

IN THE EXECUTIVE ETHICS COMMISSION
OF THE STATE OF ILLINOIS

In re: DEPARTMENT OF COMMERCE)
AND ECONOMIC OPPORTUNITY,) OEIG Case #10-00016

OEIG FINAL REPORT (REDACTED)

Below is an amended final summary report from an Executive Inspector General. The General Assembly has directed the Executive Ethics Commission (Commission) to redact information from this report that may reveal the identity of witnesses, complainants or informants and “any other information it believes should not be made public.” 5 ILCS 430/20-52(b).

The Commission exercises this responsibility with great caution and with the goal of balancing the sometimes-competing interests of increasing transparency and operating with fairness to the accused. In order to balance these interests, the Commission may redact certain information contained in this report. The redactions are made with the understanding that the subject or subjects of the investigation have had no opportunity to rebut the report’s factual allegations or legal conclusions before the Commission.

The Commission received this amended final report from the Governor’s Office of Executive Inspector General (“OEIG”) and a response from the agency in this matter. The Commission, pursuant to 5 ILCS 430/20-52, redacted the final report and mailed copies of the redacted version and responses to the Attorney General, and the Director of the Department of Commerce and Economic Opportunity.

The Commission reviewed all suggestions received and makes this document available pursuant to 5 ILCS 430/20-52.

Executive Summary

In 2010, the Office of Executive Inspector General for the Agencies of the Illinois Governor (OEIG) received an allegation that an Illinois Department of Commerce and Economic Opportunity (DCEO) employee violated DCEO conflict of interest policies. After the OEIG initiated its investigation, a number of significant events occurred. First, a recipient of a \$1.25 million DCEO grant and former Country Club Hills Police Chief Regina Evans pled guilty to federal fraud charges involving the misuse of grant funds. Second, the DCEO grant Program Manager who was the subject of the initial conflict of interest allegation and who selected Ms. Evans’ organization to receive the \$1.25 million grant, admitted that she had committed various types of misconduct in handling DCEO grant applications. Thus, the OEIG expanded its investigation in order to examine DCEO’s overall management of the multi-million-dollar Employment Opportunities Grant Program (Employment Program).

In 2006, the Illinois General Assembly enacted legislation creating the Employment Program, whose goal was clear—to expand or increase the number of persons in targeted populations entering a building trade apprenticeship program *and* ultimately achieving journey-level status within a trade union. The attainment of journey-level status is important because it allows persons to perform a specific trade without supervision. DCEO was the State agency tasked with the administration of this program that between fiscal years (FY) 2007 and 2014 awarded about \$21 million in State grant funds to about 46 organizations.

Despite the clear goal of the Employment Program and expenditure of substantial State funds, investigators discovered that while thousands entered the program, DCEO records revealed that only about *eight* persons attained journey-level status. In addition, investigators uncovered a number of serious deficiencies in how DCEO managed the Employment Program, and in particular discovered that:

- DCEO failed to fully comply with State law requiring it to maintain Employment Program records.
- DCEO failed to fully comply with the requirements of the Employment Program statute in its selection of grantees in FYs 2008, 2009, and 2013.
- DCEO's annual Employment Program reports to the Governor and General Assembly failed to fully comply with the Employment Program statute.

In addition, investigators discovered that DCEO's practice of selecting Employment Program grantees late in its fiscal year resulted in DCEO providing grantees the entire grant amount in one-time lump sum payments. Providing grantees with the entire grant amount up front, as it did with regard to the \$1.25 million grant to Ms. Evans, later hampered DCEO's recourse against noncompliant grantees.

The OEIG recommends that DCEO's Acting Director take action to ensure that future administration of the Employment Program fully complies with all statutory requirements applicable to the program, and makes further recommendations as set forth in this report.

I. INITIAL ALLEGATION AND OVERVIEW OF THE INVESTIGATION

In 2010, the OEIG received a complaint alleging that the Program Manager of DCEO's Employment Program, Deveda Francois, [REDACTED] [The redacted section concerns unfounded allegations and the Commission exercises its authority to redact them pursuant to 5 ILCS 430/20-52.]

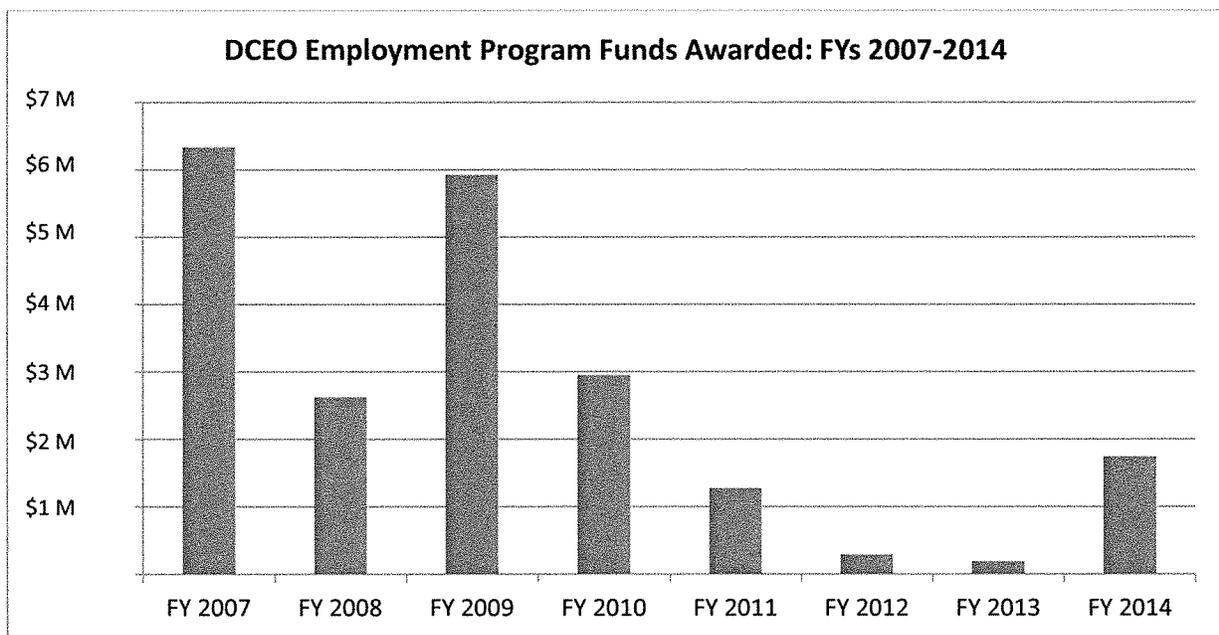
After the OEIG initiated its investigation and while this investigation was ongoing, Brother's Keeper President Regina Evans was indicted, and later convicted on federal fraud charges related to the misuse of a \$1.25 million DCEO Employment Program grant. In addition, in an arbitration proceeding that occurred while the OEIG's investigation was ongoing, Ms. Francois admitted that she had committed various types of misconduct in handling DCEO

Employment Program grant applications. These facts led the OEIG to investigate DCEO's overall management of the Employment Program.

II. THE EMPLOYMENT PROGRAM

The Illinois General Assembly enacted the Employment Program statute in 2006 with the goal to “expand the number of people in targeted populations who enter and complete building trades apprenticeship programs and achieve journey-level status within a building trades union.” Although it is not defined in the legislation, the term “journey-level” generally refers to a union employee who has completed a union apprenticeship program and attained the level of experience enabling the employee to perform a specific trade without supervision. The General Assembly tasked DCEO with administering the Employment Program and awarding grants under the program. These grantees, in turn, were to use the grant funds to prepare program participants for union employment and provide them paid employment opportunities.

Since FY 2007, DCEO has awarded about \$21 million in grant funds through the Employment Program to about 46 grantees, as summarized below:



A. Employment Program's Statutory Requirements

The Employment Program statute (State law) requires DCEO to take the following actions in its administration of the Employment Program:

First, DCEO is required to “establish criteria for (i) prioritizing grant requests from eligible grant applicants and (ii) determining what project activities qualify for funding.”¹

¹ 20 ILCS 605/605-812(c).

Second, DCEO is required to ensure that Employment Program grantees have the following five capabilities:

1. demonstrated expertise in serving targeted populations;
2. knowledge of the construction industry;
3. demonstrated success in placing clients in employment;
4. previous experience offering employment services for targeted populations; and
5. expertise in preparing workers for employment in the building trades.²

Third, DCEO is required to provide an annual report to the Governor and the General Assembly “on the activities undertaken by all successful grant applicants.”³ This annual report “shall include an evaluation of those activities and their success in assisting participating individuals to enter and complete building trades apprenticeship programs and achieve journey-level status.”⁴

Under the Employment Program statute, DCEO also must require grantees to take the following actions:

First, all grantees must “report quarterly on implementation of planned activities and success in reaching key milestones.”⁵

Second, grantees must “maintain and report individual-level information on types of services received and resulting outcomes, including placement into specific apprenticeship programs.”⁶

B. DCEO Staff Involved in Administering the Employment Program

The DCEO positions involved in administering the Employment Program, starting with the agency head, include:

DCEO Director Responsible for all agency operations and programs, including the Employment Program, and for “effectively and efficiently managing the agency and establishing and maintaining an effective system of internal control.”⁷ Executes DCEO’s annual Employment Program report submitted to the General Assembly and Governor.

Deputy Director Supervises the Employment Program staff. Develops and implements policies and procedures for the Employment Program and other programs, and directs expenditures.

² *Id.*

³ 20 ILCS 605/605-812(f).

⁴ *Id.*

⁵ 20 ILCS 605/605-812(e).

⁶ *Id.*

⁷ *See* 30 ILCS 10/1002.

Program Manager /Grant Manager Manages the Employment Program, including allocating expenditures; reviewing, prioritizing, and evaluating grant requests from applicants; determining what project activities qualify for funding; controlling program operations; and requiring grantees to submit quarterly reports.

Between FYs 2007 and 2013, at least three individuals held the position of Program Manager or Grant Manager for the Employment Program: Deveda Francois, Charlene Raickett, and Tiffany Hawkins. During the same period, at least three individuals held the position of Deputy Director: Ramon (“Ray”) Williams, Karin Norington-Reaves, and Carmen Colvin.⁸

Below are the four individuals who held the position of DCEO Director during the time relevant to this investigation, as well as a reference to Employment Program reports each submitted to the General Assembly and Governor, if applicable:

Jack Lavin: (February 2003 through March 2009); executed DCEO’s annual Employment Program reports submitted to the General Assembly and Governor for FYs 2007 and 2008.

Warren Ribley: (March 2009 through March 2012); executed DCEO’s annual Employment Program reports submitted to the General Assembly and Governor for FYs 2009, 2010, and 2011.

David Vaught: (April 2012 through November 2012).

Adam Pollet: (November 2012 through January 2015); executed DCEO’s annual Employment Program reports submitted to the General Assembly and Governor for FYs 2012 and 2013.

III. INVESTIGATION OF INITIAL ALLEGATIONS AGAINST DEVEDA FRANCOIS

[Redacted]

[Redacted]

¹⁰ [The redacted sections concern unfounded

⁸ [Redacted].
⁹ [Redacted].
¹⁰ [Redacted].

allegations and the Commission exercises its authority to redact them pursuant to 5 ILCS 430/20-52.]

IV. INVESTIGATION OF DCEO'S GRANT AWARD TO BROTHER'S KEEPER, AND DCEO'S EFFORTS TO RECOVER THE GRANT FUNDS

While the OEIG was investigating the [REDACTED] allegation against Ms. Francois, DCEO terminated Brother's Keeper's Employment Program grant for noncompliance with the grant agreement. On or about June 28, 2010, DCEO then referred the matter to the Office of the Illinois Attorney General for recovery of the grant funds.

In light of the above-referenced actions, the OEIG expanded and shifted its investigation to examine whether DCEO awarded the Brother's Keeper grant in compliance with the Employment Program statute, and whether DCEO took adequate steps to timely ensure that Brother's Keeper complied with the grant requirements. Below is what OEIG investigators discovered.

A. Brother's Keeper's Grant Application—February 2009

According to DCEO records, Brother's Keeper submitted a grant application to DCEO, dated February 5, 2009, in which it requested grant funds to support its Regal Theater Pre-Apprenticeship Training Program. The grant application stated that the program would provide training in construction skills, carpentry, building trades mathematics and reading comprehension, workplace safety, and job readiness. The application further stated that program participants would also complete an internship with an unidentified "work crew in the Chicago south side community."

Although the application generally described the activities Brother's Keeper was proposing to undertake with the grant funds, the application did *not* include information that reflected Brother's Keeper's:

- expertise in serving targeted populations;
- knowledge of the construction industry;
- previous success in placing clients in employment;
- previous experience offering employment services for targeted populations; or
- expertise in preparing workers for employment in the building trades.

Indeed, the application stated that while Brother's Keeper was "moving toward implementation," it "has not yet generated outcomes."

B. Letters of Support from Elected Officials on Behalf of Brother's Keeper

In addition to Brother's Keeper's grant application, DCEO received letters of support on behalf of Brother's Keeper from two elected officials. In separate letters dated March 26 and 27, 2009, respectively, [Official 1] and [Official 2]¹¹ both wrote that they were "familiar with many

¹¹ [Redacted].

of the members of the Regal Theatre family particularly those involved in the building trades.”¹² In addition, they wrote that the theater’s Stage Hand Pre-Apprenticeship Training Program can or will “play a very important part in uplifting our community by providing training for them in the apprenticeship programs under Local 2 and Local 134.”

C. DCEO Awards Brother’s Keeper a \$1.25 Million Grant

In FY 2009, DCEO awarded Brother’s Keeper a \$1.25 million Employment Program grant, for the purpose of expanding the number of minorities and women who enter and complete building trades apprenticeship programs and achieve journey-level status within a building trades union in Cook County. The two-year grant period was to extend to May 31, 2011. DCEO executed Brother’s Keeper’s \$1.25 million grant agreement on June 30, 2009, which was the final day of FY 2009, and issued a payment voucher to the Illinois Comptroller on August 11, 2009. Then, on September 10, 2009, or about 72 days after the grant agreement was executed, the State issued a check to Brother’s Keeper for the entire \$1.25 million in grant funds.

D. DCEO’s Awareness of Concerns Relating to the Brother’s Keeper Grant, and Subsequent Communications

The OEIG’s review of DCEO documents revealed that concerns were raised relating to the Brother’s Keeper grant within weeks after the organization received the \$1.25 million in grant funds. For example, in an internal email sent October 2, 2009, less than a month after Brother’s Keeper received all of its funds, a DCEO accountability employee raised concerns based on a newspaper article about the Regal Theater and its owner, Regina Evans. The Regal Theater was the location where Brother’s Keeper said it would conduct its DCEO grant activities.¹³ The October 2, 2009 email also stated that a special monitoring review of Brother’s Keeper would be scheduled “once the grantee has *expended some of our grant money.*” (emphasis added).

Five days later, on October 7, 2009, a DCEO quality assurance monitor informed Brother’s Keeper President Ms. Evans that DCEO was conducting a preliminary review of Brother’s Keeper’s use of grant funds. As part of the review, DCEO asked Brother’s Keeper to produce documents by October 28, 2009. DCEO later agreed to extend this deadline, at Ms. Evans’ request.

Meanwhile, Brother’s Keeper submitted quarterly reports to DCEO dated September 30 and December 15, 2009. The first report stated that Brother’s Keeper had accepted 15 individuals into its program, and the second report stated that it had accepted another 7 individuals, for a total of 22 program participants. Although both reports said that “[o]ur current progress as it relates to the overall goals specified in the project plan would be best described as exceptional,” the reports indicated that none of the program participants had completed the program. The reports also noted that none of the program participants had applied for or were placed into a union apprenticeship, or had achieved journey-level status.

¹² [Redacted].

¹³ The email appeared to reference an article regarding a bank’s action to foreclose on the Regal Theater.

On January 13, 2010, a DCEO quality assurance monitor notified Ms. Evans that the preliminary review resulted in 11 findings of noncompliance with Brother's Keeper's grant agreement. DCEO gave Brother's Keeper until February 3, 2010 to respond to the identified deficiencies and produce documents, and asked it to return \$96,000 of the grant funds. On March 4, 2010, following two extensions of the deadline, Ms. Evans produced some of the requested documents; she did not, however, return any funds.

At about this time, DCEO received yet another letter from [Official 1] on Brother's Keeper's behalf. Specifically, on March 5, 2010, the day after Ms. Evans' partial production, [Official 1] wrote that it was his "understanding that DCEO has requested a substantial return of funds" from Brother's Keeper.¹⁴ He also wrote that he was "concerned, because [Brother's Keeper] is having a measurable positive impact throughout the community, and I am impressed with the foresight and insight that Ms. Evans has shown in creating a program with such depth."

On March 11, 2010 (six days after [Official 1's] March 5, 2010 letter), DCEO received a second application from Brother's Keeper. This time, Brother's Keeper requested \$500,000 for FY 2010 from the Employment Program. The application was supported by a March 10, 2010 letter from [Official 1], who wrote that Brother's Keeper "provides a myriad of services within my district that are pivotal to creating a sound economic environment."¹⁵ The program, [Official 1] wrote, provides "job training, GED preparation, violence prevention and jobs." Despite the letters of support from [Official 1], DCEO opted not to award FY 2010 grant funds to Brother's Keeper.

E. DCEO's Efforts to Recover \$1.25 Million from Brother's Keeper for Failure to Comply with Grant Requirements

On April 6, 2010, DCEO notified Ms. Evans that Brother's Keeper's grant was suspended. On May 25, 2010, or more than eight months after Brother's Keeper received \$1.25 million in State funds, DCEO notified Ms. Evans that it was initiating formal proceedings seeking the return of the entire grant amount. On June 4, 2010, Brother's Keeper returned \$332,806 of the \$1.25 million in grant funds.

More than two years later, in 2012, after the case was referred to the Attorney General's Office for collection of the balance of the grant funds, a judgment was entered against Brother's Keeper in the amount of \$917,194.

V. DCEO'S ATTEMPT TO TERMINATE DEVEDA FRANCOIS, AND FEDERAL CRIMINAL CHARGES AGAINST REGINA EVANS

During the OEIG's initial investigation of the [REDACTED] allegation against Ms. Francois and its expanded investigation relating to the Brother's Keeper grant, two events occurred. *First*, DCEO attempted to terminate Ms. Francois for misconduct. *Second*, Regina Evans was indicted on federal fraud charges relating to her misuse of DCEO's \$1.25 million grant to Brother's Keeper.

¹⁴ [Redacted].

¹⁵ [Redacted].

A. DCEO's Attempt to Terminate Deveda Francois

On February 23, 2011, DCEO terminated Deveda Francois for conduct unbecoming a DCEO employee, inefficiency in the performance of her duties, and misuse of State resources in her use of electronic mail.¹⁶ Among other things, DCEO accused Ms. Francois of improperly steering grantees to particular application consultants, and sharing internal DCEO documents with third parties.

Although Ms. Francois grieved her termination, in an arbitration proceeding she admitted to:

- assisting some grant applicants and not others;
- reviewing prospective grant applications before they were formally submitted to DCEO;
- communicating with some applicants regarding their draft applications;
- giving Employment Program evaluation scoring instructions to one application consultant but not others; and
- forwarding confidential internal DCEO documents to her personal email accounts.

The arbitrator found that although Ms. Francois violated some DCEO rules, her violations were not sufficiently serious to warrant termination.¹⁷ Following the arbitrator's decision, DCEO reinstated Ms. Francois as a DCEO employee, although in a different department. Ms. Francois remains employed at DCEO.

B. Federal Criminal Charges against Regina Evans

On April 4, 2012, Ms. Evans was indicted on federal fraud charges for misusing the \$1.25 million DCEO Employment Program grant to Brother's Keeper. She later pled guilty to the charges, and on May 1, 2014 was sentenced to 60 months in prison. Ms. Evans was also ordered to pay \$917,194 in restitution to DCEO.¹⁸

VI. OEIG'S EXPANDED INVESTIGATION OF DCEO'S OVERALL MANAGEMENT OF THE EMPLOYMENT PROGRAM

As noted above, in light of Brother's Keeper's apparent lack of qualifications to receive an Employment Program grant, Ms. Francois' admissions in the arbitration proceedings regarding her misconduct in handling Employment Program grant applications (she served as the Employment Program's Program Manager when the \$1.25 million dollar Brother's Keeper grant was awarded), and Ms. Evans' criminal conviction relating to that grant, the OEIG expanded its

¹⁶ DCEO had disciplined Ms. Francois on two prior occasions. On January 19, 2010, DCEO placed Ms. Francois on a corrective action plan, in which it instructed her to ensure that grantees submit timely quarterly reports, and review quarterly reports for required documentation, among other things. On April 27, 2010, DCEO suspended Ms. Francois without pay for ten days, for misusing a State vehicle and misusing State time.

¹⁷ A copy of the arbitration decision is attached to this report as Exhibit D.

¹⁸ The criminal judgment provided that Ms. Evans was jointly and severally liable for the restitution with her husband and co-defendant, Ronald Evans.

investigation to examine DCEO's overall management of the Employment Program. Specifically, the OEIG sought to determine two things: *first*, the process DCEO used for awarding Employment Program grants, and *second*, DCEO's compliance with Employment Program statutory requirements and responsibilities (State law) from FYs 2007 to 2013.

The OEIG's expanded investigation discovered numerous problems relating to the manner and method by which DCEO selected, administered, and/or oversaw Employment Program grants it awarded between FYs 2007 and 2013. Specifically, the OEIG discovered that at various times during this period, DCEO:

- failed to maintain adequate documentation relating to the selection of Employment Program grantees, and their subsequent performance under the program;
- used statutorily deficient criteria for selecting Employment Program grantees;
- selected Employment Program grantees late in the fiscal year and then followed up the late selection by making one-time lump sum payments of grant funds to the grantees (i.e., the grantees were provided all grant funds at once);
- achieved minimal success in recovering grant funds from noncompliant Employment program grantees; and
- submitted inadequate reports to the Governor and General Assembly.

Finally, the OEIG discovered that DCEO's Employment Program grantees had a significantly low number of successful program outcomes. Each of the above-referenced deficiencies is discussed in greater detail below.

A. DCEO's Documentation Relating to the Employment Program

In order to examine DCEO's overall management of the Employment Program, the OEIG sought numerous documents necessary to determine how DCEO awarded the program grant funds, and how it oversaw the grantees' use of the funds. As noted above, DCEO is statutorily required to establish criteria for prioritizing grant applications and determining what project activities qualify for funding, and to ensure that Employment Program grantees have certain capabilities.¹⁹ In addition, DCEO is required to ensure that Employment Program grantees submit various types of information to DCEO, including quarterly reports on their implementation of planned activities and success in reaching key milestones, and individual-level information indicating the types of services received and resulting outcomes.²⁰

The State Records Act and related administrative rules require State agencies to retain records pursuant to an approved plan referred to as a "records retention schedule."²¹ DCEO's records retention schedule requires DCEO to retain grant files for six years after the closure of

¹⁹ See 20 ILCS 605/605-812(c).

²⁰ See 20 ILCS 605/605-812(e).

²¹ See 5 ILCS 160/1, *et seq.*; Ill. Admin. Code tit. 44, § 4400.10, *et seq.*

the grant.²² Such documents include grant requests, grant applications, approval and denial letters, grant agreements, grantee correspondence, grantee reports and supporting documents, and grant project evaluations. The records retention schedule also requires DCEO to retain documents used in the grantee monitoring review process for six years after the review is closed.²³

On multiple occasions between 2011 and 2014, the OEIG issued requests to DCEO to produce various records evidencing its compliance with the Employment Program's statutory requirements between FYs 2007 and 2013. Among other documents, the OEIG requested the following documents relating to the Employment Program:

- requests for application, and grant applications;
- DCEO's procedures and criteria for evaluating applicants and selecting grantees;
- lists of grant applicants and recipients;
- program participant results;
- grant recovery documents, and
- the annual reports DCEO submitted to the Governor and General Assembly.

Despite the requirements of the Employment Program statute and DCEO's records retention schedule, OEIG investigators discovered that DCEO *did not* have a number of the requested documents. Some of the most significant documents DCEO was unable to produce included documents relating to how DCEO awarded Employment Program grants in FY 2009, and complete program participant results for a number of the grantees. DCEO's inability to produce these documents severely limited and delayed the OEIG's efforts to determine the full extent of what DCEO staff performed, accomplished, or *did not* perform or accomplish in relation to the Employment Program.

B. Review of DCEO's Process for Selecting Employment Program Grantees

As discussed above, in FY 2009 DCEO awarded a \$1.25 million Employment Program grant to Brother's Keeper, despite the fact that Brother's Keeper's grant application did not provide any information regarding the capabilities Employment Program grantees are statutorily required to have. In light of DCEO's failure to ensure that Brother's Keeper had these statutorily required capabilities, the OEIG reviewed how DCEO selected other Employment Program grantees, from FYs 2007 through 2013. The OEIG also examined the extent to which DCEO relied on letters of support from elected officials in the grant selection process.

1. Employment Program Grantee Selection Process Used in FY 2007

In FY 2007, DCEO awarded about \$6.3 million to 14 grantees under the Employment Program. In that fiscal year, DCEO's process for selecting grantees varied depending on whether the applicants were located inside or outside Cook County.

²² This disposition was approved on March 18, 2009, relating to grant files from July 2008 on.

²³ This disposition was approved on October 21, 2009, relating to grantee monitoring review files after 1999.

Grant applicants in Cook County were required to respond to a Request for Qualification (RFQ)²⁴ by February 23, 2007, a little over four months before the end of FY 2007. Three DCEO reviewers then scored applicants based on particular evaluation criteria, including a demonstrated success in recruiting and serving the targeted population, and results in getting participants into apprenticeship programs and reaching journey-level status. Qualified applicants were interviewed, after which recommendations to receive a Request for Application (RFA) were made. Applicants that completed and returned the Request for Application were recommended for funding based on different evaluation criteria, such as the quality of the applicant's proposed training, which were not assigned point values. The Request for Application evaluation sheets for the recommended Cook County applicants contained brief general comments, such as "Program staff recommendation is based on review of RFQ, RFA, and phone interview conducted with organization."

Grant applicants outside Cook County were required to respond to a Request for Application, including a "Statement of Qualification," by May 29, 2007, approximately one month before the end of FY 2007. Although the same evaluation criteria were used as for the Cook County Requests for Qualification, these criteria were not assigned point values. According to [Employee 1], in FY 2007 the Employment Program's Program Manager and Deputy Director "processed" applicants' responses to the Request for Application and "[b]ased upon [their] evaluations" recommended applicants for funding. Reviewer comments largely related to the applicants' level of labor support; in addition, one comment indicated that an applicant was a "[w]omen oriented construction program."

2. Employment Program Grantee Selection Process Used in FY 2008

In FY 2008, DCEO awarded about \$2.6 million to six grantees under the Employment Program. In that fiscal year, DCEO *did not* issue any documents soliciting applications for the Employment Program, and *did not* use a competitive application process. In an interview with OEIG investigators, Charlene Raickett, who was the interim Program Manager for the Employment Program in FY 2008,²⁵ stated that in FY 2008, then-DCEO Director Jack Lavin instructed Deputy Director Ramon Williams to award grants to a certain group of applicants that Mr. Lavin selected. [Employee 2] also confirmed in an interview with OEIG investigators that the Employment Program grant award process was informal in FY 2008.

In response to an OEIG request relating to how DCEO "prioritized grant requests from eligible grant applicants" in FY 2008, as it was statutorily required to do, DCEO produced a March 2008 email exchange in which Ms. Raickett responded to an inquiry from a DCEO budget analyst regarding the status of the Employment Program. In this email, Ms. Raickett stated: "Per Ray's [Deputy Director Ramon Williams'] meeting with Director Lavin, we are funding collar county FY07 unfunded submissions for this year. Therefore, there was no RFP issued and we are currently processing 6 grants with approximately 6 more to go." Ms. Raickett also

²⁴ A Request for Qualification, like the Request for Application discussed below, typically announced the funding opportunity, set out guidelines for application submissions, described the information that applicants must provide to DCEO, and described the criteria by which applications were to be judged.

²⁵ Ms. Raickett served as an interim Employment Program Manager until March 2008, but remained involved with the Employment Program thereafter.

forwarded the exchange to Mr. Williams, who replied, “OK-I remember!!!” DCEO stated that other than this exchange and two charts listing FY 2008 grantees, “[n]o other responsive documentation was found” to the OEIG’s request.

3. Employment Program Grantee Selection Process Used in FY 2009

In FY 2009, DCEO awarded about \$5.9 million to 11 grantees under the Employment Program. As noted above, DCEO was unable to provide the OEIG with any records relating to FY 2009 Employment Program grantee selection. In response to one OEIG request, DCEO stated: “Unfortunately, due to the former [Employment Program] administrator’s failure to appropriately store and manage documents, we are not able to provide a complete list of FY09 applicants.” In response to another OEIG records request, DCEO stated that “[p]rogram staff has no information/knowledge concerning how FY 2009 grants were reviewed/awarded.” In response to an OEIG request for a “copy of the [Employment Program] Program Guidelines Statements of Qualifications & Request for Application for FY 09,” DCEO stated: “[W]e have not been able to locate a copy of that document for FY09.” In another communication, DCEO noted: “We were unable to find any documentation related to unfunded grant applications in the files.”

[Employee 2] told investigators that the Employment Program grantee selection process in FY 2009 was informal. Similarly, Ms. Raickett told OEIG investigators that she was not aware of any formal selection process in FY 2009, and that Deveda Francois (the DCEO employee whom the arbitrator’s decision later required DCEO to rehire) had total autonomy in regard to selecting grantees for the Employment Program during that time. Ms. Raickett stated that Ms. Francois had no written rules or procedures in place that governed how the grantees were selected. According to Ms. Raickett, Ms. Francois made the FY 2009 grantee selections, which went directly to DCEO Director Warren Ribley for approval.

Karen Norington-Reaves, who assumed the position of Deputy Director in November 2009, explained to OEIG investigators that there was a period earlier in 2009 when then-Deputy Director Ramon Williams deferred to Ms. Francois with respect to any decision-making processes. According to Ms. Norington-Reaves, Ms. Francois advocated for certain grant applicants and essentially “got her way.” Ms. Norington-Reaves stated that all modifications to Employment Program grants were completed by Ms. Francois, then forwarded to DCEO’s legal department and the DCEO Director for approval, but that, according to her, the approval process was a “rubber stamp.”

4. Employment Program Grantee Selection Process Used in FY 2010

In FY 2010, DCEO awarded about \$2.9 million to 13 grantees under the Employment Program. In that fiscal year, Ms. Norington-Reaves directed the Employment Program grantee selection process. In contrast to the FYs 2008 and 2009 grantee selection processes, in FY 2010 Ms. Norington-Reaves instituted a competitive procedure that used a blind review process.

In the selection process used in FY 2010, Employment Program grant applicants were required to respond to a Request for Application by February 18, 2010, a little over four months

before the end of FY 2010. Five reviewers then evaluated the applications based on evaluation criteria contained in a “Statement of Qualification Evaluation,” and a “Request for Application Evaluation,” and scored the latter on a point system. As in the FY 2007 application process, the evaluation criteria included the applicants’ demonstrated success in recruiting and serving the targeted population, and results in getting participants into apprenticeship programs and reaching journey-level status, although those criteria were not scored. Applicants then advanced to interviews conducted by four DCEO staff members. Interview questions addressed the applicants’ success in getting participants into union employment and apprenticeships.

5. Employment Program Grantee Selection Process Used in FY 2011

In FY 2011, DCEO awarded about \$1.3 million to eight grantees under the Employment Program. In that fiscal year, Employment Program grant applicants were required to respond to a Statement of Qualification and Request for Application by May 18, 2011, a little over one month before the end of FY 2011. In contrast to FY 2010, DCEO did not interview applicants. An additional difference from previous years was that the FY 2011 Request for Application stressed that “[a]pplicants proposing matching expenditures will be viewed favorably during the competitive review of applications.”

Two DCEO staff reviewed and scored the applications based on two sets of evaluation criteria that were almost identical to the criteria used in FY 2010. The FY 2011 reviewers made some comments regarding the Employment Program grant applicants they recommended for funding, including that an applicant had an “[i]mpressive track record of success in getting women into the construction trade industries.” According to Deputy Director Carmen Colvin, in FY 2011, DCEO Director Warren Ribley made the final decision as to how much funding to award each grantee.

6. Employment Program Grantee Selection Process Used in FY 2012

In FY 2012, DCEO awarded \$300,000 to three grantees under the Employment Program. In that fiscal year, DCEO did not issue a Request for Application or evaluate any new Employment Program applications. According to Employment Program Manager Tiffany Hawkins, DCEO Director Warren Ribley and Chief of Staff Andrew Moyer directed Deputy Director Carmen Colvin to identify three existing Employment Program grantees that were “in full compliance and good program and fiscal status.” In an OEIG interview,²⁶ Ms. Hawkins said she reviewed reports submitted by the existing FY 2011 Employment Program grantees to determine how the grantees were running their programs, and how well they were preparing participants for placement in building trades apprenticeships and employment. Based on this review, Ms. Hawkins said, she recommended the three best grantees that did not still have unexpended funds. DCEO Director Warren Ribley then made the final decision to award each of these grantees an additional \$100,000 in grant funds.

7. Employment Program Grantee Selection Process Used in FY 2013

²⁶ Ms. Hawkins was interviewed on February 18, 2015.

In FY 2013, DCEO awarded \$200,000 to one grantee under the Employment Program. In that fiscal year, DCEO did not use a competitive application process for the Employment Program because, according to [Employee 1], “there was no funding appropriation for a full EOGP [Employment Program] program.”

In her OEIG interview, Program Manager Tiffany Hawkins said that in April or May 2013, she learned from a representative of DCEO’s Regional Economic Development Team that the Public Building Commission of Chicago was interested in obtaining funding for a summer program for Chicago Public Schools students to work on school renovations, which would prepare them for apprenticeships and employment in the building trades. Ms. Hawkins said Public Building Commission representatives provided information regarding the program in a teleconference with her and Deputy Director Carmen Colvin in approximately May 2013, as well as in a May 31, 2013 letter to Ms. Colvin.²⁷ Ms. Hawkins said she did not recall asking the Public Building Commission for information regarding its past experience.

Ms. Hawkins said she received an email from Ms. Colvin on June 18, 2013 (less than two weeks before the end of the fiscal year), approving the Public Building Commission for funding. According to Ms. Hawkins, this approval was for funding for a “special project” using the Employment Program “platform,” which she explained meant that the program would prepare participants for apprenticeships or employment in the building trades. Ms. Hawkins said DCEO’s Director made the final decision to approve the grant. According to Ms. Hawkins, because the grant was for a special project and funded a governmental entity instead of a community-based organization or educational institution,²⁸ all the tenets of the Employment Program statute did not apply.

According to Ms. Hawkins, after she received this approval on June 18, 2013, she issued an Employment Program Request for Application to the Public Building Commission.²⁹ The Employment Program Request for Application indicated that the application would be scored based on criteria that included a demonstrated success in recruiting and serving the targeted population, and results in getting participants (especially participants from targeted populations) into apprenticeship programs, making progress in those programs, and reaching journey-level status.

The Public Building Commission submitted an Employment Program grant application to DCEO, dated June 21, 2013, which described the Public Building Commission’s proposed project. The application did not include a Statement of Qualifications, or any information regarding the Commission’s demonstrated success in recruiting and serving the targeted

²⁷ Investigators reviewed the Public Building Commission’s May 31, 2013 letter to Ms. Colvin. The letter described the Public Building Commission’s proposed internship program for Chicago Public Schools students, but did not discuss the Public Building Commission’s previous experience in placing individuals in employment, or demonstrated expertise in serving targeted populations.

²⁸ Ms. Hawkins was referencing the provision in the Employment Program statute that “[e]ntities eligible to apply for grant funding shall include: community-based organizations and educational institutions.” 20 ILCS 605/605-812(c). This statutory language does not appear to exclude other types of entities from eligibility for Employment Program funding, however.

²⁹ Ms. Hawkins said this Request for Application had been drafted earlier in the year, in anticipation of receiving funding for the Employment Program, but had not been issued because the funding had not come through.

population, or results in getting participants into and completing apprenticeship programs, as requested in the Request for Application. Nor did the application contain information regarding the statutorily required capabilities of demonstrated expertise in serving targeted populations, demonstrated success in placing clients in employment, or previous experience offering employment services for targeted populations.³⁰ Ms. Hawkins said she reviewed the application, but did not score it.

On June 28, 2013, DCEO entered into a grant agreement with the Public Building Commission. The agreement was titled “Employment Opportunities Grant Program Grant No. 13-781001,” and stated that DCEO was authorized to award the grant pursuant to the Employment Program statute, 20 ILCS 605/605-812. The agreement was signed by DCEO Director Adam Pollet and [Employee 3].

8. Employment Program Applicant Letters of Support

In addition to receiving letters of support from elected officials on behalf of Brother’s Keeper’s FY 2009 grant application, DCEO also received letters of support from elected and non-elected officials on behalf of other program applicants. During her interview, Carmen Colvin, who had been DCEO’s Deputy Director of Urban Affairs for DCEO since April 26, 2011,³¹ told investigators that she was aware that legislators submitted letters or other communications of support for various grant applicants. However, according to Ms. Colvin, such communications did not influence whether or not DCEO awarded an applicant a grant. In fact, a review of Employment Program applicant files revealed that while many successful applicants did receive letters of support from elected officials, some unsuccessful applicants also received letters of support from elected officials.³²

A review of the application files of successful Employment Program applicants between FY 2009 through FY 2012, revealed that more than half of all successful applicants were in fact the beneficiaries of letters of support from elected officials, as set forth below:

- FY 2009, 10 of 11 grantees had one or more letters of support;
- FY 2010, 7 of 13 grantees had one or more letters of support;
- FY 2011, 5 of 8 grantees had one or more letters of support; and
- FY 2012, 2 of 3 existing grantees selected to receive additional funds had previously had one or more letters of support.

³⁰ Although the application also did not specifically discuss the Public Building Commission’s knowledge of the construction industry or expertise in preparing workers for employment in the building trades, it would appear that the Commission had such knowledge and expertise, based on its statement that it has built or renovated “hundreds of schools, city colleges, libraries, parks, fire houses, police stations and other facilities.”

³¹ Ms. Colvin has since left her position with DCEO.

³² As noted above, DCEO was unable to provide information regarding unsuccessful Employment Program applicants for FY 2009, and therefore investigators were unable to determine how many unsuccessful applicants may have had letters of support from elected officials. Nevertheless, in FY 2010, 14 of 29 unsuccessful applicants (48%) had one or more letters of support from an elected official; in FY 2011, 5 of 15 unsuccessful applicants (33%) had one or more letters of support from an elected official; in FY 2012, 3 of 5 existing grantees (60%) who were not selected for additional funding had previously had one or more letters of support from an elected official.

Nevertheless, in FY 2013, the sole grantee's application did not have any letters from elected officials. A more detailed chart identifying all letters of support (from elected, non-elected and organization officials) submitted to DCEO on behalf of organizations that received Employment Program grants between FYs 2009 and 2013 is attached to this report in Exhibit E.

C. Review of the Timing between DCEO's Decision to Award an Employment Program Grant and the Date DCEO Made Its Grant Payment to the Grantee

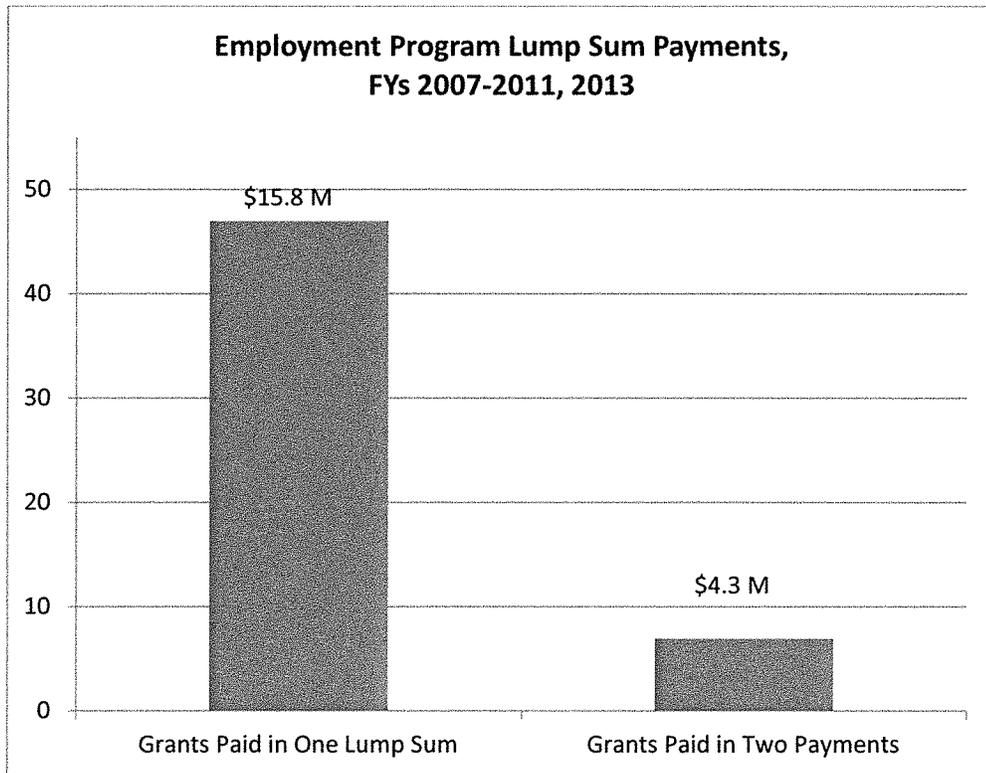
As discussed above, DCEO provided Brother's Keeper the entire \$1.25 million in Employment Program grant funds on September 10, 2009, or about 72 days after the grant agreement was executed for a two-year grant period that was to run through May 31, 2011. In other words, DCEO provided the entire grant amount at the start of the two-year grant. Because Brother's Keeper was paid the entire grant amount up front, DCEO's only recourse when Brother's Keeper failed to comply with the terms of the grant was to attempt to recover the funds, an effort that proved largely unsuccessful. In light of these circumstances, investigators examined the timing of DCEO's Employment Program grantee selection process and grant payments made to grantees from FYs 2007 through 2013, and whether grant payments typically were made in one-time lump sums.

The OEIG's review of documents revealed that DCEO typically started the Employment Program grantee selection process late in the fiscal year, and awarded the grants near the end of the fiscal year.³³ To the extent that DCEO used an application process to select Employment Program grantees, it initiated the process between February and June of the fiscal year in which it awarded the grants. In addition, DCEO awarded nearly all the Employment Program grants in FYs 2009, 2010, 2011, and 2013 in the final month of the fiscal year.³⁴ DCEO submitted most of its requests to the Comptroller for payments to Employment Program grantees in July or August, or during the first two months of the fiscal year that followed the fiscal years in which the grants were awarded. Finally, as shown in the chart below,³⁵ most of the Employment Program grant payments between FYs 2007 and 2013 were made in one-time lump sums.

³³ In Illinois, the fiscal year runs from July 1 of a particular year to June 30 of the subsequent year. Fiscal years are referred to by the subsequent year. In other words, FY 2014 ran from July 1, 2013 to June 30, 2014, and FY 2015 from July 1, 2014 to June 30, 2015.

³⁴ The OEIG did not request this information for FYs 2007 and 2008. In addition, as noted above, in FY 2012, DCEO did not award any new Employment Program grants, but rather extended three grants previously awarded in FY 2011, and increased the grant amounts.

³⁵ The chart does not include additional payments made in FY 2012 to three existing FY 2011 grantees, because those payments were not made as new grants. However, the OEIG notes that DCEO also paid the additional FY 2012 funds in single lump sums.



The practice of paying the entire amount of Employment Program grant funds in one-time lump sums at the start of the grant term precluded DCEO from suspending future payments based on any noncompliance discovered after the start of the grant term. In light of this fact, investigators interviewed [Employee 3]³⁶ regarding the reason for this timing. According to [Employee 3], the General Assembly usually assigns the next fiscal year’s budget by May 31 of the preceding fiscal year. DCEO then has until the end of the fiscal year – the following June 30 – to award grants from that fiscal year’s appropriation, and there is a “lapse period” from July 1 through August 31 of the following fiscal year in which to request the funds from the Comptroller.³⁷ [Employee 3] said the Comptroller then has until the end of the calendar year to pay the grant funds.

[Employee 3] explained that the Employment Program was a line-item appropriation through FY 2009, which meant that the General Assembly allocated a specific amount of funding to the Employment Program each year. In other words, through FY 2009, DCEO knew exactly how much money in State funds would be dedicated to the Employment Program as of the time of the General Assembly’s determination, usually by May 31 of the preceding fiscal year. Therefore, [Employee 3] stated, there was no reason for DCEO to have made late awards of Employment Program grant funds through FY 2009, because DCEO already knew the total allocation for the program at the start of the fiscal year.

³⁶ [Employee 3] was interviewed on October 16, 2012.

³⁷ Thus, for example, the FY 2014 budget would have been assigned by May 31, 2013 (in FY 2013), DCEO would have had until June 30, 2014 (in FY 2014) to award grants using FY 2014 appropriations, and then would have had until August 31, 2014 (in FY 2015) to ask the Comptroller to pay the funds. Under this example, the funds still would have been paid out of the FY 2014 appropriation, even if payments were made in September 2014.

[Employee 3] stated that since FY 2010, the General Assembly has no longer funded the Employment Program through a line-item appropriation. Rather, the General Assembly has appropriated a lump sum of funds for DCEO to fund all of its grant programs, as well as to pay for its general operational and administrative costs. Therefore, since FY 2010, once DCEO receives notification of the total amount of its funding – again, often in May of the preceding fiscal year – an internal decision-making process begins within DCEO in which various programs compete for a share of the lump-sum allocation, a process which, according to [Employee 3], sometimes takes almost the entire fiscal year. Because of the duration of the internal allocation process, [Employee 3] confirmed that it is common for DCEO to execute grant agreements on the last day of the fiscal year, June 30, and submit payment requests to the Comptroller in July and August of the following fiscal year.

According to [Employee 3], the terms of each grant agreement indicate whether the grantee will receive the grant funds in a single lump-sum payment or in incremental payments (meaning that a portion of the amount will be paid at the execution of the grant, and additional payments will be made later). However, when DCEO does not complete its internal grant allocation process until late in the fiscal year, there is no time left within which to implement an incremental payment plan, and it is necessary for the grant agreement to dictate a one-time, lump-sum payment of the grant funds.

Regardless of how the Employment Program is funded, however, [Employee 3] stated that Employment Program personnel do not have to know the total amount of funding the Employment Program will receive before they select the grantees. Instead, they can select grantees preliminarily, and identify the amounts to be awarded under each grant when that information becomes available. In other words, the Employment Program could solicit applications earlier, and select grantees in advance of the funding appropriation.

D. Review of DCEO’s Efforts to Recover Grant Funds from Noncompliant Employment Program Grantees

Given DCEO’s lengthy and largely unsuccessful efforts to recover grant funds from Brother’s Keeper, OEIG investigators also examined DCEO’s efforts to recover grant funds from other noncompliant Employment Program grantees. The Illinois Grant Funds Recovery Act requires State agencies such as DCEO to “take affirmative and timely action to recover all misspent or improperly held grant funds.”³⁸

DCEO addresses grantees’ noncompliance with grant requirements through three progressively severe levels. At the first level, DCEO notifies the grantee of any deficiencies and gives the grantee 14 days to resolve them. If the grantee fails to correct the deficiencies within 14 days, at the second level DCEO may impose a Federal Employer Identification Number lock, commonly referred to as a “FEIN lock,” which prevents DCEO from making payments to the grantee, or from processing any future grants for the noncompliant grantee. If the grantee still has not brought itself into compliance by the thirtieth day after the initial notice of

³⁸ See 30 ILCS 705/6.

noncompliance was sent, at the third level the grant is placed in “Legal referral status.” At this stage, DCEO may take action to recover the grant funds under the Grant Funds Recovery Act.³⁹

A review of documents relating to Employment Program grantees revealed that as of December 16, 2013, DCEO had initiated grant recovery proceedings under the Grant Funds Recovery Act against 7 of the 25, or about 28%, of the organizations that received Employment Program grants between FYs 2009 and 2013. In those proceedings, DCEO sought to recover about \$2.78 million of the \$3.6 million of State funds previously awarded to the seven grantees. As of December 16, 2013, DCEO had recovered only approximately \$946,608 of the amount sought. As of that date, about \$1.8 million, or 66% of the amount sought, remained unrecovered.

An examination of DCEO documents further showed that even when DCEO does successfully recover grant funds from noncompliant grantees, the recovery process is slow. As of December 16, 2013, DCEO had completed the recovery and collection process for only one of the seven grantees from which it sought to recover funds awarded between FYs 2009 and 2013.

The OEIG interviewed [Employee 4] about the reasons why DCEO has difficulty recovering grant funds from noncompliant grantees.⁴⁰ [Employee 4] explained that one reason is that grant applicants are not required to have capital before they are awarded a grant, and therefore any grant funds paid out may ultimately be unrecoverable if the grantee improperly spends them. In addition, [Employee 4] noted, if DCEO is not listed as a creditor in a grantee’s bankruptcy proceedings, the funds owed to DCEO are deemed “unsecured,” and again, are difficult to recover.

E. Review of DCEO’s Compliance with Reporting Requirements

The OEIG next examined DCEO’s compliance with its statutory obligation to provide an annual report to the Governor and the General Assembly regarding the Employment Program.⁴¹ Investigators confirmed that DCEO submitted Employment Program reports to the Governor and General Assembly each year between FYs 2007 and 2013. Each report was signed by DCEO’s Director.⁴²

The Employment Program statute (State law) requires DCEO to report annually “on the activities undertaken by *all* successful grant applicants.”⁴³ This annual report is required to include “an evaluation of those activities and their success in assisting participating individuals to enter and complete building trades apprenticeship programs and achieve journey-level status.”⁴⁴ Accordingly, the OEIG examined the annual reports DCEO submitted to the Governor and General Assembly for the Employment Program between FYs 2007 and 2013, for the following three statutorily required categories of information:

³⁹ See 30 ILCS 705/6.

⁴⁰ [Employee 4] was interviewed on May 12, 2011.

⁴¹ See 20 ILCS 605/605-812(f).

⁴² Jack Lavin signed the FYs 2007 and 2008 reports. Warren Ribley signed the FYs 2009, 2010, and 2011 reports. Adam Pollet signed the FYs 2012 and 2013 reports.

⁴³ 20 ILCS 605/605-812(f) (emphasis added).

⁴⁴ *Id.*

- an evaluation of Employment Program grant activities;
- data regarding how many program participants entered building trades apprenticeship programs; and
- data regarding how many program participants completed building trades apprenticeship programs and achieved journey-level status.

1. Evaluation of Grantee Activities

First, investigators reviewed DCEO’s Employment Program annual reports for any evaluations of grantee activities. Despite the above-referenced statutory requirements, three of the seven annual reports DCEO submitted to the Governor and General Assembly (FYs 2007, 2008, and 2009) contained *no information* on the activities undertaken by Employment Program grantees, or any evaluation of grant activities. Instead, these reports merely listed the grantees, provided statistics such as how many program participants were placed into trades employment, and described the program model in broad terms. For example, these reports all noted that the program model was “industry-driven,” included “major constituents,” impacted “private as well as public construction projects,” and provided a “regional solution.”

The four remaining DCEO annual reports (FYs 2010 through 2013) contained a “GRANTEE SUCCESSES” section, which generally described some, but not all, grantee activities. For example, these reports noted:

- “Two grantee organizations have had trainees construct homes within their communities for low to moderate-income families.” (FY 2010 report)
- “Grantees developed partnerships with community banks to rehab foreclosed homes allowing [Employment Program] participants to received [sic] certification in several areas in the trades and landscaping.” (FY 2011 report)
- “Through one grantee’s partnership with a building trades union, program participants received technical training at the union facility.” (FYs 2012 and 2013 reports)

Aside from DCEO’s general characterization of these activities as successful, the four annual reports submitted between FYs 2010 and 2013 did not evaluate the activities.

2. Data Regarding Success in Entering Building Trades Apprenticeship Programs

Second, investigators reviewed DCEO’s Employment Program annual reports for data evidencing the grantees’ success in assisting program participants in entering building trades apprenticeship programs. In other words, investigators reviewed how many persons entered a building trade program.

The reports DCEO submitted to the Governor and General Assembly in FYs 2008, and 2011 through 2013, stated the number of program participants who were accepted into apprenticeship programs. The reports DCEO submitted in FYs 2007, 2009, and 2010 indicated the numbers of participants who were “accepted into union.” These numbers generally reflected that between FYs 2007 and 2013, a total of about 307 program participants were accepted into apprenticeship programs or “accepted into union.”⁴⁵

3. Data Regarding Success in Completing Building Trades Apprenticeship Programs and Achieving Journey-Level Status

Third, investigators reviewed DCEO’s Employment Program annual reports for any data evidencing the grantees’ success in assisting program participants in completing building trades apprenticeship programs and achieving journey-level status. The reports DCEO submitted to the Governor and General Assembly from FYs 2007 through 2009 indicated that *no* program participants had achieved journey-level status. The report DCEO submitted in FY 2010 indicated that the number of participants who achieved journey-level status was “N/A,” and noted that “[i]t takes 4 years to achieve journeyman status[sic],” and that the Employment Program “has not been in existence long enough to produce trainees that have achieved this status.” The reports DCEO submitted to the Governor and General Assembly from FYs 2011 through 2013 provided no information regarding the number of participants who completed building trades apprenticeship programs and achieved journey-level status.⁴⁶

F. OEIG’s Review of DCEO’s Employment Program Outcomes Per Grantee Reports

OEIG investigators sought to determine how many Employment Program participants entered and completed building trades apprenticeship programs and achieved journey-level status, consistent with the statutory goal of the Employment Program.⁴⁷ So, in addition to reviewing the reports DCEO submitted to the Governor and General Assembly discussed above, investigators reviewed Employment Program outcomes the grantees reported to DCEO. However, despite OEIG requests, DCEO was unable to produce many of the grantee reports necessary for the OEIG to conduct a complete analysis. For example, of the 54 Employment Program grants awarded between FYs 2007 and 2013, DCEO provided final grantee reports for only about 20 of the grants, provided only interim grantee reports for about 30 of the grants, and provided no grantee reports at all for 4 grants.⁴⁸ In addition, some of the reports that DCEO provided did not contain complete participant results. With respect to the periods for which

⁴⁵ This total may double-count some program participants, because it includes a cumulative number reported in the FY 2013 annual report, which the report explained “*reflect[s] grants that began in FY11 and were subsequently extended through the end of May 2013.*” (emphasis in original). In addition, as discussed below, in contrast to these figures presented in the annual reports DCEO submitted to the Governor and General Assembly, the reports grantees submitted to DCEO indicated that about 416 program participants, rather than 307 program participants, were accepted into an apprenticeship program.

⁴⁶ As discussed below, in contrast to the annual reports DCEO submitted to the Governor and General Assembly, the reports the grantees submitted to DCEO indicated that eight program participants achieved journey-level status.

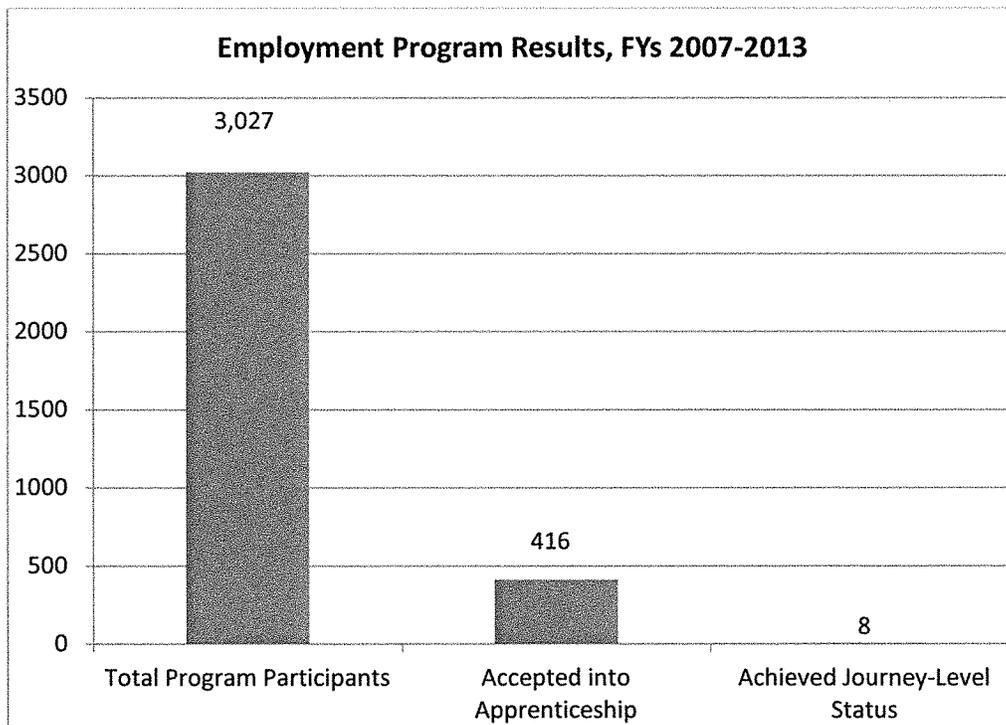
⁴⁷ See 20 ILCS 605/605-812(a).

⁴⁸ DCEO informed the OEIG that as of March 5, 2015, the grant awarded to the Public Building Commission in FY 2013 had not expired, and therefore the Public Building Commission has not submitted a final report. DCEO provided the OEIG with interim grantee reports for this grant.

DCEO did not provide grantee reports, or where the reports that were provided were incomplete, the OEIG was unable to determine the number of participants who were accepted into union apprenticeship programs, or who reached journey-level status in a trade union. Nevertheless, the OEIG used the data that DCEO provided to the extent possible.⁴⁹

Overall, the OEIG found that between FYs 2007 and 2013, DCEO awarded Employment Program grants to 38 grantees.⁵⁰ The documents DCEO provided to the OEIG reflect that between FYs 2007 and 2013, the grantees accepted about 3,027 participants into their training programs. Based on the grantee reports DCEO provided, between FYs 2007 and 2013 about 416 of the 3,027 Employment Program participants met the statutory goal of being accepted into a building trades apprenticeship program. During the same seven-year period, and based upon DCEO records produced, a total of only about eight Employment Program participants met the statutory goal of achieving journey-level status within a building trades union.⁵¹ Moreover, in a report submitted to DCEO on February 13, 2015, FY 2013 grantee Public Building Commission stated that “the post-employment information for entering into the trades will not meet the goals set in the grant because the overwhelming majority of the students are in a 4 year college program, a 2 year Associates program, or still in high school.”

Below is a chart reflecting the Employment Program participant results.



⁴⁹ The numbers discussed in this section are taken from reports the grantees submitted to DCEO, as opposed to the annual reports DCEO submitted to the Governor and General Assembly, that were discussed in the previous section.

⁵⁰ This number reflects the number of Employment Program grantees during the period examined in this investigation, FYs 2007-2013; as noted above, the total number of grantees through FY 2014 was 46.

⁵¹ These numbers are based on information reported in the reports DCEO received from the grantees. Charts summarizing the amount of money spent on the Employment Program and the results achieved by participants in funded activities from FYs 2007 through 2013 are attached in Exhibit F.

Between FYs 2007 and 2013, DCEO awarded nearly \$20 million in State grants⁵² to the 38 Employment Program grantees and as reflected above, only about eight persons ever achieved journey-level status.

G. Interviews of DCEO's Former Directors

As noted above, DCEO's Director is responsible for "effectively and efficiently managing the agency and establishing and maintaining an effective system of internal control."⁵³ In light of this responsibility, the OEIG interviewed three of the four individuals who served as DCEO's Director between FYs 2007 and 2013, regarding the oversight they exercised over the Employment Program, and the annual reports they executed and submitted to the Governor and General Assembly regarding the program for FYs 2007 through 2013.⁵⁴

1. Interview of Jack Lavin (DCEO's Director from February 2003 to March 2009)

Investigators interviewed Jack Lavin on November 25, 2014. According to DCEO records, Mr. Lavin served as DCEO's Director from February 2003 through March 2009.

Mr. Lavin said he did not recall what process was used to select Employment Program grantees in FY 2008, or whether anyone at DCEO established criteria for prioritizing grant requests and determining what activities qualified for funding that year. Mr. Lavin said he did not recall his role in selecting grantees in FY 2008. He also said he did not recall whether the process for selecting FY 2009 grantees began before he left DCEO in 2009.

Mr. Lavin said the Employment Program was very important to the Illinois Legislative Black Caucus, and that there were legislators who "pushed" the program. He said he did not recall whether he personally received any communications from elected officials regarding Employment Program applicants, however. When asked what weight DCEO gave to communications received from elected officials on behalf of Employment Program grant applicants, he said such communications would have been "important."

When asked whether the Employment Program reports he executed and submitted to the Governor and General Assembly for FYs 2007 and 2008 included any discussion of grantee activities, Mr. Lavin observed that the reports generally discussed the Employment Program model, listed the grant recipients, and indicated how many participants were accepted into the program and into unions.

⁵² This number reflects the amount of grant funds awarded through the Employment Program during the period examined in this investigation, FYs 2007-2013; as noted above, a total of about \$21 million in grants have been awarded through the Employment Program through FY 2014.

⁵³ See 30 ILCS 10/1002.

⁵⁴ The OEIG did not interview David Vaught because he served as DCEO's Director for only an eight-month period in 2012, and did not execute any of the annual reports DCEO submitted to the Governor and General Assembly regarding the Employment Program.

According to Mr. Lavin, the Employment Program met its statutory goals during the time he was DCEO's Director, despite the fact that no participants reached journey-level status, because participants received training that may have helped them in other jobs, and because some entered apprenticeship programs. Mr. Lavin also noted that it takes about four years to achieve journey-level status.

2. Interview of Warren Ribley (DCEO's Director from March 2009 through March 2012)

Investigators interviewed Warren Ribley on December 16, 2014. According to DCEO records, Mr. Ribley served as DCEO's Director from March 2009 through March 2012.

Mr. Ribley said he generally made the final decision regarding every DCEO grant, based on staff recommendations. Mr. Ribley said he did not recall what process was used to select Employment Program grantees in FY 2009, or whether he had a role in the selection process.

Mr. Ribley recalled receiving communications from legislators when he was DCEO's Director, as part of the grant application process, although he did not recall specific communications. According to Mr. Ribley, when DCEO program staff made their recommendations to him regarding the selection of grant applicants, they typically would mention which applicants had the support of which elected officials, as a supporting justification for their recommendations. However, Mr. Ribley said he made his decisions based on the merits of the applications, and legislative support would not have influenced his decisions.

When asked whether the Employment Program reports he executed and submitted to the Governor and General Assembly for FYs 2009, 2010, and 2011 included any evaluation of grantee activities, Mr. Ribley stated that the FY 2009 report did not contain an evaluation, and that the FYs 2010 and 2011 reports summarized the activities of some, but not all, grantees. However, Mr. Ribley maintained that the reports nevertheless met the basic requirements of the Employment Program statute.

Mr. Ribley agreed that the Employment Program failed to meet its statutory goal during the time he was DCEO's Director, based on the low number of Employment Program participants who achieved journey-level status during that time, and acknowledged that by that measure the program was "not an overwhelming success." However, Mr. Ribley stated that the program may have been successful at the individual program level because participants obtained employment skills even if they did not achieve journey-level status.

3. Interview of Adam Pollet (DCEO's Director from November 2012 through January 2015)

Investigators interviewed Adam Pollet on January 30, 2015. According to DCEO records, Mr. Pollet was DCEO's Director from November 2012 through January 2015.

Mr. Pollet said he generally received recommendations from Employment Program staff, to which he gave final approval, but that he did not otherwise play any role in selecting

Employment Program grantees. When asked about his role in the decision to award an Employment Program grant to the Public Building Commission in FY 2013, Mr. Pollet said he did not recall participating in discussions with the Public Building Commission regarding the Employment Program, and did not specifically recall approving an Employment Program grant award to the Public Building Commission.⁵⁵

Mr. Pollet said he did not recall receiving any communications from elected officials in support of Employment Program applicants or hearing about such communications during program staff's presentations to him regarding Employment Program applications.

When asked whether the Employment Program reports he executed and submitted to the Governor and General Assembly for FYs 2012 and 2013 included an evaluation of grantee activities, Mr. Pollet initially stated that he was not sure what an evaluation of activities means, as defined in the Employment Program statute. Mr. Pollet then said that the participant results shown on the FY 2012 report constituted evaluations. Mr. Pollet acknowledged that the FY 2013 report did not contain any specific evaluations of the grantees, but said he was not sure the statute required a specific evaluation of each grantee. When asked whether the FYs 2012 and 2013 reports provided any information on whether participants obtained apprenticeships or achieved journey-level status, Mr. Pollet said he was unsure what it means to get into an apprenticeship or achieve journey-level status.

Mr. Pollet said he believed the Employment Program met its statutory goal "in some ways," even if only eight program participants achieved journey-level status between FYs 2007 and 2013, because entering apprenticeships is also important.

VII. ANALYSIS

The OEIG's investigation revealed serious, ongoing problems in the way DCEO managed the Employment Program between FYs 2007 and 2013, including in its recordkeeping, its grantee selection process, reporting, and the timing of its grant awards and payments. In combination, these problems revealed that although statutory mechanisms existed for ensuring that Employment Program grant funds are appropriately awarded, and that grantees are held accountable for the State funds they receive, the existing mechanisms have frequently been wholly ineffective.

Consequently, the OEIG concludes that despite DCEO's investment of nearly \$20 million in the Employment Program during the period examined, DCEO's expenditure of State funds has not resulted in a commensurate achievement of the statutory goals established for the program.

A. DCEO Failed to Fully Comply with State Law Requiring It to Maintain Employment Program Records

⁵⁵ Although this investigation focused on DCEO's management of the Employment Program through FY 2013, the OEIG notes that in his interview, Mr. Pollet stated that in FY 2014, DCEO used a request for proposal process to select Employment Program grantees, and did not pay all the grant funds in lump-sum payments.

The Employment Program statute charges DCEO with requiring Employment Program grantees to report quarterly on their implementation of planned activities and success in reaching key milestones.⁵⁶ The statute also requires Employment Program grantees to report individual-level information on the outcomes of the services they provide, including participants' placement into specific apprenticeship programs.⁵⁷ Finally, DCEO's records retention schedule requires DCEO to retain grant-related records, including grantee reports, for six years after the closure of the grant.

The investigation revealed that despite legal obligations to retain records, DCEO was unable to provide many documents the OEIG requested during the course of this investigation, including grantee reports that contained complete information on participant outcomes for all Employment Program grantees between FYs 2007 and 2013. The OEIG is unable to determine whether DCEO did not have these documents because it failed to require the grantees to submit them, in violation of the Employment Program statute; whether DCEO failed to retain them, in violation of its records retention schedule; or a combination of the two.⁵⁸ Nevertheless, under any of these scenarios, these failures reflect clear mismanagement. Because the OEIG is unable to identify under which DCEO Director's watch or watches the most egregious of these failures occurred, and because the failures may have extended over multiple Directors, the OEIG makes no specific findings against any particular DCEO Director for the overall mismanagement of the Employment Program. However, the allegation that DCEO committed mismanagement as an agency, in failing to require or maintain all Employment Program grantee reports, is **FOUNDED**.

B. DCEO Failed to Fully Comply with the Requirements of the Employment Program Statute in Its Selection of Grantees in FYs 2008, 2009, and 2013

The OEIG's review of DCEO documents, and interviews of DCEO staff, revealed that the DCEO personnel involved in the Employment Program during three of the seven fiscal years examined in this investigation used processes for selecting Employment Program grantees that failed to comply with the statutory requirements applicable to the Employment Program.

DCEO did use a formal, competitive process to select Employment Program grantees in FYs 2007, 2010, and 2011, and in those years it appears that DCEO considered applicant capabilities comparable to the statutorily required capabilities. For example, in all three of those fiscal years, DCEO's application materials discussed criteria such as "success in recruiting and serving the targeted population," and "achieved results in getting participants (especially participants in targeted populations) into apprenticeship programs, making progress in these apprenticeship programs, and reaching journey-level status."⁵⁹ These descriptions relate to the statutory criteria of "demonstrated expertise in serving targeted populations," "demonstrated

⁵⁶ 20 ILCS 605/605-812(e).

⁵⁷ *Id.*

⁵⁸ As noted above, DCEO placed Employment Program Manager Deveda Francois on a corrective action plan on January 19, 2010, in which it counseled her to ensure that grantees submitted timely reports, and to maintain appropriate grant-related documentation.

⁵⁹ There were also limited reviewer comments that an FY 2007 applicant was a "[w]omen oriented construction program," and that an FY 2011 applicant had an "[i]mpressive track record of success in getting women into the construction trade industries."

success in placing clients in employment,” and “previous experience offering employment services for targeted populations.”

DCEO did not award Employment Program grant funds to new grantees in FY 2012, but rather awarded additional funds to three existing FY 2011 grantees. Although DCEO did not use a formal, competitive process to select grantees for this additional funding, it appears that these grantees were selected based on their prior performance in the Employment Program.

In the three remaining fiscal years examined in this investigation (FYs 2008, 2009, and 2013), DCEO did not use a formal, competitive application and selection process to award Employment Program grant funds. For example, in FY 2008, then-DCEO Director Jack Lavin selected the Employment Program grantees in an informal process. In FY 2009, although DCEO was unable to provide the OEIG with any records relating to how it selected Employment Program grantees, interviews with DCEO staff revealed that FY 2009 Program Manager Deveda Francois exercised unfettered discretion in selecting them, again in an informal process. In FY 2013, DCEO considered only one candidate, which submitted a formal grant application after discussions with DCEO personnel, and after DCEO had already approved it for funding.

In addition, DCEO was unable to produce documentation showing that in the informal, non-competitive selection processes used in FYs 2008 and 2009, it established any criteria for prioritizing grant applications or determining what activities qualified for funding, as it was statutorily required to do.⁶⁰ Nor did DCEO produce any documentation showing that DCEO decision makers considered whether the Employment Program grantees it selected in those years had the statutorily required capabilities.⁶¹ Indeed, it is clear that DCEO did *not* consider the statutorily required capabilities when it elected to award a \$1.25 million grant to Brother’s Keeper in FY 2009. In fact, contrary to the required statutory capabilities of previous experience and demonstrated expertise and success, Brother’s Keeper conceded and wrote in its grant application that it had “not yet generated outcomes,” and there is no record that it otherwise indicated that it had the required experience. Yet despite this, DCEO inexplicably awarded Brother’s Keeper a \$1.25 million grant. As it turns out, Brother’s Keeper President Regina Evans later pled guilty to federal criminal charges involving the misuse of these funds.

In addition, DCEO awarded an Employment Program grant to the Public Building Commission in FY 2013 without requiring it to provide information regarding its demonstrated success in serving target populations and placing people in employment, or previous experience offering employment services for targeted populations. This award was inconsistent with statutory requirements for grants under this program. In other words, although the Public Building Commission may have actually had such experience, DCEO made no effort to find out, and indeed asked the Public Building Commission to provide cursory written information about its program (but not its past experience) only after DCEO had already approved it for a grant. Nor does DCEO’s characterization of the Public Building Commission’s Employment Program

⁶⁰ See 20 ILCS 605/605-812(c).

⁶¹ See *id.*

grant⁶² as a “special project” that merely used the Employment Program “platform” relieve it from complying with the Employment Program’s statutory requirements.

The extent to which DCEO may have relied on letters of recommendation from elected officials during the grantee selection process is unclear. However, the OEIG notes that such letters were discovered in the files of the majority of successful grant applicants, and that all but one of the applicants that received Employment Program grants in FY 2009 had such letters.

In any event, the process DCEO used to select Employment Program grantees in FYs 2008, 2009, and 2013 does not appear to have complied with the requirements of the Employment Program statute. Because multiple DCEO employees may have participated in the decision making process, many of whom no longer work for DCEO, the OEIG makes no specific findings against any particular DCEO Director or employee relating to the selection of Employment Program grantees in those fiscal years. However, the allegation that DCEO, as an agency, failed to ensure that Employment Program grantees selected in FYs 2008, 2009, and 2013 had the capabilities required by the Employment Program statute, is **FOUNDED**.

C. DCEO’s Annual Employment Program Reports to the Governor and General Assembly Failed to Fully Comply with the Employment Program Statute

The Employment Program statute requires DCEO to annually report to the Governor and the General Assembly on the activities undertaken by *all* grantees, including providing an evaluation of the activities, and reporting the grantees’ success in assisting participants to enter and complete building trades apprenticeship programs and achieve journey-level status.⁶³ This reporting requirement is important, because it allows the Governor and the members of the General Assembly to be provided with information as to how State funds are used. The OEIG’s investigation revealed that DCEO’s annual Employment Program reports failed to comply with this statutory requirement.

First, the reports DCEO submitted to the Governor and General Assembly between FYs 2007 and 2013 failed to provide an evaluation of grantee activities under the Employment Program. Although the Employment Program statute does not define “evaluation” or otherwise provide guidance as to what this requirement means, it is clear that the reports DCEO submitted between FYs 2007 and 2009 could not have met this requirement under any definition, because they contained no discussion of grantee activities at all. In addition, although the reports DCEO submitted after FY 2009 provided general descriptions of some grantee activities, they did not evaluate the activities undertaken by *all* grantees, and the descriptions provided did not amount to the kind of meaningful evaluation necessary to allow the Governor and General Assembly to assess the activities.

In addition, although DCEO’s annual reports did provide information regarding how many program participants entered building trades apprenticeship programs, the reports DCEO

⁶² As noted above, the grant agreement itself described the grant as an Employment Program grant awarded under the authority of the Employment Program statute.

⁶³ See 20 ILCS 605/605-812(f).

submitted between FYs 2011 and 2013 provided no information regarding the number of participants who completed an apprenticeship program and achieved journey-level status. Even if it takes an apprentice four years to achieve journey-level status, that fact does not relieve DCEO of its statutory obligation to report this information, even if only to report that no participants had yet achieved journey-level status. In any event, as of at least FY 2011 (the fifth year of the Employment Program's existence), DCEO should have had results to report, and it was all the more important for the Governor and the General Assembly to be informed if no participants had achieved journey-level status, even though that was one of the goals of the program.

The OEIG finds that the Employment Program reports DCEO submitted to the Governor and General Assembly between FYs 2007 and 2013 did not fully comply with the requirements of the Employment Program statute. Specifically, these reports had the following deficiencies:

- the Employment Program reports signed by DCEO Director Jack Lavin and submitted to the Governor and General Assembly for FYs 2007 and 2008 did not include an evaluation of *any* Employment Program grant activities;
- the Employment Program report signed by DCEO Director Warren Ribley and submitted to the Governor and General Assembly for FY 2009 did not include an evaluation of *any* Employment Program grant activities;
- the Employment Program report signed by DCEO Director Warren Ribley and submitted to the Governor and General Assembly for FY 2010 did not include an evaluation of grant activities undertaken by all Employment Program grantees;
- the Employment Program report signed by DCEO Director Warren Ribley and submitted to the Governor and General Assembly for FY 2011 did not include an evaluation of grant activities undertaken by all Employment Program grantees, or their success in assisting participating individuals to complete building trades apprenticeship programs and achieve journey-level status; and
- the Employment Program reports signed by DCEO Director Adam Pollet and submitted to the Governor and General Assembly for FYs 2012 and 2013 did not include an evaluation of grant activities undertaken by all Employment Program grantees, or their success in assisting participating individuals to complete building trades apprenticeship programs and achieve journey-level status.

Accordingly, the allegation that, on multiple occasions between FYs 2007 and 2013, DCEO submitted Employment Program reports to the Governor and General Assembly that failed to meet the requirements of the Employment Program statute, is **FOUNDED**.

D. DCEO's Decision to Provide Numerous Employment Program Grantees with Their Entire Grant Amount in a One-Time Lump Sum Payment Resulted in Limited Recourse against Noncompliant Grantees

The OEIG's investigation also discovered that DCEO's practice of awarding Employment Program grants late in the fiscal year severely limited its recourse against grantees that later failed to comply with grant requirements. The investigation further showed that DCEO failed to recover significant amounts of State funds provided to noncompliant Employment Program grantees.

The investigation showed that DCEO typically awarded Employment Program grant funds so late in the fiscal year that there was insufficient time to pay out the funds in multiple increments. Therefore, the grant funds were nearly always paid in a one-time lump sum at the start of the grant term. As a result of this practice, DCEO did not have the option of conditioning future Employment Program payments on grantee performance, and suspending future payments based on noncompliance. Instead, DCEO's only recourse against noncompliant grantees was to impose a FEIN lock, which only prevented the noncompliant grantee from receiving *other* grant awards, and to initiate legal action seeking the recovery of often long-gone funds.

For example, Brother's Keeper received the entire \$1.25 million in Employment Program grant funds early in the grant term. Consequently, even though DCEO staff began raising concerns about Brother's Keeper within weeks after it received the grant funds, and a DCEO quality assurance monitor made 11 noncompliance findings against it four months after it received the funds, DCEO's only recourse was to attempt to recover the funds. Not surprisingly, the lump-sum grant award and this slow grant recovery process resulted in the recovery of only \$332,806, or 27% of the Brother's Keeper grant funds. In fact, as of December 16, 2013, a judgment was entered against Brother's Keeper for the \$917,194 balance, nearly two years after it received the grant funds.

As [Employee 3] explained, through at least FY 2009 there was no reason for DCEO to have made late Employment Program awards because during that period, the General Assembly appropriated funds as a line item specifically for the Employment Program by approximately May of the preceding fiscal year. Because Employment Program personnel knew how many funds were available at the beginning of the fiscal year, they could have awarded the grants earlier, and the funds could have been paid out in increments. But typically, this was not done.

Beginning in FY 2010, when the General Assembly stopped appropriating funds for the Employment Program as a line item, DCEO's lengthy process of internally deciding how much of its lump-sum appropriation to allocate to the Employment Program undoubtedly also delayed the process of awarding grants. However, as [Employee 3] noted, Employment Program personnel could still solicit and review applications, and preliminarily select grantees prior to determining how many funds are available. Instead, as the investigation discovered, to the extent it used an application process, DCEO did not begin accepting applications until the last part of the fiscal year.

As DCEO's efforts to recover grant funds from Brother's Keeper illustrated, the consequences of the practice of making one-time lump-sum payments of grant funds at the beginning of the grant term are severe, because the grant recovery process is slow and difficult. The OEIG found that between FYs 2009 and 2013, DCEO took action to recover at least \$2.78 million from seven grantees, but as of December 16, 2013 had completed the recovery process

against only one of the grantees, and had recovered only approximately \$946,608, or 34% of the amount sought. In other words, it has taken DCEO years, and untold additional State resources, to recover even a fraction of the State funds it may be owed.

E. DCEO's Expenditure of Substantial State Funds through the Employment Program Failed to Effectively Achieve the Program's Statutory Goals

The goal set by the General Assembly for the Employment Program is clear: to “expand the number of people in targeted populations who *enter and complete* building trades apprenticeship programs and *achieve journey-level status* within a building trades union.”⁶⁴ In addition, State agencies are required to establish and maintain a system of internal controls that ensure that State resources are “utilized efficiently, effectively, and in compliance with applicable law,” and that State funds “are safeguarded against waste.”⁶⁵ The OEIG's investigation revealed that despite DCEO's expenditure of large amounts of State funds through the Employment Program between FYs 2007 and 2013, DCEO achieved minimal success in meeting the Employment Program's goal.

Between FYs 2007 and 2013, DCEO awarded nearly \$20 million in State grants through the Employment Program. According to the grantee reports DCEO provided to the OEIG in this investigation, these grant awards resulted in only about 416 Employment Program participants meeting the statutory goal of being accepted into a building trades apprenticeship program, and only about eight program participants achieving journey-level status within a building trades union. As noted above, DCEO did not provide the OEIG with complete reports for all grantees during all periods from FYs 2007 through 2013, and therefore it is impossible to know whether there may have been additional successful Employment Program participants during that period. However, based on the information DCEO provided, between FYs 2007 and 2013, the nearly \$20 million in State funds DCEO spent on the Employment Program resulted in a cost of about \$47,000 for each apprenticeship program participant, or more than \$2.4 million for each program participant who eventually reached union journey-level status.

The magnitude of these costs, on their face, show that DCEO's expenditures of State funds on the Employment Program have not been effective in achieving the stated goals of the Employment Program statute. In short, DCEO has expended substantial State funds for very little return. The allegation that DCEO failed to establish a system of internal controls to ensure that funds spent on the Employment Program were used efficiently and effectively, and were safeguarded against waste, is **FOUNDED**.

VIII. LOSS TO THE STATE

The cost of the time it has taken DCEO and the Illinois Attorney General to monitor the Employment Program grants and recover grant funds from noncompliant grantees is difficult to quantify. However, as of December 16, 2013, DCEO had failed to recover about \$1.8 million in Employment Program grant funds from noncompliant grantees, and these funds may ultimately be unrecoverable.

⁶⁴ 20 ILCS 605/605-812(a) (emphasis added).

⁶⁵ 30 ILCS 10/3001.

IX. CONCLUSION

The OEIG's investigation revealed serious problems in DCEO's administration of the Employment Program over a significant period of time, from FYs 2007 through 2013. The program remained active through FY 2014, with DCEO having awarded 14 grants totaling \$1.75 million in that fiscal year.⁶⁶

The OEIG urges DCEO to take all necessary steps to ensure that its administration of any future Employment Program expenditures is effective and complies fully with the requirements of the Employment Program statute.

X. FINDINGS & RECOMMENDATIONS

Based on its investigation, the OEIG issues the following findings:

- **FOUNDED** – DCEO failed to require or maintain Employment Program records, in violation of the Employment Program statute, 20 ILCS 605/605-812(e), and/or DCEO's records retention schedule.
- **FOUNDED** – DCEO failed to ensure that Employment Program grantees selected in FYs 2008, 2009, and 2013 had the capabilities required by the Employment Program statute, 20 ILCS 605/605-812(c).
- **FOUNDED** – On multiple occasions between FYs 2007 and 2013, DCEO submitted Employment Program reports to the Governor and General Assembly that did not include an evaluation of the activities undertaken by all successful grant applicants, or their success in assisting participating individuals to complete building trades apprenticeship programs and achieve journey-level status, and therefore failed to meet the requirements of the Employment Program statute, 20 ILCS 605/605-812(f).
- **FOUNDED** – DCEO failed to establish a system of internal controls to ensure that funds spent on the Employment Program were used efficiently and effectively, and were safeguarded against waste, in violation of 30 ILCS 10/3001.
- **UNFOUNDED** – [Redacted].

The OEIG recommends that Acting DCEO Director Jim Schutz:

- Amend DCEO's conflict of interest policy to prohibit employees involved in making decisions relating to DCEO grants from entering into any personal transactions with grantees or their principals.
- Select all future Employment Program grantee as early in the fiscal year as practicable.

⁶⁶ According to Employment Program Manager Tiffany Hawkins, DCEO had not designated funds for the Employment Program for FY 2015 as of February 18, 2015.

- Base all Employment Program grantee selections on the statutory criteria set forth in 20 ILCS 605/605-812.
- To the extent possible, and to the extent it has not already occurred, award Employment Program grant funds in incremental payments or require grantees to hold funds in escrow prior to making expenditures, rather than awarding entire grant amounts in one-time lump sums.
- Comply with all State records retention policies regarding Employment Program records.
- Maintain documentation of the Employment Program grantee selection process and grantee performance that is sufficient to permit a determination to be made as to whether grant funds are appropriately awarded and expended.
- Include, in DCEO annual reports submitted to the Office of the Governor and the Illinois General Assembly, a meaningful:
 - evaluation of Employment Program grant activities;
 - a description of the grantees' success in assisting participating individuals to enter and complete building trades apprenticeship programs; and
 - information relating to the number of participants who achieve journey-level status.

No further investigative action is needed, and this case is considered closed.

Date: March 13, 2015

Office of Executive Inspector General
for the Agencies of the Illinois Governor
69 W. Washington Street, Ste. 3400
Chicago, IL 60602

By: **Angela Luning**
Assistant Inspector General

Kevin McKanna
Investigator#116



**Illinois
Department of Commerce
& Economic Opportunity**

Bruce Rauner, Governor

April 7, 2015

Via electronic mail

Angela Luning
Assistant Inspector General
Office of Executive Inspector General
for the Agencies of the Illinois Governor
69 W. Washington, Suite 3400
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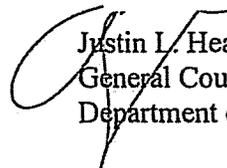
Re: OEIG Case No. 10-00016

Dear Ms. Luning:

I write with respect to the recommendations made by the Office of Executive Inspector General for the Agencies of the Illinois Governor ("OEIG") regarding the above-referenced matter. The Department of Commerce & Economic Opportunity ("DCEO") is currently in the process of evaluating those recommendations and their implementation, but requires additional time to fully respond to such recommendations. DCEO will report to the OEIG with respect thereto by May 7, 2015.

Please do not hesitate to contact me with any questions or for additional information.

Very truly yours,


Justin L. Heather
General Counsel & Ethics Officer
Department of Commerce & Economic Opportunity

cc: General Counsel Jason Barclay, Office of the Governor ()
Special Counsel Joseph Hartzler, Office of the Governor
Associate Counsel Georgia Man, Office of the Governor

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**Illinois
Department of Commerce
& Economic Opportunity**

Bruce Rauner, Governor

May 7, 2015

U.S. MAIL and E-MAIL

Ms. Fallon Opperman
Deputy Inspector General and Chief of Chicago Office
Office of Executive Inspector General
for the Agencies of the Illinois Governor
69 West Washington Street, Suite 3400
Chicago, IL 60602

Re: Response to OEIG Case No. 10-00016

Dear Ms. Opperman:

I received the Final Summary Report (the "Final Report") issued by the Office of the Executive Inspector General ("OEIG") regarding the Illinois Department of Commerce and Economic Opportunity's ("DCEO") administration of the Employment Opportunities Grant Program (the "Employment Program") for Fiscal Years 2007-2013. The appropriate DCEO staff have reviewed the Final Report, and DCEO will be implementing the OEIG's recommendations as set forth below.

Responses to OEIG Recommendations

Recommendation No. 1: "Amend DCEO's conflict of interest policy to prohibit employees involved in making decisions relating to DCEO grants from entering into any personal transactions with grantees or their principals."

DCEO Response: Since receiving the OEIG's Final Report, DCEO has modified its Employment Policy Manual to include a more specific conflict of interest policy. See DCEO Employment Policy Manual Section 1.5, attached hereto. DCEO's modified conflict of interest policy does not explicitly adopt the OEIG's Recommendation No. 1, because DCEO believes that such policy, as stated in the recommendation, would be

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difficult, if not impracticable, to enforce, as DCEO personnel could unknowingly violate such a policy. The modified policy, therefore, includes a knowledge element by prohibiting “Knowingly and intentionally entering into a personal transaction, other than the type of transaction generally entered into by a member of the general public, with a DCEO grantee or principals of a grantee with whom the DCEO employee was personally and substantially involved in the award of a grant within the preceding year.” In addition, pursuant to the Grant Accountability and Transparency Act, 30 ILCS 708/35, the Governor’s Office of Management and Budget (“GOMB”), is required to “adopt rules regarding conflict of interest policies for [grant] awards.” DCEO anticipates GOMB’s conflict of interest rules, once adopted, will provide further guidance, and DCEO will modify its conflict of interest policy as appropriate.

Recommendation No. 2: “Select all future Employment Program grantee [sic] as early in the fiscal year as practicable.”

DCEO Response: DCEO agrees that this is a prudent practice and will endeavor to comply with this recommendation.

Recommendation No. 3: “Base all Employment Program grantee selections on the statutory criteria set forth in 20 ILCS 605/605-812.”

DCEO Response: DCEO agrees to comply with this recommendation.

Recommendation No. 4: “To the extent possible, and to the extent it has not already occurred, award Employment Program grant funds in incremental payments or require grantees to hold funds in escrow prior to making expenditures, rather than awarding entire grant amounts in one-time lump sums.”

DCEO Response: DCEO agrees that this is a prudent practice and will endeavor to comply with this recommendation.

Recommendation No. 5: “Comply with all State records retention policies regarding Employment Program records.”

DCEO Response: DCEO agrees to comply with this recommendation.

Recommendation No. 6: “Maintain documentation of the Employment Program grantee selection process and grantee performance that is sufficient to permit a determination to be made as to whether grant funds are appropriately awarded and expended.”

DCEO Response: DCEO agrees to comply with this recommendation.

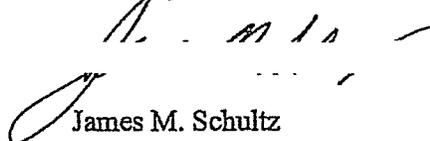
Recommendation No. 7: "Include, in DCEO annual reports submitted to the Office of the Governor and the Illinois General Assembly, a meaningful:

- o evaluation of Employment Program grant activities;
- o a description of the grantees' success in assisting participating individuals to enter and complete building trades apprenticeship programs; and
- o information relating to the number of participants who achieve journey-level status."

DCEO Response: DCEO agrees that it will endeavor to comply with this recommendation. However, DCEO notes that once participants in the Employment Program complete the program, it is often difficult for the grantees to track the participants' future progress, as these participants have no obligation to continue reporting to the grantees on whether they have completed apprenticeship programs or have achieved journey-level status, a process that takes several years. Accordingly, the Employment Program manager will make every attempt to collect this information from all grantees, and will report on the information received to the Office of the Governor and General Assembly, noting that the information may be incomplete due to the difficulties of receiving accurate information from past Employment Program participants.

Thank you for the opportunity to respond, and please contact me with any questions.

Sincerely,



James M. Schultz
Director

Encl.

Cc: Angela Luning, Assistant Inspector General
Jason Barclay, General Counsel, Office of the Governor
Joseph Hartzler, Special Counsel, Office of the Governor
Georgia Man, Associate General Counsel, Office of the Governor

DCEO Employee Policy Manual

1.5 Conflicts of Interest

Employees of DCEO are required to give the Department their primary professional loyalty and to arrange their financial and other personal interests so as not to conflict or interfere with their commitment to the Department. Particular care should be taken to ensure that no detriment to the interests of the Department (or appearance of such detriment) may result from a conflict between those interests and any financial, pecuniary or other personal interests in which a DCEO employee may participate.

DCEO employees have an obligation to avoid, and where avoidance is not feasible, to disclose to the employee's supervisor and the DCEO Ethics Officer, any activity, agreement, business investment or interest or other situation that might in fact or in appearance cause the DCEO employee to place his or her own interest, or those of another, above the employee's obligation to the Department. Care should be taken about the appearance of a conflict since such appearance might impair confidence in, or the reputation of, DCEO even if there is no actual conflict or wrongdoing.

For purposes of this policy, a DCEO employee's financial and personal interests include, but are not limited to: his or her interest in obtaining, maintaining or increasing the value of relationships such as outside employment, consulting relationships, management positions, board memberships, and other fiduciary relationships with for-profit or not-for-profit organizations; ownership of stock, other securities or other financial interests such as loans; and any other activity from which the individual receives or expects to receive remuneration or any other benefit which is not generally available on the same conditions as for the general public. They also include such interests on the part of the individual's spouse and immediate family living with the DCEO employee.

While it is not possible to describe or anticipate all the circumstances that might involve a conflict of interest, examples of potentially prohibited activity include, but are not limited to:

- Knowingly and intentionally entering into a personal transaction, other than the type of transaction generally entered into by a member of the general public, with a DCEO grantee or principals of a grantee with whom the DCEO employee was personally and substantially involved in the award of a grant within the preceding year;
- Assisting a business or other entity, in which a DCEO employee has a financial or personal interest, in applying or preparing to apply to any DCEO programs in which the DCEO employee has personally and substantially participated within the preceding year, or will likely personally and substantially participate within the next year;
- Participating in DCEO's review, or otherwise influencing DCEO's analysis, of a proposal or agreement that relates to a DCEO employee's financial or personal interests; and

- Directly or indirectly soliciting or receiving for personal benefit any gift, gratuity, favor, loan or other thing of personal value from any external source as a condition, either expressed or implied, for influencing DCEO decisions.

A DCEO employee shall promptly notify his or her supervisor and DCEO's Ethics Officer of any actual or potential conflicts of interest. DCEO will evaluate any potential conflicts identified by the DCEO employee and advise him or her on how to proceed.