Fourth Quarter and Annual 2020 Report

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

I am very honored to present the Chicago Park District Office of Inspector General’s 2020 Annual Report. 2020 has been a year filled with extraordinary challenges that required the Park District to close its parks, due to the ongoing pandemic, much of the year. The OIG offices remained open with minimum in-office staffing as a resource for employees and patrons. The safety and well-being of Park District patrons and employees is of upmost importance to the OIG and the District, and the OIG has diligently referred all pandemic-related complaints it had received to the Park District’s Medical Advisor to be addressed accordingly. Nevertheless, the OIG has remained committed to its mission, even though recent events required substantial adjustments to how and where our employees lived and worked.

I also wish to express my gratitude to the Board of Commissioners for appointing me to a four-year term as Inspector General. As the Park District's third Inspector General, I would like to thank my predecessors, Alison Perona and Will Fletcher, respectively, who worked tirelessly to establish an Inspector General’s office and for continuing to create a strong investigative and oversight agency that finds it advantageous to work collaboratively with Park District management. I am also appreciative to former Interim Inspector General, Nathan Kipp, and the OIG staff for the hard work and effort put forth, during a pandemic, and their willingness to adapt so as to continue implementing the mission of our office.

This Report summarizes the significant investigations and reviews on which the OIG made findings and recommendations throughout the past year. Of particular note, one concessionaire who was found to owe the Park District nearly $100,000 and repeatedly violated its concession agreements was debarred. The Concession Program Manager was also negligent in its management duties and engaged in critical contract violations. The Concession Program Manager was replaced. Another significant investigation led to the OIG recommending debarment of two construction contractors for refusing to cooperate with the OIG’s review of the Park District’s $65 million Capital-Construction Procurement Program. Subsequent to the OIG’s recommendation, one contractor fully cooperated and the OIG updated its recommendation to remove any bar previously imposed against that contractor.
Our findings in another investigation concluded that a Music Festival Promoter received significant discounts on event permit fees by falsely promising donations to nonprofits, as the Park District required. The promoter was permanently disqualified from receiving event permits in the future and his account with the Park District was retired. This investigation prompted a larger review of the Park District’s waiver or discount of event permit fees in 2018 and 2019. The OIG’s review uncovered that, in 2018 and 2019, 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 the OIG classified as revenue-generating or for-profit festivals. 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. The Park District also committed to reviewing methods to strengthen the procedures to validate payments to nonprofits, including (1) requiring permit applicants to provide an official endorsement letter from the nonprofit and a copy of the agreement between the event organizer and the nonprofit; and (2) with regard to events that charge admission, pursuing greater information-sharing and coordination with the City of Chicago Department of Finance.

To address the OIG’s concerns regarding tax evasion and transparency, the Park District committed to implement measures to discourage tax evasion, including: (1) updating the event permit application to include notifications that detail the applicants’ tax-reporting obligations under Illinois law; and (2) pursuing greater information-sharing, referrals, and coordination with the State of Illinois and City of Chicago. The Park District acknowledged the need for transparency and maintains that its event permit data is available on the City of Chicago public data portal. However, the OIG, as noted in its Third Quarter Report, contends the Park District’s description of the City’s public data portal is not accurate.

Most acutely, like other agencies, the Park District suffered significant budgetary losses in 2020 due to the on-going pandemic. The OIG was asked to assist in addressing the budget shortage by decreasing its already slim budget. In response, the OIG decreased its budget by 7.3% for the 2021 fiscal year. However, the budget cuts have not affected the OIG’s ability to become fully staffed in 2021. To ensure we are able to continue to provide timely and thorough investigations, it is imperative that we are staffed adequately.

During these unprecedented times, the OIG looks forward to continuing to work in collaboration with the Park District Board of Commissioners and Administration toward the shared goal of effective oversight and the promotion of transparency and efficiency throughout the Park District’s operations. I, personally, look forward to working with the OIG staff to combat fraud, waste and abuse with the integrity consistent with the practices as set forth prior to my tenure.

Sincerely,

Elaine L. Little
Inspector General
# Table of Contents

## Office Overview, p.1

## Investigation, p.3

- Park Operations Supervisor Failed to Report or Discipline a Landscape Laborer Whom, He/She Discovered, Had Misappropriated Another Employee's Banking Information to Pay Credit Card and Mobile Phone Bills, p.3

## Fiscal Year 2020 Investigations and Reviews

- Well-Connected Lake View East Homeowner Encroached on 3,000 Square Feet of Lincoln Park for Five Years, Preventing Public Access, p.5

- Music Festival Promoter Gamed Park District's Permit Fee Discounts for Two Years; Loopholes in Fee Policies Remain, p.6

- Individual Falsely Claimed that Park District Facility Was the Location of His/Her Privately Owned Business, p.9

- Park District Employee Falsely Claimed to Have a Current Driver's License, Despite Job Requirement, p.10

- Maintenance Laborer Admitted to Driving a Park District Vehicle with an Expired Driver's License, and then Subsequently Lying to Supervisors About It, p.11

- The Park District's Concession Program Manager Was Negligent in Its Duties by Failing to Provide Oversight of One Concessionaire, Which Repeatedly Violated Its Concession Permit Agreements and Refused to Pay the Park District Nearly $100,000 in Concessionaire’s Fees, p.11

- Two Construction Contractors Debarred for Refusing to Cooperate with the OIG’s On-Going Review of a Long-Running $65 Million Capital-Construction Procurement Program, p.14

## Annual Information, p.16

## Hiring Compliance Monitoring Activity, p.21

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OIG FOURTH QUARTER AND ANNUAL 2020 REPORT

REPORT MISCONDUCT, WASTE, FRAUD AND ABUSE

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Office Overview

Mission

Pursuant to Chapter 2, Section D of the Chicago Park District Code, the OIG is charged with the mission:

- To investigate allegations of fraud, waste, and abuse or misconduct by Chicago Park District employees, members of the Board of Commissioners, contractors, agents, and volunteers; and

- To monitor the Park District’s compliance with the Employment Plan’s rules governing hiring and other employment actions.

Also in accordance with the Park District Code, the OIG conducts District-wide internal audits to assess integrity of financial reporting systems, the effectiveness of internal controls, and the efficiency of established procedures.

While working to fulfill its legal mandate, the OIG partners with law-enforcement agencies, when appropriate, to ensure that serious criminal misconduct that is uncovered during the OIG’s administrative investigations is investigated and prosecuted.

Budget

In FY 2020, the OIG’s adopted budget was $414,240. Notably, and in light of the Park District’s loss of $100 million in revenue due to the Covid-19 pandemic and the District’s on-going pension shortfall, the OIG has reduced its 2021 budget by 7.3%.

Personnel

The OIG has employed the following personnel throughout FY 2020: The Inspector General, the Deputy Inspector General (a position created in the First Quarter of 2020), one full-time Investigator, and one part-time Investigator. A part-time Investigator position and the Assistant Compliance Officer position are currently unfilled. In addition, the OIG receives regular support from law enforcement personnel.
Training and Investigation Standards

Each employee of the OIG is a member of the Association of Inspectors General, a national organization of state, local, and federal Inspector Generals and their staffs. The AIG offers training seminars and certification institutes for members, as well as networking opportunities. Participation in the AIG also offers employees continuing training in best practices related to the performance of the Inspector General Mission. The OIG collaborates with Inspector General offices from other state and local agencies to train all staff in a variety of areas related to investigations and audits. Several OIG employees are in the process of obtaining their AIG certification as Certified Inspector General or Certified Inspector General Investigator.

The OIG conducts its investigations in accordance with the AIG’s Principles and Standards for Offices of Inspector General (which is colloquially known as “The Green Book”). The OIG also abides by generally accepted principles, quality standards, and best practices applicable to federal, state, and local offices of Inspectors General. In addition, the OIG, at all times, exercises due professional care and independent, impartial judgment in conducting its investigations and issuing its reports and recommendations.
Investigation

Park Operations Supervisor Failed to Report or Discipline a Landscape Laborer Whom, He/She Discovered, Had Misappropriated Another Employee’s Banking Information to Pay Credit Card and Mobile Phone Bills

In the Fourth Quarter of 2020, an OIG investigation concluded that, in the summer of 2018, a Landscape Laborer had improperly obtained a Seasonal Laborer’s bank-account information, and subsequently used that information to benefit himself/herself and a family member. The investigation further concluded that the Landscape Laborer’s immediate supervisor, a Park Operations Supervisor, became aware of the Landscape Laborer’s misconduct, yet neither disciplined him/her, nor reported him/her to the OIG or other Park District departments.

In 2018, the Landscape Laborer acted-up as Seasonal Maintenance Foreman. While in that position, he/she regularly had access to the completed direct-deposit forms of newly hired seasonal laborers. Testimonial and documentary evidence show that the Landscape Laborer (1) made an electronic payment to his/her credit card by providing the Seasonal Laborer’s bank-account information telephonically; and (2) paid his/her family member’s mobile phone bill online by also using the Seasonal Laborer’s bank-account information. The Landscape Laborer further admitted to the OIG that he/she had later confirmed to his/her immediate supervisor, the Park Operations Supervisor, that he/she had used the Seasonal Laborer’s bank information to make payments to his/her credit card account and to his/her family member’s mobile phone account.

As to the Park Operations Supervisor, it is undisputed that he/she (1) failed to discipline the Landscape Laborer once he/she realized that the Landscape Laborer had compromised the Seasonal Laborer’s bank-account information; (2) failed to escalate the matter to other Park District departments, such as Human Resources, or even to his/her immediate supervisor, the Deputy Director of Cultural and Natural Resources; (3) otherwise violated his/her duty under the Park District Code to report the Landscape Laborer’s misconduct to the OIG; and (4) took no substantive or effective remedial actions to safeguard future employees’ bank-account information. When speaking to the OIG, the Park Operations Supervisor further acknowledged that he/she is generally reticent to discipline employees under his/her supervision, leading the OIG to believe that there was a strong possibility that he/she will fail to properly address any future incidents of similar misconduct.

The OIG’s investigation of the Landscape Laborer and the Park Operations Supervisor further
revealed that the unit of the Department of Cultural and Natural Resources in which they worked utilizes unacceptably casual and unsecure methods to deliver sensitive Human Resources and Payroll documents to the Park District’s Administrative Office. Employees from five service yards deliver (or have delivered on their behalf by several individuals along the way) sensitive HR or Payroll documents to one central service yard — where they are collected, stored unsecured, and left unsupervised for up to a week at a time — before ultimately being delivered to the Administrative Office for processing and storage. As this investigation revealed, the resulting unsecured chain-of-custody of sensitive employee documents creates an elevated threat of identity theft or other similar types of fraud occurring. Indeed, it is very likely that these lax methods contributed to the compromise of the Seasonal Laborer’s bank-account information, here.

Based on its investigation, the OIG recommended that the Park District terminate the Landscape Laborer’s employment. The OIG recommended that the Park District terminate the Park Operations Supervisor’s employment, as well.

Finally, the OIG recommended that the Park District review the methods by which the unit of the Department of Cultural and Natural Resources, in which the Landscape Laborer and Park Operations Supervisor worked, maintains and delivers employees’ completed HR and Payroll forms to the District’s Administrative Office. If necessary, the OIG continued, the Park District should also enact policies and procedures to ensure that such documents are maintained and delivered in the most secure manner possible so as to prevent identity theft, fraud, and other wrongdoing similar to the employee misconduct uncovered in this investigation. If, in the course of its review, the Park District becomes aware that other units of the Department of Cultural and Natural Resources maintain and deliver HR and Payroll forms in similarly unsecure manners, the OIG further recommended that the District also enact additional policies and procedures to ensure that such documents also are maintained and delivered in the most secure manner possible.

In January 2021, the Park District informed the OIG that, in response to the OIG’s recommendations, it had placed the Landscape Laborer and Park Operations Supervisor on Emergency Suspension. The Landscape Laborer resigned his/her position shortly thereafter. The OIG will detail in a subsequent report any further employment action that the Park District may take against the Park Operations Supervisor.

The OIG requested that the Park District provide a timely response to its recommendation of conducting a review of the transportation of HR and Payroll documents. The OIG will report the Park District’s response, if any, in a subsequent report.
Fiscal Year 2020 Investigations and Reviews

In addition to the investigation reported for the Fourth Quarter of 2020, the OIG reported the outcomes of the below investigations in its Quarterly Reports for the First Quarter, Second Quarter, and Third Quarter. More detailed accounts of those investigations are found in those Reports, which are accessible via the OIG’s website.

Well-Connected Lake View East Homeowner Encroached on 3,000 Square Feet of Lincoln Park for Five Years, Preventing Public Access

In the First Quarter of 2020, an OIG investigation established that a Lakeview East Homeowner had improperly cordoned off nearly 3,000 square feet of Chicago Park District property in Lincoln Park for his/her own personal use by constructing fencing and hedgerows around the land.

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 strung along the process by advancing unsubstantiated and conflicting explanations about obtaining easements or other limited right-of-ways on the land. But, to the contrary, 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 offered nothing that remotely supported such a notion.

In addition, the Homeowner’s shifting explanations and refusals to remove the hedgerows had 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/her 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 had been placed on hold for five years as they awaited the disposition of Homeowner’s encroachment.

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

Shortly after the OIG reported on the Homeowner’s encroachment, the Homeowner agreed with
with the Park District to remove the hedgerows at issue and is no longer encroaching on Park District land.

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

In the First Quarter of 2020, 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 in those agreements and related documents; (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.

By way of background, any individual or entity that wishes to hold a large group event at a Park District facility must first obtain a special event permit. 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 waive them altogether for festivals and other events of all sizes to make the Park District’s public venues accessible to a larger number of organizations. Such waivers or discounts generally take two forms: (1) nonprofit discounts that are applied by the Park District’s Revenue Department, and (2) partnerships that generally are initiated by management or through parks. Importantly, for-profit festivals — such as the festival staged by the Promoter who originally was under investigation — 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 OIG’s review uncovered that, in 2018 and 2019, 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 the OIG classified as revenue-generating or for-profit festivals. Because the for-profit festival business model is profit-driven, it often conflicts with the Park District’s intent to make its public venues available to a wider group of nonprofit and neighborhood organizations through fee waivers or discounts.

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.
All of the revisions 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 provided Park District personnel with necessary guidance about the purpose of partnership agreements and how to process them.

The 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, the 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%. Even newly formed nonprofit organizations with no financial track record would be eligible for the 75% discount, increasing the fraud risk that incentivizes dishonest promoters to incorporate nonprofits primarily for the purpose of obtaining the maximum discount. Depending on the size of the festival, the 75% discount on permit fees can be worth tens or hundreds of thousands of dollars.

The OIG also pointed out that the Park District still did 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, the OIG noted that the Park District needed a better method of confirming that festival producers have obtained all of the licensing and approvals required to hold their events, such as ensuring that third-party providers of private security and emergency services are legitimate entities with appropriate certifications and insurance.

Finally, the OIG found that partnership agreements ran 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 promises to provide parks with something of value in exchange for partnerships.

In light of its findings, the OIG recommended that the Park District permanently refuse to issue the Promoter or his/her company a special event permit for future events.

The OIG also made several system-wide recommendations regarding the Park District’s special event permitting process. First, the OIG recommended that, beginning 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 expected attendance, advertising, the presence of merchandising, food and alcohol sales, and attendance fees.

In addition, the 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 its recommendation for discounted permits.

The OIG further recommended that the Park District increase 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, the 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. The 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.

In response, the Park District informed the OIG that the District’s Revenue Department will disqualify the Promoter from receiving future event permits; notify the Promoter of his/her disqualification; and retire the Promoter’s account on the District’s internal accounting system.

As to the OIG’s systemic recommendations, the Park District:

- Recommended retaining the “net proceeds” approach, but also committed to reviewing methods to strengthen the procedures to validate payments to nonprofits, including (1) requiring permit applicants to provide during the application process an endorsement letter from the nonprofit (on the nonprofit’s official letterhead) and a copy of the agreement between the event organizer and the nonprofit; and (2) with regard to events that charge admission, pursuing greater information-sharing and coordination with the City of Chicago Department of Finance, which processes City of Chicago Amusement Tax exemption requests using similar supporting documentation.

- Stated that Park District event permit data is available on the City of Chicago public data portal. According to the Park District, that data includes, among other information, the name of the permit applicant, the name of the event, the event description, and the event location. (The OIG noted in its Third Quarter Report that the Park District’s...
In the First Quarter of 2020, an OIG investigation concluded that an individual had falsely represented that a Park District facility 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 had rented space at the Park District facility at issue, the facility began receiving mail that was specifically addressed to the individual and his/her dance academy. The Park District told the mail carrier that no such person or program existed at that facility and returned the mail. A short time later, the supervisor of the park where the individual had rented space confronted him/her about the mail, and instructed him/her that he/she could not use the park’s facilities as an address for the 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 park 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 academy was not a Park District
program. But then the park facility began to receive telephone calls from businesses to which
the individual and his/her dance academy had owed money. Those businesses informed the
park supervisor that the individual had listed the park’s address as that of his/her privately
owned dance academy.

The OIG confirmed that the individual (1) was not a Park District employee, or had any
partnership with the park in question; (2) was listed on Secretary of State records as the dance
academy’s legal agent; and (3) rented the park’s facilities beginning in March 2019. The OIG
also discovered that, in 2013, the individual was arrested for conducting a fraudulent scheme
involving fundraisers that ostensibly had been organized to purchase equipment for a
Wisconsin-based cheerleading squad.

The OIG recommended that the Park District bar the individual from conducting business with
the District. The Park District followed the OIG’s recommendation.

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

In the First Quarter of 2020, an OIG investigation concluded that a full-time Park District Laborer
had falsely claimed on his/her job application that he/she possessed a valid driver’s license,
which was a necessary requirement for the position. The OIG further found that the employee
had also (1) falsely claimed that he/she possessed a valid driver’s license when he/she applied
for a Seasonal Laborer position in 2019; and (2) worked as a Seasonal Laborer in 2019 without
possessing a valid driver’s license, even though a valid driver’s license was a necessary
requirement for the Seasonal Laborer position, as well.

The OIG recommended that the Park District terminate the Laborer’s employment. The Park
District followed the OIG’s recommendation.
Maintenance Laborer Admitted to Driving a Park District Vehicle with an Expired Driver's License, and then Subsequently Lying to Supervisors About It

In the Second Quarter of 2020, an OIG investigation concluded that a Maintenance Laborer violated Illinois law and the Park District Employee Code of Conduct after he/she admitted to the OIG that he/she had: (1) failed to renew his/her Illinois driver’s license when it had expired in 2019; (2) falsely told his/her supervisors during a departmental check of employees’ driver’s licenses that his/her license will expire in 2022, and falsely stated the same on Park District documents, to conceal that it actually had expired in 2019; and (3) operated a Park District-owned flatbed truck as part of his/her job duties, after his/her driver’s license had expired.

Because the Laborer failed to meet the minimum requirements for his/her position, lied to supervisors about his/her job qualifications, falsified Park District documents, and violated Illinois law by driving a District-owned truck without a valid driver’s license, the OIG recommended that the Park District terminate his/her employment.

Subsequent to the OIG’s report, the Park District informed the OIG that the Laborer had resigned his/her position.

The Park District’s Concession Program Manager Was Negligent in Its Duties by Failing to Provide Oversight of One Concessionaire, Which Repeatedly Violated Its Concession Permit Agreements and Refused to Pay the Park District Nearly $100,000 in Concessionaire’s Fees

In the Third Quarter of 2020, an OIG investigation concluded that a Park District Concessionaire and its Owner had violated several provisions of the Concessionaire’s Concession Permit Agreements. Among other things, those violations included the Concessionaire’s (1) failure to pay the Park District $97,695.08 in required concessionaire’s fees; and (2) improper assignment of its concession space to a third-party event-planning business, which was owned by a sibling of the Concessionaire’s Owner.

The OIG also uncovered critical contract violations and management failures by the Park District’s third-party Concession Program Manager. Specifically, the OIG concluded that the Concession Program Manager: (1) refused for 13 years to perform contractually required credit or business background checks on prospective concessionaires, including the Concessionaire who, in this case, lacked the necessary initial capital to invest in a Park District concession; (2) did not account for nearly $25,000 in fees that the Concessionaire has yet to pay to the Park District; and (3) failed to monitor the Concessionaire’s compliance with the District’s
concessionaire program according to “the highest industry standards,” as the District’s and Concession Program Manager’s management contract required.

In light of its findings, the OIG recommended that the Park District fully debar the Park District Concessionaire and its Owner. The OIG also recommended that the Park District refuse to issue either the Concessionaire or its Owner permits to allow either to conduct business at Park District facilities in the future.

Similarly, the OIG recommended that, for an appropriate amount of time, the Park District:
(1) debar the third-party event-planning business, which was owned by a sibling of the Concessionaire’s Owner, and the Owner’s sibling, for benefitting from the Concessionaire's improper assignments of its rights as a Park District concessionaire; and (2) refuse to issue either the third-party event-planning business or the Owner’s sibling permits to allow either to conduct business at Park District facilities.

Shortly before the OIG reported its findings, the Park District declined to renew its contract with the Concession Program Manager. Nevertheless, the OIG recommended that the Park District’s Department of Revenue require the Concession Program Manager to pay up front the entire amount of concessionaire’s fees that the Concessionaire has not paid to the Park District — $97,695.08 — so as to ensure that the Park District receives all of the fees due to it. The Concession Program Manager can then retain the fees that it recovers in a collections action that it had brought against the Concessionaire and its Owner.

In response, the Park District informed the OIG that the Park District’s Concession Program Manager had the sole ability to debar concessions that materially breach their agreements. As the Park District explained, applications to obtain a Park District concession requires applicants to report their history with the Park District. The Concession Program Manager checks the accounts receivable reports and other records to determine whether an applicant is in good standing with the Park District and able to do business with the District. The Concessionaire, its Owner, the third-party event-planning company, and the sibling of the Concessionaire’s owner, were notified in the First Quarter of 2020 that they were not receiving an agreement renewal. The Park District also stated that correspondence was being prepared to formally notify the Concessionaire, its Owner, the third-party event-planning company, and the sibling of the Concessionaire’s owner, that they may not conduct business on Park District property going forward.

As to the OIG’s recommendation that the Park District collect the $97,695.08 in unpaid fees directly from the Concession Program Manager, the Park District believed that all supporting documents overwhelmingly support its position to collect the full amount due from the Concessionaire.
The Park District agreed, though, that because of its oversight, the Concession Program Manager failed to meet the District’s expectations of its fiduciary responsibilities. At the time of its response, the Park District was in the process of transitioning to a newly selected concession program manager, which, the District was confident, will be able to fully meet the District’s expectations. The Park District was also working with the outgoing Concession Program Manager on day-to-day operations, as well as outstanding business, to effectuate the winding down of the parties’ relationship. The separation plans included the transfer and/or assignment of the Concessionaire collection effort. With that said, the Park District continued, the Concession Management Agreement with the outgoing Concession Program Manager did not specifically call for the Concession Program Manager to be fiscally responsible for indebtedness of concessionaires. But, the District continued, it would work on identifying the appropriate course of action without jeopardizing a responsible transition to the newly named concession program manager.

The Park District further stated that it would take the following additional actions to strengthen its concession management operations:

- Request the City of Chicago to amend the municipal code to enhance the District’s ability to collect outstanding debt. Specifically, the Park District requested provisions to be added with the goal being to require businesses with outstanding debt to the District to cure their debts before City business license renewal, thereby equipping the District with an economical and effective enforcement tool. The District noted that a similar enforcement coordination is already in place between the City, the State of Illinois, the Metropolitan Pier and Exposition Authority, and Cook County, and is carried out by the City of Chicago Department of Business Affairs and Consumer Protection.

- Require the new concession program manager to agree to contractual terms that address the OIG’s investigative findings. The Park District assured the OIG that the contract negotiations between it and the newly selected concession program manager would address many of the concerns outlined in the OIG's report to prevent future occurrences of the failures and deficiencies identified. For example, the new agreement will include an annual management fee retainage provision, which provides for the withholding of 10% of the management fee pending an annual review of the new concession manager for (1) quality of the management services performed; (2) achievement of Park District programmatic and fiscal goals; and (3) Park District satisfaction. After the annual performance evaluation, the Park District may then release all, some, or none of the retained amount. In addition, the Park District continued, the new concession program manager’s multi-faceted mentorship program has been designed to meet the Park District's goals on equity and development. It will weave together training and education to develop a pool of sustainable restaurant
concessionaires who are capable of executing efficient and profitable concessions operations. Topics covered will include assessing the financial viability of a business plan regarding both capital and operational funding needs. The Park District was confident that this new holistic approach had greater promise for long-term success.

**Two Construction Contractors Debarred for Refusing to Cooperate with the OIG’s On-Going Review of a Long-Running $65 Million Capital-Construction Procurement Program**

As reported in the Third Quarter of 2020, a Prime contractor and a Subcontractor refused to cooperate with the OIG. In January 2020, the OIG began an extensive review of a Park District capital-construction procurement program that has awarded approximately $65 million in construction contracts over the past four years. As part of that review — which is ongoing — the OIG has contacted prime contractors and subcontractors that have been awarded contracts through the program to request documents and information regarding their participation. Most of the companies that the OIG contacted have cooperated with the requests. However, two did not: a Prime Contractor that, over the past four years, has been awarded over $6.5 million in business through the program; and a company that acts as a Subcontractor on projects awarded through the program.

A Park District contractor’s failure to cooperate with an OIG investigation is serious, and can form the basis for that contractor’s debarment — that is, disqualification from future Park District business. Moreover, all prime contractors that participate in the capital-construction procurement program have contractually agreed that they and their corporate officers and employees would “cooperate with the Inspector General in any investigation,” and that any failure to cooperate with the OIG would be grounds for removal from the program. Likewise, all subcontractors who are awarded business under the procurement program have agreed that it and its officers and employees have “the duty” to cooperate with the OIG.

The facts underlying the Prime Contractor’s and Subcontractor’s failures to cooperate, and their subsequent debarments, are detailed below:

**Prime Contractor.** In February, the OIG sent requests to the Prime Contractor and nine other firms for utilization documents related to minority- and women-owned businesses (MBE/WBE) — documents that all prime contractors in the capital-construction procurement program are required to maintain in the ordinary course of business, and are obligated to produce to the Park District upon request. Most of the firms complied with the OIG’s document requests in a timely manner. The Prime Contractor initially signaled that it intended to produce responsive records, but then made two subsequent requests for additional time to do so; the OIG accommodated
both requests. The final deadline to produce records passed in May. The Prime Contractor has since refused to produce all of the records that it had promised.

The OIG would have been justified in recommending that the Park District fully debar the Prime Contractor for its refusal to cooperate. But the OIG instead recommended that the Park District not award the Prime Contractor any new construction business until it had complied with the OIG’s document requests and produced the MBE/WBE records sought. Since the OIG issued its recommendation, the office has independently verified that the Park District has not awarded the Prime Contractor any new work. However, the OIG has also confirmed that the Prime Contractor is still performing work (and receiving payment) under 29 contracts that the Park District had awarded to it before the OIG’s recommendation. Some of those contracts extend through 2022. In other words, even though the Prime Contractor has refused to cooperate with the OIG’s investigation, it (1) has been awarded approximately 10% of the contracts in the capital-construction procurement program under review; and (2) will continue to work on previously awarded contracts through 2022.

After the OIG reported the Prime Contractor’s refusal to cooperate, the Prime Contractor agreed to produce the documents and information sought. The Prime Contractor has yet to follow through with its production, however. Consequently, the OIG is considering recommending further punitive measures to impose against the Prime Contractor, should the company continue to openly flout its duty to cooperate with the OIG.

Subcontractor. In June, the OIG sent requests to the Subcontractor and 27 other companies in the capital-construction procurement program for business records, such as payment records and invoices, related to their participation in the program. Again, all subcontractors who perform work related to the program are required (1) to maintain such documents in the ordinary course of business; and (2) to produce such documents to the Park District upon request. Twenty-seven companies timely complied with the OIG’s document requests. The Subcontractor, however, provided no response to the OIG. In August, the OIG again contacted the Subcontractor, instructing it to produce the requested documents. The OIG received no response.

Accordingly, the OIG recommended that the Park District not award any new construction business to the Subcontractor until it had fully complied with the OIG’s document requests — just as the OIG had recommended in the case of the non-cooperative Prime Contractor. In response to the OIG’s recommendations, however, the Subcontractor eventually produced the documents sought. After concluding that the produced documents were responsive to the OIG’s requests, the OIG issued an updated recommendation to the Park District, stating that the District should remove any bar that was imposed to prevent the Subcontractor from receiving new business. The Park District followed the OIG’s updated recommendation.
INVESTIGATIONS

OPENED (34)

CLOSED (16)

PENDING (32)

REVIEWS

OPENED (4)

CLOSED (2)

PENDING (7)

Pending matters include carry-over from 2019.
AUDITS

TYPES OF INVESTIGATIONS AND REVIEWS

CRIMINAL MISCONDUCT OR FRAUD (7)

OTHER RULE, CODE, ORDINANCE VIOLATIONS (29)

WASTE, INEFFICIENCY, COMPLIANCE, ADVISORIES (2)
INVESTIGATED AND REVIEWED PARTIES

<table>
<thead>
<tr>
<th>quarter</th>
<th>officers (0)</th>
<th>employees (76)</th>
<th>other (12)</th>
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<td>2</td>
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<tr>
<td>Q2</td>
<td>0</td>
<td>2</td>
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<td>Q4</td>
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HIRING COMPLIANCE

AUDITS/REVIEWS (3)*

<table>
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<tr>
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<th>Q2 (3)</th>
<th>Q3 (0)</th>
<th>Q4 (0)</th>
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*Other includes Agents, Concessionaires, Contractors, Unknown, and Other Parties.

*Due to Covid-19, the OIG did not complete any Hiring Compliance Audits or Reviews.
As depicted above in the color red, in FY 2020 the OIG referred 25 Covid-19 related complaints to the Park District’s Department of Risk Management.

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.
Chapter 2, Subsection D(9) of the Chicago Park District Code states that the OIG’s quarterly reports “shall identify any investigation, audit or review which has not been completed within six months, and shall state the reasons for failure to complete the investigation, audit or review within six months.” Those 21 pending matters, as well as the reasons for their continuing pending status, are listed below:

<table>
<thead>
<tr>
<th>CASE NUMBER</th>
<th>MATTER TYPE</th>
<th>NATURE OF ALLEGATION</th>
<th>REASON</th>
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<td>19-Q1-0206-AI</td>
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Hiring Compliance Monitoring Activity
Fourth Quarter 2020

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

Monitoring Contacts by Hiring Departments

The 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 Fourth Quarter of 2020. Since the 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

The 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 Fourth Quarter:

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

Review of Exempt Management Hires

Human Resources reported two Exempt hires made during the Fourth Quarter of 2020:

- Inspector General
- Payroll Administrator

Review of Written Rationales

The 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 Fourth Quarter of 2020. The last “no consensus” letter that the OIG received was in 2015, when the Park District was still under the federal Shakman Decree.

**Review of Emergency Appointments**

The 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 Fourth Quarter of 2020. Human Resources has never reported an emergency appointment.

**Review of “Acting Up” Activity**

The OIG reviews each circumstance when an employee “acts up” (performing all or substantially all of the duties of an employee in a higher-paid classification). Activity in the Fourth Quarter of 2020 showed that, on seven instances, employees had “acted up,” and six instances where employees who had been in “acting up” status were placed back in their positions.

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

**Hiring Sequence Audits**

The OIG's Hiring Sequence Audit reporting will resume later in 2021.