentations, the Park District went forward with awarding Tech Firm the contract in 2017.

Tech Firm's representatives claimed that it knew of no one else in the company who was aware that Senior Official was both the owner of Subcontractor 1 as well as the Park District executive who was working to deliver Tech Firm a lucrative contract. Tech Firm essentially described Sales Manager as a rogue employee who acted without the company's knowledge.

Soon after Tech Firm started its engagement at the Park District in late 2017, a number of change orders were executed that significantly increased Tech Firm's fees over what was estimated in the contract. The change orders alone resulted in an additional \$421,300 in hourly fees for Tech Firm. A single change order from December 2017 increased the Park District's monthly expenditures by \$25,000 more than what was anticipated. In the second half of 2018, the Park District's rate of spending was 47% higher than what was estimated.

## Background

Hired for a newly created position at the Park District, it was not apparent that Senior Official had experience directing the information technology program of a large public agency. However, Senior Official had owned or co-owned Subcontractor 1, a small technology services company, since the early 2000's. Subcontractor 1 had been successful in the politically-charged arena of winning subcontractor projects on state and local government technology contracts, assisted by a well-connected support network. At one time, the company employed a former Park District CEO to find Subcontractor 1 new business with other City of Chicago agencies.

Internal Tech Firm correspondence indicated that Subcontractor 1's connections factored into its selection as a Tech Firm partner. One Tech Firm email stated that "our lobbyist assisted" with Subcontractor 1's selection based in part on its "relationships with the city."

Senior Official and Sales Manager had a longstanding business relationship that dated to 2013. Prior to Senior Official joining the Park District, Sales Manager advocated for Tech Firm to use Subcontractor 1 as an MBE contractor on local government projects. Even when Tech Firm project managers appeared to balk at the prospect of working with Subcontractor 1, Sales Manager urged them to do so.

Senior Official remained the owner of Subcontractor 1 after starting work at the Park District. Administration officials told OIG that they instructed Senior Official to steer clear of conflicts arising from owning the company and to timely disclose any issues should they have occurred. When Senior Official was hired in 2015, the Park District had no contracts with Tech Firm. However, Senior Official never disclosed to anyone his/her company's partnership with Tech Firm when he/she proposed that it become a Park District vendor in 2017.

Through Senior Official, Tech Firm won a large Park District award outside of the normal competitive bidding process. At no point, however, did Senior Official disclose that Subcontractor 1 had an active partnership with Tech Firm throughout his/her Park District employment.

Although no one at the Park District appeared to know of Senior Official's connection with Tech Firm, the relationship was no secret among Chicago's community of IT services firms. A few of the firms contacted OIG after its investigation was opened to object that Tech Firm had won a Park District contract in light of Senior Official's partnership with the company.

## Subcontractor 1's MBE Decertification

In 2016, a few months after Senior Official started work at the Park District, the City of Chicago's procurement department decertified Subcontractor 1 as a minority-owned business enterprise. The City apparently had been alerted that Senior Official took full-time employment at the Park District. As the City's rules require the MBE firm to be the principal

owner's primary employment, Senior Official's new full-time Park District job was grounds for Subcontractor 1's decertification.

Losing an MBE certification can be devastating for a company that does subcontracting work on large government projects. Prime contractors may claim credit toward MBE subcontractor participation goals only through the work of minority-owned firms that a certifying agency (like the City of Chicago) has determined to be qualified in a certain field of expertise. Tech Firm told OIG that it would have terminated its relationship with Subcontractor 1 had it known it was no longer eligible for MBE utilization.

Subcontractor 1's decertification came a few months before it was scheduled to start a project for Tech Firm at another City of Chicago agency (New Project 1). For Senior Official, it meant that a new contract worth more than \$100,000 to Subcontractor 1 would be suddenly lost.

### **Senior Official and Sales Manager Concealed Subcontractor 1's MBE Decertification So That it Could Remain a Tech Firm Subcontractor on a City of Chicago Project and Gain New Business from Tech Firm's Contract with Cook County**

Although Tech Firm would have severed its partnership with Subcontractor 1 over its decertification, Senior Official and Sales Manager had no intention of allowing Tech Firm to learn of it. Described below are two instances where Senior Official and Sales Manager concealed Subcontractor 1's change in status to (1) save Subcontractor 1's project with a City of Chicago agency and (2) find new work for Subcontractor 1 on one of Tech Firm's projects with Cook County.

Both projects started after Senior Official became a Park District employee. Although the subcontracting projects involved were for City of Chicago and County agencies (i.e., not the Park District), they provide the background of the relationship between Senior Official and Sales Manager leading up to the Park District's contract award to Tech Firm in 2017.

Sales Manager, apparently at significant risk to him/herself, never disclosed the decertification to his/her colleagues at Tech Firm and assisted Senior Official in advancing misrepresentations and false narratives to the company. Sales Manager's support of Subcontractor 1 appeared to be rewarded when Senior Official helped Sales Manager land the multimillion dollar contract with the Park District in 2017. Tech Firm's representatives confirmed to OIG that Sales Manager stood to benefit financially for winning the Park District's business.

- *Misrepresenting Subcontractor 1's decertification as a temporary clerical issue and replacing Subcontractor 1 on paper with an MBE in good standing*

In May 2016, Senior Official notified Sales Manager that the City had taken action to strip Subcontractor 1 of its MBE certification. However, Sales Manager, never disclosed the decertification to his/her associates at Tech Firm. Instead, Sales Manager assisted Senior

Official in advancing a false narrative designed to conceal Subcontractor 1's decertification and save its participation on New Project 1. Sales Manager told Tech Firm project managers that Senior Official had encountered an unspecified clerical problem with the City that was temporarily affecting Subcontractor 1's MBE certification status.

Sales Manager explained to Tech Firm employees that, while Senior Official worked to resolve the clerical problem with Subcontractor 1's MBE status, he/she had arranged for another MBE firm, Subcontractor 2, to be named the certified MBE on New Project 1 but that it would "sub to [Subcontractor 1]" so that "everything stays the same for the customer." Put another way, although Subcontractor 2 would be the MBE of record on New Project 1, Subcontractor 1 would still be doing the work.

For Senior Official and Sales Manager, engaging an MBE firm in good standing like Subcontractor 2 was the solution to the problem of how Senior Official's recently decertified company could keep its work on New Project 1 while Tech Firm continued to receive credit toward MBE utilization goals. Under a payment arrangement in effect between 2016 and 2017, Subcontractor 1 performed the work on New Project 1 as originally planned. Instead of invoicing Tech Firm as it ordinarily would, however, Subcontractor 1 sent its invoices to Subcontractor 2. In turn, Subcontractor 2 invoiced Tech Firm for Subcontractor 1's work (although the invoices didn't indicate that it was Subcontractor 1 that performed the work). Subcontractor 2 received the payments from Tech Firm and passed them through to Subcontractor 1, holding back a "service fee" of 10 to 15 percent for each payment.

Through this indirect arrangement involving Subcontractor 2, Tech Firm paid Subcontractor 1 nearly \$90,000 over nine months in 2016-17 for work performed after Subcontractor 1's decertification.

- *Senior Official incorporated a new entity in spouse's and business partner's names as part of an attempt to save Subcontractor 1's partnership with Tech Firm*

The investigation also revealed that, shortly after Senior Official learned of the City's decision to decertify Subcontractor 1, a new entity (New Corp) was created in the names of Senior Official's spouse and business partner. Senior Official was not identified as one of New Corp's principals. New Corp, however, appeared to have no corporate footprint other than its connections with Subcontractor 1. Its address was the same as a warehouse used by Subcontractor 1. New Corp's incorporation filings and other contact information also identified individuals associated with Subcontractor 1, raising the question of whether New Corp was truly a stand-alone entity or a shell company that Senior Official created.

Internal Tech Firm emails showed that Senior Official and Sales Manager for several months pushed a false narrative to Tech Firm that New Corp was simply Subcontractor 1's new corporate name when, in fact, Subcontractor 1 and New Corp were separate corporate entities with different principals.

The motive for the “name change” narrative was to preserve Subcontractor 1’s partnership with Tech Firm through an entity that existed only on paper. Senior Official, with the assistance of Sales Manager, hoped that Tech Firm would regard New Corp as though it were simply Subcontractor 1 operating under a new name. If the plan worked, Senior Official could keep the lucrative subcontracting work with Tech Firm in spite of his/her employment with the Park District and without the need of paying a “service fee” to another MBE entity.

The “name change” plan, however, was unsuccessful. Tech Firm’s records showed that it had trouble locating basic information about New Corp, including a working phone number. Tech Firm’s requests for New Corp’s financials went unanswered. One Tech Firm employee familiar with the “name change” request concluded in an email to a colleague: “This smells to high heaven.” Tech Firm did not ultimately accommodate the name change request although Senior Official and Sales Manager tried to push it through for several months.

- *Over internal objections, Sales Manager also found Subcontractor 1 new work on a Tech Firm project with a Cook County agency after losing its MBE status*

Through the arrangement with Subcontractor 2, Senior Official and Sales Manager succeeded in keeping Subcontractor 1 on New Project 1 despite the decertification. Sales Manager also worked to get Senior Official’s company a new assignment on one of Tech Firm’s projects with Cook County (New Project 2) for which Subcontractor 1 stood to be paid \$96,000 over the term of the project as an MBE subcontractor. Tech Firm’s attorneys told OIG that Sales Manager was responsible for selecting Subcontractor 1 to work on the County project.

As Tech Firm started onboarding Subcontractor 1 for New Project 2, its project managers observed that the company lacked the insurance coverage required for Tech Firm subcontractors: “[Subcontractor 1] does not have the correct insurance to maintain their status as a [Tech Firm] partner. They are so far out of line, it will require time and significant cost to the partner to update their coverage. Unfortunately, we need to identify a different vendor for [New Project 2].”

Subcontractor 1 was ultimately awarded the Cook County contract over the objections of Tech Firm’s project managers. The discussion that started about Subcontractor 1’s insurance coverage issue evolved into more general questions about its suitability as a Tech Firm partner. Once again, Sales Manager advocated for Subcontractor 1, stating that Tech Firm was one of the MBE companies Tech Firm was required to use on City of Chicago and Cook County projects. At the time of this correspondence, Subcontractor 1 had been decertified for almost one year. In the emails OIG reviewed on this topic, Sales Manager did not disclose that Subcontractor 1 had lost its MBE status. In fact, Sales Manager portrayed Subcontractor 1 as an MBE in good standing.

Between 2016 and 2017, Tech Firm paid Subcontractor 1 about \$60,000 for work on New Project 2. In contrast to the indirect payment arrangements on New Project 1 with the City,

Tech Firm paid Subcontractor 1 directly for its work on the Cook County project. It may have been that Senior Official and Sales Manager were not as concerned that Cook County's procurement department would be aware of Subcontractor 1's MBE decertification by the City of Chicago.

### **Senior Official Used His/Her Position at the Park District to Steer a Multi-Million Dollar Contract to Tech Firm Through Short-Circuiting the Competitive Bidding Process**

When Senior Official started employment in 2015, a publicly advertised competitive bidding process for a technology managed services contract had been in progress for months. By early 2016, five companies submitted bids for the contract award. Although Tech Firm had expressed interest, it was not one of the bidders.

The five bidders gave written and oral presentations in September 2016. After the presentations, one of the evaluation committee members told OIG that, in his/her opinion, a few of the quotes were "in the ballpark" on cost. Another committee member recalled that all of the bids were excessive. Under Senior Official's leadership, however, the Park District departed from its normal procedures of evaluating the bids and the competitive process abruptly ended.

In early March 2017, during a period when Subcontractor 1 was working on two Tech Firm projects despite losing its MBE status, Senior Official cancelled the competitive bidding process. The process was cancelled without engaging in the customary negotiations with the bidders over cost or even collecting the written bid evaluations from the selection committee members.

Senior Official told OIG that because the committee members unanimously agreed that the bids were too costly, the purchasing department requested the five bidding firms to revisit their proposals and submit lower bids. This obviously advantageous request is customary for the Park District. Senior Official and one other committee member stated that the request to the bidders yielded revised offers that were still too high. Senior Official stated that all of the bidders "came back with a 10 percent decrease in price" that the committee unanimously determined was not sufficient. Therefore, according to Senior Official, the committee "all agreed" to terminate the competitive bidding process.

Senior Official's account was challenged by both the bidding firms and by other members of the committee. According to other members, the RFP cancellation was not decided by a unanimous vote. Two members stated that the committee did not vote to terminate the competitive process at all. The committee members recalled learning informally that the selection committee had been disbanded. One of the members recalled that Senior Official told him/her without explanation that the committee's work had ended.

In December 2016, a subordinate employee wrote to Senior Official that he/she recently spoke with a purchasing department representative who said "his take on the [competitive bidding process] is that the ball is in your court." Senior Official responded "yes I know." The

employee then replied that the purchasing representative was “waiting on you to provide him with questions/templates for vendors to fill out in this initial cost engineering phase.” Cost engineering refers to the Park District’s practice of having prospective vendors review and lower the cost of their bids. This exchange between the employee and Senior Official showed not only that Senior Official had assumed control of the selection process, but that he/she was responsible for the price negotiations with the bidders, which never materialized.

The bidding firms also contradicted Senior Official’s account. They told OIG that after their oral presentations to the evaluation committee in late 2016, they did not receive any requests from the Park District to amend their bids. In fact, the companies OIG interviewed stated that they received no feedback at all until they were notified in March 2017 that the competitive process had been terminated without explanation. The vice president of one of the bidding firms told OIG that “We had reached out multiple times after the oral presentation to understand the process going forward and anything needed ... but communication went silent.”

After the competitive bidding process was cancelled, Senior Official moved to give the business to Tech Firm directly through a process that allowed the Park District to adopt the terms of an existing City of Chicago contract with the company for the sale of IT commodities. The rationale behind adopting the terms of another public agency’s existing contract, known as “piggybacking,” is that a smaller agency like the Park District can benefit from the greater bargaining power of a larger agency like the City, provided that the scope of the City’s contract includes the commodities/services that the Park District seeks to acquire.

A Park District attorney told OIG that, after the competitive process ended, Senior Official approached him/her and specifically requested to arrange for a piggyback agreement with Tech Firm. The attorney in charge of negotiations with Tech Firm relied on Senior Official’s technical expertise and judgment on substantive terms of the agreement. The Park District attorney’s counterpart in charge of Tech Firm’s negotiations was Sales Manager. During the back and forth of negotiations, neither Senior Official or Sales Manager ever told the attorney that they knew each other, much less that they had a longstanding (and active) business relationship. On key terms of the proposed agreement, Senior Official and Sales Manager were essentially negotiating between themselves. It doesn’t appear that Sales Manager submitted a scope of Tech Firm’s services until the day before the contract was awarded.

Based on Senior Official’s recommendation, however, the Park District entered into a contract with Tech Firm in August 2017. Addressing the Board with the contract proposal, Senior Official stated that Tech Firm should be awarded the Park District’s technology services contract because the competitive bidding process resulted in proposals that were too costly.

## **Adverse Consequences for the Park District Arising from the Tech Firm Agreement Resulted in Hundreds of Thousands of Dollars in Unanticipated Costs**

For the Park District, bypassing the competitive bidding process and contracting with Tech Firm had significant adverse results. First, the piggyback agreement with Tech Firm made it much easier for Senior Official to steer business directly to Tech Firm.

Second, a review of the scope of Tech Firm's City contract and the Park District's needs was an apples to oranges comparison. Tech Firm's contract with the City was for the sale and installation of computer hardware as well as the maintenance and installation services related to the sales. Through its competitive process, the Park District had been seeking information technology consultant services (i.e., the technicians, analysts and specialists needed to manage a large agency's technology infrastructure.)

Therefore, the Park District adopted the terms of Tech Firm's contract with the City to buy computer hardware when what it needed was a contract to hire IT professionals. The issue of the City contract's scope has had greater significance for the Park District than a simple technical matter:

- For the last two quarters of 2018 combined, the Park District paid Tech Firm hundreds of thousands of dollars more than what was estimated. The Park District initiated costly change orders for additional consultants and the number of hours they work on a monthly basis. A single change order made just one month after Tech Firm started work in late 2017 increased costs by \$25,000 per month. Tech Firm's costs decreased in 2019 but still exceeded what was estimated by \$15,000 to \$20,000 every month.

By the end of 2018, the change orders cost the Park District \$421,000 more than what was anticipated and spending was on pace to exceed the three-year contract's \$3.5 million dollar limit in a little more than two years. In April 2019, however, nearly 19 months into the contract, the Park District notified Tech Firm that it had just discovered a drafting error in the agreement that neither party had noticed: specifically, that the contract's initial term was for three years when it was only intended to be for two. If true, it would mean that the Park District's expenditures to that point were approximately on target for a two-year agreement.

For its part, a Tech Firm employee told OIG that, when the agreement was executed, the company believed the contract's three-year term accurately reflected the parties' intentions. Other Tech Firm documents that were incorporated into the Park District's agreement also mention a three-year period. In other words, there's not much evidence of a "drafting error" in the sense that both parties acknowledged a mistake in the contract. Based on the contract proposal submitted to the Park District's Board, it's more evident that the Park District entered into a three-year contract when

it requested authorization for a two-year agreement, perhaps inadvertently or through internal miscommunication.

In April or May 2019, however, Tech Firm agreed to amend the contract to a two-year term based on the Park District's assertion of a mistake. For Tech Firm, the amendment may have represented a distinction with no difference: Tech Firm received the \$3.5 million in fees over two years that, according to the contract, it expected to be paid over three years.

The issue over the contract's term, however, had no bearing on the fact that the Park District initiated costly change orders that started soon after Tech Firm began its engagement. Observers might defend the change orders by arguing that Tech Firm didn't have a full picture of the project requirements until it began managing the Park District's technology infrastructure. This argument, however, only adds to questions about whether unexpected costs were at least partially a product of how Tech Firm won the Park District's business: by piggybacking on a contract that was for something else – the sales, maintenance and installation of computer hardware. It was through the competitive process that the bidding firms had the opportunity to assess the Park District's technology requirements and submit informed proposals to the evaluation committee.

In this case, however, and to the Park District's detriment, Tech Firm was first awarded the contract and then devised a plan for addressing the Park District's needs for technology consultant services. It appears that Tech Firm delivered its first statement of work to the Park District outlining its scope of services just one day before it won the contract in August 2017.

- After the Board approved the contract – but before it was finalized – the Park District's incumbent vendor for technology services submitted a letter asking for the Board to reconsider its vote, claiming the contract was unlawful because of the scope issue. Subsequently, as part of a settlement agreement in 2018 over disputed fees, the vendor expressly released all potential claims related to the scope issue. While parties typically seek the dismissal of any prospective claims when negotiating settlement, the specific mention of the scope issue in the settlement agreement indicated that both parties recognized value in resolving it.
- Senior Official's tenure at the Park District also generated a substantial increase in hiring of internal Park District employees as well as increased use of outside consultants at a cost of hundreds of thousands of dollars. Among the new employees and consultants were Senior Official's acquaintances, business partners and Subcontractor 1 employees. Other consultants hired on Park District projects through Tech Firm's subcontractors were members of a nonprofit organization that Senior Official led and that enjoyed support from public figures.

### **Tech Firm's Own Internal Investigation of Senior Official and Subcontractor 1**

Based on a tip from an internal source, Tech Firm initiated an internal investigation of Senior Official and Subcontractor 1. The investigation concluded without Tech Firm interviewing any witnesses or drafting a final report, however, the apparent result was to recommend terminating its partnership with Subcontractor 1. Although the investigation concluded in April or May 2017, Tech Firm did not notify Senior Official of its decision until after the Park District approved his/her proposal to award Tech Firm the contract months later.

The scope of Tech Firm's investigation was initially very limited and not likely to discover the multiple issues related to Subcontractor 1, its MBE decertification or the several misrepresentations made to save its participation on New Project 1 and to receive additional work on New Project 2. When asked by OIG about the original scope of its investigation, Tech Firm representatives stated that the employee responsible for initiating the investigation was no longer with the company.

Although Tech Firm's investigation was narrow in scope, several Tech Firm employees continued asking questions throughout 2017 and they appeared genuinely concerned that Senior Official and Subcontractor 1 may have been engaged in unethical conduct that would reflect negatively on their company. Although the employees were aware of Sales Manager's connection with Senior Official, he/she was not directly included in the discussions. The employees appeared particularly suspicious of the attempt to convince Tech Firm that Subcontractor 1 was simply changing its name to New Corp. One Tech Firm employee summarized the "name change" efforts by Senior Official and Sales Manager as "shady."

In late March 2017, Tech Firm obtained a written statement from Senior Official regarding potential conflicts issues. Senior Official falsely claimed that he/she was

**not in a position to influence or control any aspect of the Park District's procurement process, whether related to the acquisition of products or services from [Tech Firm] or any other vendor ...**

Tech Firm told OIG that it never sought to corroborate Senior Official's statement with the Park District or anyone else.

It's unclear whether Tech Firm reviewed internal emails during its investigation to corroborate the written statements. Had it searched for them, Tech Firm may have discovered the several instances in 2016 when Senior Official provided Sales Manager with an audience at the Park District for sales pitches of Tech Firm products and services.

OIG's attempts to review emails for relevant correspondence in early 2017 was unsuccessful. Tech Firm stated that, before he/she left the company in 2018, Sales Manager claimed to have lost all of his/her emails for certain months in 2017 leading up to Tech Firm's contract with the Park District. Tech Firm stated that it does not archive

employee emails on its servers and, therefore, it could not retrieve them for OIG's investigation.

In April 2017, a Tech Firm compliance official recommended that Subcontractor 1's partnership agreement be terminated. By June, another internal email stated that all of Subcontractor 1's projects were closed. Tech Firm, however, waited months to notify Subcontractor 1 of its decision. Senior Official's correspondence with Tech Firm during summer 2017, made evident that he/she was not aware of Tech Firm's intention to terminate its relationship with Subcontractor 1. And by July 2017, several Tech Firm employees were asking why Senior Official and his/her employees were still apparently working on assignments. One employee stated "I thought [Sales Manager] was going to inform them but ... it seems nobody has."

It wasn't until mid-August 2017, just days after the Park District approved Tech Firm's contract, that a Tech Firm employee informed other staff members that the company was acting on Subcontractor 1's termination. Tech Firm formally terminated its agreement with Subcontractor 1 about two weeks after it won the Park District award in August 2017.

Tech Firm told OIG that it did not intentionally wait to notify Senior Official of the termination until after it had won the Park District contract. The investigation found no evidence that directly contradicts Tech Firm's statement. However, OIG asked Tech Firm why it never disclosed to the Park District that it had an active business relationship with Senior Official in his/her capacity as Subcontractor 1's owner, which had by then had been paid more than \$320,000 as one of its subcontractors, with more than \$100,000 of that amount coming in 2017 alone. Tech Firm's response was that, with the exception of Sales Manager, no one in the company was aware of all the relevant facts to make the appropriate disclosure to the Park District. Tech Firm asserted that its employees assigned to the Park District project did not work on the other projects with Subcontractor 1 and, apparently, were unfamiliar with Senior Official in his/her role as Subcontractor 1's owner.

Tech Firm cooperated with the investigation by producing tens of thousands of pages of records and correspondence. The company also made representatives available to answer questions. OIG received critical assistance from the Superintendent and CEO as well as the Board of Commissioners during critical phases of the investigation.

[See timelines on attached Exhibit and here](#)

OIG recommended that:

- 1. The Park District terminate Senior Official's employment.**

Response: Senior Official resigned from the Park District.

- 2. That the Park District seek to replace Tech Firm because it (1) had not bid to provide managed technology services in a competitive process issued by either the Park District or the City of**

**Chicago; (2) the terms of the Park District's contract with Tech Firm were not negotiated at arms-length; and (3) were based on a contract with a different scope of services.**

Response: The recommendation is under advisement and the Park District has kept OIG informed as appropriate.

**3. That the Board of Commissioners assume a larger role in the review and approval of major contracts that includes an independent analysis of the vendors and proposed agreements.**

The administration offered a response to this recommendation that stated the Park District has strict controls in place to protect the integrity of its procurement processes. Among them is a conflicts statement that all contract evaluation committee members are required to sign. The conflicts statement previously required committee members to disclaim on behalf of themselves and immediate family members any financial interests only as they related to the specific contract under evaluation. In response to the investigation's findings, Park District has replaced the statement with a new one that is stronger and more expansive. Among other things, it requires committee members to certify that they do not have active or inactive financial interests, employment, or business relationships with any of the bidding firms at all.

In the new statement, the Park District has also attempted to address prospective conflicts of interest. It requires evaluators to affirm that they will not take future employment or anything else of value from any of the entities that submitted a bid that they evaluated. Evaluation committee members must also acknowledge that the conflicts obligations under this affidavit and statement are of a continuing nature.

**4. That the Board of Commissioners request a full history of change orders on Tech Firm's contract.**

In response to this request, the administration provided a summary of the Park District's expenditures under its contract with Tech Firm.

**5. Additional Measures**

The Park District has initiated additional measures in response to the investigation's findings to strengthen the integrity of purchasing process:

- Any cancellation of an active competitive bidding process for a Park District contract award now requires the unanimous vote of the committee with each member explaining the rationale for his/her decision
- Proposals to "piggyback" on another existing contract will be more rigorously reviewed
- Training: The Park District's IT staff has been required to complete training on the Park District's procurement procedures as well as ethics training

## **2. Supervisor Abused His/Her Park District Employment for Financial Gain on Several Occasions**

An OIG investigation established that a Park District Supervisor used his/her employment for personal benefit on several occasions.

### **Supervisor Paid for His/Her Child's Summer Camp Using Funds that Were Donated to the Employee's Park for the Purpose of Assisting Children Unable to Pay Program Fees:**

Supervisor had been given the responsibility of distributing a \$500 donation to his/her park intended to assist in paying the program fees of children who are unable to pay them. The investigation showed that, shortly after receipting the funds in spring 2019, Supervisor used \$150 of the donation on the personal expense of his/her own child's summer camp enrollment at another park.

When OIG asked about the purpose of the donation, Supervisor replied that the funds were intended to assist families with program fees at his/her park. Supervisor stated, however, that the donation was "not necessarily" intended for hardship enrollments and that it was left to his/her discretion how the funds were distributed. Supervisor stated that his/her discretion over the donated funds included spending part of the donation on his/her child's summer camp enrollment at another park.

### **Park District Records Also Showed Supervisor's Unauthorized Use of an Internet Code to Waive Child's Summer Camp Fees in a Previous Year**

The investigation established that Supervisor used a restricted code on the Park District's online registration platform to waive the fees for his/her child's summer camp enrollment in 2018. Only two Park District Finance department employees were authorized to use the code. Supervisor denied knowing how the code was applied on his/her child's account. Supervisor also told investigators that the code was widely known outside of the Finance department.

### **Supervisor Illegally Evaded Sales Tax on More than \$3,300 in Purchases of Personal Items at Menards using the Park District's Illinois Sales Tax Exempt Certificate**

Supervisor opened a Menards store account that was linked to the Park District's tax-exempt status. In opening the account, Supervisor acknowledged that tax-free purchases must be made on behalf of the Park District. During a 17-month period between 2017 and 2019, however, Supervisor bought personal items worth more than \$3,300 in 37 separate transactions.

Supervisor's immediate manager told OIG that donations to Supervisor's park, which is located in a community with a substantial need for financial assistance, are intended to assist children who cannot afford program fees. Another manager stated, however, stated

that there was a lot of “gray area” on how donations can be used. This Manager told OIG that he/she would need to examine how donations were managed by other supervisors before making a determination of whether Supervisor should have used donated funds on his/her child’s camp fees.

OIG recommended that:

**1. The Park District terminate Supervisor’s employment.**

Response: Instead of termination, the Park District negotiated a 29-day unpaid suspension with Supervisor and the forfeiture of vacation hours above a certain threshold that were accrued in 2019.

**2. That the Park District determine which employees need a tax-exempt customer card at Menards and request that all other accounts be terminated; and**

Response: The Park District has not yet responded to this recommendation.

**3. That the Park District restrict use of the tax-exempt letter to employee positions it determines should use them, institute rules and appropriate training about use of the letter and making tax-exempt purchases on the Park District’s behalf.**

Response: The Park District has not yet responded to this recommendation.

**QUARTERLY INFORMATION**

**Investigations by Quarter**

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	2019 Total
Opened	20	21	6		
Closed	7	14	13		
Pending	23	30♦	23		

♦ Revised from Second Quarter report.

**Reviews by Quarter**

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	2019 Total
Opened	2	10	5		

### Reviews by Quarter

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	2019 Total
Closed	6	5	0		
Pending	2	7	12		

### Nature of Investigations and Reviews Initiated by Quarter

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	2019 Total
Criminal Misconduct or Fraud	3	6	2		
Waste, Inefficiency, Compliance, Advisories	3	9	5		
Other Rule, Code, Ordinance Violations	16	16	4		

### Audits by Quarter

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

### Investigated and Reviewed Parties by Quarter

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	2018 Total
Officers	0	1	0		
Employees	22	31	4		
Other (Agents, concessionaires, contractors, other parties, unknown)	5	7	3		

### Internal Assists Performed by Quarter\*

Department	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	2019 Total
Human Resources	59	2	1		
Purchasing	4	3	0		
Community Recreation	1	0	0		
Law	1	1	0		
Legislative & Community Affairs	0	1	0		
Office of Chief Administrative Officer	0	1	0		
Security	0	1	0		

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

### Cases Pending Over Six Months

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[6]

**Reasons:**

Available time and resources: 6

## HIRING COMPLIANCE MONITORING ACTIVITY – THIRD 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 third 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 third 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 third 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 third 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 third quarter of 2019. Human Resources has never reported an emergency appointment.

**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 third quarter of 2019 showed that 10 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 – Third Quarter 2019**

Position	Third Quarter	
	Acted up	Reversed
<b>Community Recreation</b>		
Lifeguard Hourly	3	0
Lifeguard Seasonal	1	0
Physical Instructor	1	1
<b>Operations</b>		
Natural Areas Worker	3	3
Floriculturist Apprentice	0	1
Security Guard	1	1
<b>Executive Office</b>		
<b>Total</b>	<b>10</b>	<b>7</b>

## 7. Hiring Sequence Audits

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

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

The following hiring sequences from Q3 2019 were audited:

### **#1900082 Program and Event Facilitator**

- Applicants: 40
- Qualified candidates: No Minimally Qualified List of Candidates Available
- Candidates interviewed: 6
- Other: Job posting did not match the Park District's description of the position; OIG unable to confirm that at least one job reference was verified as Employment Plan requires; job posting indicated that a bachelor's degree is required but there was no evidence in Taleo that the winning candidate obtained the degree

### **#1900242 Special Projects Facilitator**

- Applicants: 30
- Qualified candidates: No Minimally Qualified List of Candidates Available
- Candidates interviewed: 12
- Other: Job posting indicated that a bachelor's degree is required but there was no evidence in Taleo that the winning candidate obtained the degree

### **#1900046 Electrician Outside**

- Applicants: 22
- Qualified candidates: No Minimally Qualified List of Candidates Available
- Candidates interviewed: 5
- Other:

(Continued on Following Page)

**#1900058 Senior Program Specialist Gardening**

- Applicants: 29
- Qualified candidates: No Minimally Qualified List of Candidates Available
- Candidates interviewed: 11
- Other: Job posting indicated that a bachelor's degree is required but there was no evidence in Taleo that the winning candidate obtained the degree; OIG unable to confirm that at least one job reference was verified as Employment Plan requires