First Quarter 2020 Report

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

I am honored to present the Chicago Park District Office of Inspector General’s Q1 2020 Report.

During the first quarter of 2020, the Park District’s operations shifted dramatically as it halted programming to fill a critical support function in the City of Chicago’s actions to fight the spread of COVID-19. OIG’s activities were also understandably curtailed. External complaints and internal requests for assistance fell sharply compared to the same period of 2019.

During the quarter, OIG focused on projects that it expects will have particular importance as the Park District and the City prepare to resume activities over the months and years ahead. Highlighted in this report is our review of the Park District’s policies and new procedures related to the discounting of special event permit fees. Several ongoing investigations and reviews address other items involving the Park District’s revenue and purchasing policies.

In the first quarter of 2020, OIG was allocated the resources to hire a deputy inspector general. The Park District’s investment in this critical position will realize an immediate benefit for our office.

Through our independent oversight, OIG will continue to combat fraud, waste and abuse through the challenging times when it is most needed. In this role, we look forward to continuing our support of the Chicago Park District.

Sincerely,

Will Fletcher
Inspector General
TABLE OF CONTENTS

Investigations and Reviews, p.1

Well-Connected Lake View East Homeowner Has Encroached on 3000 Square Feet of Lincoln Park for Five Years, Preventing Public Access, p. 1

Music Festival Promoter Games Park District’s Permit Fee Discounts for Two Years; Loopholes in Fee Policies Remain, p. 2

Individual Falsely Claimed That a Park District Facility Was The Location of His/Her Privately Owned Business, p. 6

Park District Employee Falsely Claimed To Have a Current Driver’s License, Despite Job Requirement, p. 7

Quarterly Information, p.8

Hiring Compliance Monitoring Activity, p.12
Investigations and Reviews

Well-Connected Lake View East Homeowner Has Encroached on 3000 Square Feet of Lincoln Park for Five Years, Preventing Public Access

An OIG investigation has established that a Lakeview East Homeowner has cordoned off nearly 3,000 square feet of Chicago Park District property (in Lincoln Park) for his own personal use with fencing and hedgerows surrounding the land. For five years, OIG has received complaints from Homeowner’s neighbors that the hedgerows intentionally block public access to open park land. The evidence more than substantiated the allegations.

There’s no real dispute that the land belongs to the Chicago Park District — not even the Homeowner contends that he owns it. The Chicago Department of Transportation (CDOT) agreed that the land was Park District property. Although the Park District has asked him/her to remove the encroachments for more than five years, Homeowner, who is apparently well-connected, has refused. The message that Homeowner’s hedgerows sends to anyone walking by his/her house is clear: “This land is my property.”

In 2015, the Park District Law Department sent Homeowner the first of several notices regarding the encroachment on park land. In his/her responses, Homeowner has strung along the process by advancing unsubstantiated and conflicting explanations about obtaining easements on the land. The City of Chicago once granted Homeowner a limited right of way to construct a narrow walkway leading from Homeowner’s property to the city sidewalk. But Homeowner has made a red herring out of this limited permission for several years. Homeowner received no right from the City or the Park District to cordon off 3,000 square feet of park land for his/her own use and has offered nothing that remotely supports such a notion.

In addition, Homeowner’s shifting explanations and refusals to remove the hedgerows have delayed, for more than five years, the Park District’s attempts to remedy other minor encroachments to park land in Homeowner’s vicinity. When the Law Department originally notified Homeowner of his encroachment in 2015, it also contacted nearby residents and property owners who also had encroached on park land. Those property owners had tentatively agreed with the Park District’s terms for use of the park land for decorative improvements and construction of walkways to allow street access through the park land. But the agreements have reportedly been on hold for five years and counting as they wait the disposition of Homeowner’s encroachment.

OIG recommended that the Park District instruct Homeowner to remove his encroachment on Park District property within 30 days upon the issuance of its report. In the event that
homeowner refuses to comply, OIG then recommended that the Park District take all appropriate action to halt Homeowner’s continuing encroachment as soon as practical including, if necessary, filing civil suit against Homeowner.

This report was issued within the timeline requested for the Park District’s response to OIG’s recommendations. OIG will report the Park District’s response in a subsequent report.

Music Festival Promoter Games Park District's Permit Fee Discounts for Two Years; Loopholes in Fee Policies Remain

An OIG investigation concluded that a Promoter for a one-day music festival, which was held in Park District venues in 2018 and 2019: (1) violated the terms of Park District event permit and partnership agreements; (2) made material misstatements to the Park District; (3) reneged on donation pledges to nonprofits; and (4) failed to make reports to Illinois taxing authorities.

That investigation, in turn, led to a larger review of the Park District’s waiver or discount of event permit fees in 2018 and 2019. Specifically, the Park District applied a total of $11.6 million in fee discounts. And of that $11.6 million in discounts, $4.45 million were applied to 114 events that OIG classified as revenue-generating or for-profit festivals. OIG further reviewed the nonprofit discount policy for special event permits that the Park District had readied for 2020, but that have not been applied due to the COVID-19 pandemic and subsequent shutdown of Park District facilities.

Investigation of Promoter. In 2018, the Promoter obtained a special event permit to hold a one-day music festival at a Park District venue. The event was broadly advertised on social media as well as local press, and anticipated thousands of people to attend. The event was clearly intended to generate revenue. Attendees paid $25 for admission to the festival to enjoy live music and buy food, alcohol and other merchandise; VIP tickets were also available at $75 each.

The Park District discounted the Promoter’s $14,320 event permit by nearly $6,000 on the Promoter’s pledge that 100% of the event’s “net proceeds” to a nonprofit organization. But there is no record that the Promoter made the donation. To the contrary, the nonprofit that should have received the donation told OIG that, over one year after the event was held, it had not received any money from the Promoter. Unfortunately, it was not the Park District’s practice to confirm that, in exchange for receiving the discounted permit, the permit holder actually made a donation to the designated nonprofit. In addition, although the 2018 festival brought in more than $120,000 on the sales of tickets, food, alcohol, and other income, the Promoter claimed in his/her tax filings statements (which the Promoter submitted to OIG) that the festival had lost money and had no proceeds to donate. As a result, OIG noted, the Park District would have to conduct an extensive audit of the festival’s records to prove otherwise.
Although there was no evidence that the Promoter honored the commitment to donate event funds to a nonprofit after the 2018 festival, the Park District nevertheless awarded him/her a partnership to hold the 2019 event at an even larger discount. Under the partnership’s terms, the Promoter promised to purchase $9,000 in uniforms for football and dance programs; in exchange, the Park District waived the entire $15,040 permit fee for the event. OIG reviewed evidence that suggested the Promoter purchased only about $5,700 in items for the football program, but could not confirm that he/she purchased anything for the dance program.

In addition to agreeing to purchase the uniforms, the Promoter pledged to the Park District that the 2019 festival would “raise funds” — specifically, $1,500 — and “awareness” for a second nonprofit organization, which the Promoter deemed a “nonprofit partner.” But as happened in 2018, the nonprofit’s president told OIG that, as of October 2019, the Promoter had not made any donation to the organization. And, curiously, the president stated that the nonprofit acted as the festival’s “fiscal agent,” meaning that it had handled some of the festival’s paperwork and connected the Promoter with local vendors.

Even more, and as was the case with other festival-related filings OIG has reviewed, the Promoter identified security providers, emergency medical services and other services that were either suspicious, contradictory, or at least warranted additional information, such whether the individuals were properly licensed. Similarly, evidence shows that the Promoter attempted to low-ball the festival’s expected attendance by up to two-thirds in an unsuccessful attempt to obtain a lower permit fee.

**Background on Discounted Permit Fees.** Any individual or entity that wishes to hold a large group event at a Park District facility — such as festivals, farmers’ markets, or other group events — must first obtain from the District a special event permit. Applications for special event permits are reviewed and approved by the Park District’s Revenue department. Revenue calculates permit fees by consulting a schedule of rates that adjust depending on a long list of factors such as, for example: (1) the type of event; (2) its location; (3) the space needed; (4) the time needed for setup and breakdown; (5) the number of attendees anticipated; and (6) whether alcohol will be served.

Special event permit fees are expensive; they typically range from the tens of thousands to the hundreds of thousands of dollars. Because of their cost, the Park District regularly reduces permit fees or waives them altogether for festivals and other events of all sizes. Such waivers or discounts take two forms: (1) nonprofit discounts that are applied by the Park District’s Revenue Department, or (2) partnerships that generally are initiated by management or through parks. Importantly, for-profit festivals are eligible to receive fee waivers or discounts through nonprofit discounts or partnerships, even though they seek to make money by charging admission or offering other revenue-generating activities.
The Revenue Department’s application of the nonprofit discount changed in 2020. Up until this year, the Revenue Department would apply an increasing series of permit fee discounts depending on how much an event’s revenue would be directed to an organization with IRS nonprofit status. But beginning with events that had been scheduled in 2020, the policy changed so that the nonprofit discount would apply only when a permit applicant represents that “100%” of the event’s “net proceeds” will benefit a nonprofit organization.

Permit waivers through partnerships, in turn, have been broadly applied for special events held and sponsored by advisory councils, government entities and elected officials. It has been established practice that Aldermen may request two partnerships for event permits annually. The partnership agreements require the permit holders to provide the Park District with something of value, for example, donations, programming, sponsorships, or the like.

Through nonprofit discounts and partnerships, the Park District discounted (or waived in total) a combined $11.6 million of event fees in 2018 and 2019. Of that $11.6 million in discounts, 114 events that OIG classified as revenue-generating or for-profit festivals received $4.45 million.

The intended effect of this fee-reduction policy is to make the Park District’s public venues accessible to a larger number of organizations. But, as OIG uncovered, substantial permit discounts have attracted corporate and other for-profit festival promoters — like the Promoter originally under investigation. Even more, the for-profit festival business model is profit-driven, and thus often conflicts with the Park District’s intent to make its public venues available to a wider group of organizations through permit fee waives or discounts.

Updated Nonprofit and Partnership Discount Policies. Until the onset of the COVID-19 pandemic and ensuing Park District-wide shutdown, updated policies regarding the nonprofit and partnership fee discounts were intended to take effect in 2020. The Park District revised its nonprofit discount policy a few times after an OIG investigation of a nonprofit organization operating in Grant Park and its president revealed what the Park District recognized was misuse of the policy to boost profits for corporate promoters. And, as mentioned above, the Revenue Department now requires permit applicants to represent that “100%” of events’ “net proceeds” will benefit a nonprofit organization to receive a nonprofit discount.

All of the revisions have improved on previous iterations of the discount policy. The policy revisions for 2020 appeared to be the most extensive yet and, in the case of a recently issued Partnership Handbook, finally provide Park District personnel with necessary guidance about the purpose of partnership agreements and how to process them.
OIG noted, though, that the new policies are unlikely to resolve some known issues related to special event permits for festivals and other large events that are held with the intent of generating revenue. Specifically, OIG cautioned that effective monitoring of donations of events’ “net proceeds” to nonprofit organizations will require exhaustive auditing resources, particularly as it relates to the auditing of festival promoters looking to game the policy through fraud or deceit.

In addition, under the new tiered approach to permit discounts, nonprofits with annual incomes of under $1 million may receive the largest permit discount of 75%. OIG has been informed that even newly formed nonprofit organizations with no financial track record would be eligible for the 75% discount, presenting the fraud risk that incentivizes unscrupulous promoters to incorporate nonprofits primarily for the purpose of obtaining the maximum discount. Depending on the size of the festival, the 75% discount on the permit fees can be worth tens or hundreds of thousands of dollars.

OIG also pointed out that the Park District still does not confirm whether festival producers and vendors report sales tax information as Illinois law requires. Because of the prevalence of cash transactions at festivals — especially for admissions fees at entrance gates and for vendor-sold goods — the absence of Park District oversight risks allowing festivals to become de facto tax havens or worse. Similarly, OIG noted that the Park District needs a better method of confirming that festival producers have obtained all of the licensing and approvals required to hold their events, including ensuring that third-party providers of private security and emergency services are legitimate entities with appropriate certifications and insurance. And finally, partnership agreements run the risk of disproportionately benefitting event sponsors who receive permit fee discounts because the Park District has established no practice to confirm whether the event sponsors make good on their promise to provide the park with something of value in exchange for the partnership.

**OIG’s Recommendations.** At the outset, OIG recommended that the Park District permanently refuse to issue the Promoter or his/her company a special events permit for future events.

As to systemic recommendations based on its expanded review, OIG recommended that, starting with the 2021 festival season, the Park District replace the “net proceeds” policy with a readily verifiable minimum donation that, like the special event permits themselves, is set depending upon variables like the expected attendance, advertising, the presence of merchandising, food and alcohol sales and attendance fees.

In addition, OIG recommended that the Park District consider instituting a cap on partnership waivers for all revenue-generating festivals and events or consider a minimum donation requirement similar to our recommendation for discounted permits.
OIG further recommended that the Park District increase the transparency surrounding the permit fee discounts or waivers by placing a regularly updated page on its website that lists (1) events and their sponsoring entities that received special event permit fee waivers or discounts in excess of $5,000; (2) the amount of the waivers or discounts; and (3) the justification for providing the waivers or discounts.

Finally, OIG recommended that the Park District require festival sponsors (1) to complete an attestation during the permitting process, in which the sponsors will assure their compliance with the Illinois law that mandates the reporting of sales taxes at their events; and (2) to provide to the Park District a copy of its state-required tax reporting within 10 business days after the report is filed. OIG also recommended that the Park District advise event sponsors during the permitting process that failure to provide timely evidence that they had fulfilled their tax reporting obligations will bar them from hosting future events at Park District facilities.

This report was issued within the timeline requested for the Park District’s response to OIG’s recommendations. OIG will report the Park District’s response in a subsequent report.

Individual Falsely Claimed That a Park District Facility Was The Location of His/Her Privately Owned Business

An OIG investigation concluded that an individual had falsely represented that a Park District venue that he/she had rented in March 2019 was, in fact, the location of his/her privately owned dance academy. Two months after the individual rented space at the Park District facility, the facility began receiving mail specifically addressed to the individual and the academy. The Park District told the mail carrier that no one such person or program existed at that facility and returned the mail. A short time later, the park supervisor confronted the individual about the mail and instructed him/her that he/she could not use the park facility as an address for the private dance academy.

Approximately three months later, parents contacted the park supervisor to inquire about the individual’s whereabouts, explaining that they had been instructed to show up to the facility for dance practice and to pick up dance uniforms. The supervisor informed the parents that the individual was not a Park District employee and that the dance studio was not a Park District program. But one month later, the park facility began to receive telephone calls from businesses to which the individual and his/her dance academy owed money; those businesses informed the park supervisor that the individual had listed the park facility’s address as that of the dance academy.
The matter was escalated and referred to OIG for investigation. OIG, in turn, confirmed that the individual (1) was not a Park District employee or had any partnership with the park; (2) was listed on Secretary of State records as dance academy’s legal agent; and (3) rented the facility space beginning in March 2019. OIG also discovered that, in 2013, the individual was arrested for conducting a fraudulent scheme involving fundraisers that had been organized ostensibly to purchase equipment for a Wisconsin-based cheerleading squad.

As a result, OIG recommended that the Park District bar the individual from conducting business with the District by deactivating his account in the Park District’s business database. The Park District agreed with the recommendation.

**Park District Employee Falsely Claimed To Have a Current Driver's License, Despite Job Requirement**

An OIG investigation revealed that a recently hired Chicago Park District Laborer falsely claimed on his/her job application to having a current driver's license. A valid driver’s license was a requirement for the position. During the investigation, it was established that the employee had previously worked as a Laborer on a seasonal basis in 2019 without having a valid license, either. The employee falsely claimed to have a driver’s license on his/her job application for the seasonal position, too.

OIG recommended the Laborer’s termination. The Park District followed the recommendation.
Pending matters include carry-over from 2019.
AUDITS

OPENED (2)

CLOSED (1)

PENDING (3)

TYPE OF INVESTIGATIONS AND REVIEWS

CRIMINAL MISCONDUCT OR FRAUD (3)

WASTE, INEFFICIENCY, COMPLIANCE, ADVISORIES (1)

OTHER RULE, CODE, ORDINANCE VIOLATIONS (5)

REPORT MISCONDUCT, WASTE, FRAUD AND ABUSE
CONFIDENTIAL HOTLINE 312.742.3333
INVESTIGATED AND REVIEWED PARTIES

OFFICERS (0)  EMPLOYEES (13)  OTHER (2)

Q1 (0)  Q2  Q3  Q4

Q1 (13)  Q2  Q3  Q4

Q1 (2)

Due to COVID-19, the OIG did not complete any Hiring Compliance Reviews and Audits.

HIRING COMPLIANCE

REVIEWS/AUDITS (0)*

PENDING OVER 6 MONTHS

INVESTIGATIONS (8)

Other includes Agents, Concessionaires, Contractors, Unknown, and Other parties.

*Due to COVID-19, the OIG did not complete any Hiring Compliance Reviews and Audits.
**Internal Assists**

- Human Resources: 1
- Law: 1
- Legislative & Community Affairs: 1

**External Assists**

- Q1 (2)

**Complaints Received**

- Q1 (43)

*Internal Assists are OIG actions in response to department requests for information, analysis, and other assistance.*

*External Assists are OIG actions in response to requests outside of the Park District (e.g. law enforcement agencies, etc.) for information, analysis, and other assistance.*
**Hiring Compliance Monitoring Activity**

**First Quarter 2020**

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.

**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 first quarter of 2020. Since OIG started reporting the Park District’s hiring compliance monitoring activity, Human Resources has never reported any improper contacts by hiring departments.

**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 first quarter of 2020:

- Positions added to the Exempt List (0)
- Positions removed from the Exempt List (0)

**Review of Exempt Management Hires**

Human Resources reported no Exempt hires made during the first quarter of 2020.

**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 first quarter of 2020. The last “no consensus” letter OIG received was in 2015 when the Park District was still under the federal Shakman decree.
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 first quarter of 2020. Human Resources has never reported an emergency appointment.

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 first quarter of 2020 showed that 3 employees were “acted up” during the quarter and 4 employees who had been in “acting up” status were placed back in their positions.

![Acting Up Activity - First Quarter](chart)

Hiring Sequence Audits

OIG’s Hiring Sequence Audit reporting will resume later in 2020.