



**Metropolitan Water
Reclamation District
of Greater Chicago**



Office of the Independent Inspector General

“[T]o detect, deter and prevent corruption, fraud, waste, mismanagement, unlawful political discrimination or misconduct in the operation of County government.”

**Metropolitan Water Reclamation District of Greater
Chicago
Quarterly Report
3rd Quarter 2023**

October 13, 2023



OFFICE OF THE INDEPENDENT INSPECTOR GENERAL

Steven E. Cyranoski, Interim Inspector General

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October 13, 2023

Transmittal via email only

Honorable Kari K. Steele
and Honorable Members of the Metropolitan
Water Reclamation District of Greater Chicago
Board of Commissioners
100 East Erie Street
Chicago, Illinois 60601

Re: Independent Inspector General Quarterly Report (3rd Qtr. 2023)

Dear President Steele and Members of the Board of Commissioners:

As you know, on April 18, 2019, the Board of Commissioners of the Metropolitan Water Reclamation District of Greater Chicago (MWRD) adopted Ordinance O19-003 entitled Office of the Independent Inspector General that has been designed to promote integrity and efficiency in government and provide independent oversight of the MWRD. Additionally, an Intergovernmental Agreement between the County of Cook and MWRD became effective by full execution of the parties on May 17, 2019, and was twice extended by the MWRD to authorize the OIIG to continue operations relating to the MWRD. This quarterly report is written in accordance with Section 2-287 of the OIIG Ordinance to apprise you of the activities of this office relating to the MWRD during the time period from July 1, 2023, through September 30, 2023.¹

OIIG Case Activity

The OIIG received a total of 15 new complaints relating to the MWRD during this reporting period. This number includes those matters resulting from the exercise of my own initiative (OIIG Ordinance, Sec. 2-284(2)). Three OIIG case inquiries have been initiated during this reporting period and a total of 22 OIIG case inquiries remain pending at the present time.² We have not referred any complaints to management or outside agencies for further consideration this reporting

¹ In accordance with the OIIG Ordinance, this office reports quarterly the number of investigations initiated and concluded during the subject time period along with other relevant data concerning the activities of the office. Quarterly reports also set forth OIIG recommendations for remedial or other action following the completion of an investigation and track whether recommendations were adopted in whole or in part or otherwise not implemented by the MWRD. Finally, quarterly reports also describe miscellaneous activities of the OIIG that may be of interest to MWRD officials, employees, contractors and members of the public.

² Upon receipt of a complaint, a triage/screening process of each complaint is undertaken. In order to streamline the OIIG process and maximize the number of complaints that will be subject to review, if a complaint is not initially opened as a formal investigation, it may also be reviewed as an "OIIG inquiry." This level of review involves a determination of corroborating evidence before opening a formal investigation. When the initial review reveals information warranting the opening of a formal investigation, the matter is upgraded to an "OIIG Investigation." Conversely, if additional information is developed to warrant the closing of the OIIG inquiry, the matter will be closed without further inquiry.

period. The OIIG currently has four open OIIG cases and three cases open more than 180 days as of the issuance of this report.

OIIG Summary Reports³

During the 3rd Quarter of 2023, the OIIG issued two summary reports on MWRD matters. The following provides a general description of each matter and states whether OIIG recommendations for remediation or discipline have been adopted. Specific identifying information is being withheld in accordance with the OIIG Ordinance where appropriate.

IIG21-0139. The OIIG received a complaint alleging that the MWRD fails to consistently follow procurement rules for contracts priced slightly below \$10,000. It was further alleged that purchases are priced to circumvent the rules and give certain vendors advantages over other vendors seeking contract opportunities. The OIIG initiated this review to assess the MWRD's policies and procedures for purchases slightly under the established thresholds for competitive bidding in connection with services and goods.

During our review, we gathered information from MWRD personnel familiar with the MWRD's procurement process and rules. In addition to our interviews, the OIIG reviewed the MWRD procurement rules, MWRD transactions for two fiscal years, purchase orders and supporting documentation for transactions selected for further review, and the Illinois Sanitary District Act. OIIG investigators reviewed transactions and selected a sample for further examination based on the following criteria:

1. Purchases from the same vendor that collectively exceeded the thresholds requiring MWRD Board approval;
2. Purchases that were priced slightly under the threshold requiring Board approval (\$10,000 for services and \$25,000 for goods); or,
3. Purchases with inadequate, vague, or unusual descriptions for goods or services.

These criteria resulted in a sample size of 18 purchase orders for goods and services totaling \$212,184.73. Based upon the selection of purchase orders we reviewed, the evidence did not support the complainant's allegations that the MWRD violates established procurement protocol in awarding contracts just below the threshold requiring MWRD Board review and approval.

Although the contracts reviewed during this inquiry appeared to have been properly awarded and in compliance with established procurement protocol, our office did find that the

³ The OIIG issues a Quarterly Report relating to the MWRD separate from the one it issues for other government agencies under its jurisdiction. The Quarterly Reports issued involving MWRD matters can be found at <https://www.cookcountyil.gov/service/metropolitan-water-reclamation-district-greater-chicago>.

procurement files for some sole source contracts did not always contain sufficient documentation to support the use of the sole source procurement method. Only after consultation with the MWRD Procurement Department was our office satisfied that such contracts were appropriately categorized as being sole source. We recommended that the Procurement Department take steps to ensure that it is following the requirement that sole source purchase orders contain clear and sufficient documentation justifying the need for such contracts and that such documentation is contained in the procurement file to further enhance transparency.

This report was issued September 22, 2023, and a response is not yet due.

IIG23-0245. The OIIG conducted a review for secondary employment compliance of MWRD employees who applied for federal Small Business Administration Paycheck Protection Program loans (“PPP loan”)⁴ to determine whether information submitted by MWRD employees for the PPP loans was consistent with MWRD records and/or in violation of any MWRD rules. Based on this review, it was discovered that an MWRD employee sought two federal PPP loans totaling over \$21,000. The OIIG conducted an investigation to determine if the subject employee informed the MWRD that she was engaging in secondary employment and otherwise complied with MWRD rules. During the OIIG’s investigation, it was further discovered that the subject employee also obtained loans through the SBA’s Covid-19 Economic Impact Disaster Loan (herein “EIDL”) program for two other businesses she owned and operated. The EIDL was another program through the SBA intended to help struggling businesses during the Covid-19 pandemic.⁵

This investigation included a review of loan records, Illinois Secretary of State Corporation/LLC records, bank records, and various public records. The OIIG also interviewed the subject employee.

The preponderance of evidence in this investigation supports the conclusion that the subject employee violated MWRD Ethics Ordinance, Article I, Section (B)(1), which provides that all MWRD employees must remember that they are public servants who must place loyalty to federal and State laws and ethical principles above their private gain. The evidence gathered during this investigation shows, among other things, that the subject employee used her business as a vehicle to obtain pandemic relief funds from the federal government and then converted those funds for

⁴ The CARES Act is a federal law enacted on March 29, 2020, to provide emergency financial assistance in connection with economic effects of the COVID-19 pandemic. One source of relief provided by the CARES Act was the authorization of up to \$349 billion in forgivable loans to small businesses for job retention and certain other expenses, through the PPP. The PPP allows qualifying small businesses and other organizations to receive loans with a maturity of two years and an interest rate of 1%. PPP loan proceeds must be used by businesses on payroll costs, interest on mortgages, rent, and utilities. The PPP allows the interest and principal on the PPP loan to be forgiven if the business spends the loan proceeds on these expense items within a designated period of time after receiving the proceeds and uses at least a certain percentage of the PPP loan proceeds on payroll expenses.

⁵ In response to COVID-19, small business owners, including agricultural businesses, and nonprofit organizations in all U.S. states, Washington D.C., and territories were able to apply for the COVID-19 Economic Injury Disaster Loan (EIDL). Proceeds are to be used as working capital to make regular payments for operating expenses, including payroll, rent/mortgage, utilities, and other ordinary business expenses, and to pay business debt incurred at any time.

her personal use and private gain. In addition, there is also evidence that the subject employee did not use all of the PPP loans in the manner to which she attested on her federal loan forgiveness applications. By committing financial fraud directed at the federal government, the subject employee failed to place loyalty to governing laws and ethical principles above her desire to enrich herself.

The preponderance of evidence in this investigation also supports the conclusion that the subject employee violated OIIG Ordinance Section 2-291(a)(2) – Attempt to Obstruct Investigation Conducted by the Independent Inspector General. Specifically, the evidence shows that the subject employee tried to undermine and obstruct the OIIG’s investigation by providing false statements in response to several questions at her OIIG interview.

The preponderance of evidence in this investigation also supports the conclusion that the subject employee violated OIIG Ordinance Section 2-285(a) – Failure to Cooperate with OIIG Investigation. As part of its investigation, the OIIG issued a document request to the subject employee to confirm that the information she provided to the federal government in obtaining the various loans for herself and her businesses was truthful and that the loan funds were spent on their intended purposes as discussed in her interview. During her OIIG interview, the subject employee had stated that she possessed such documents relating to the use of her federal loan proceeds and that she was required to maintain them pursuant to the terms of her loan agreements. After requesting an extension of time in order to compile and submit the requested documents and ensure the accuracy and completeness of the submission, the subject employee then later refused to produce any documents requested even though they were relevant and apparently readily available. Section 2-285(a) of the OIIG Ordinance states in part, “It shall be unlawful for any person subject to this Section to refuse to cooperate with the Independent Inspector General as required by this Section.” The subject employee was advised in writing of this duty and the consequences for failing to comply with it but still refused to provide documents in response to the OIIG’s official request.

Based on the serious nature of the misconduct, as well as other aggravating factors, we recommended that the MWRD terminate the employment of the subject employee. That recommendation became moot as the employee had resigned from her position.

Outstanding OIIG Recommendations

The OIIG has followed up on outstanding recommendations for which no response was received at the time of our last quarterly report. Under the OIIG Ordinance, responses from management are required within 45 days of an OIIG recommendation or after a grant of an additional 30-day extension to respond to recommendations. Below is an update on the outstanding recommendations.

From the 2nd Quarter 2023

IIG23-0242. The OIIG conducted a review for secondary employment compliance of MWRD employees who applied for federal Small Business Administration Paycheck Protection Program loans (“PPP loan”) to determine whether information submitted by MWRD employees for the PPP loans was consistent with MWRD records and/or in violation of any MWRD policies. Based on this review, it was discovered that an MWRD police officer sought a federal PPP loan totaling \$20,833 wherein she disclosed being the “Sole Proprietor” of a long-haul hazardous waste freight transportation business. The OIIG conducted an investigation to determine if the subject employee informed the MWRD that she was engaging in secondary employment as required by the applicable policies.

This investigation consisted of a review of the subject employee’s personnel file, public and subpoenaed federal Small Business Administration PPP loan records, Illinois Secretary of State Corporation/LLC records, and a LinkedIn profile for the subject employee. The OIIG also interviewed the subject employee.

The preponderance of evidence in this investigation supports the conclusion that the subject employee violated MWRD Ethics Ordinance, Article I, Section (B)(1), which provides that all MWRD employees must remember that they are public servants who must place loyalty to federal and State laws and ethical principles above their private gain. This is especially significant considering the subject employee is a sworn police officer for the MWRD. The evidence gathered during this investigation, including the subject employee’s statements to OIIG investigators, show that the subject employee received a fraudulent PPP loan from the federal government in the amount of \$20,833 and spent those loan proceeds on unauthorized purchases. The subject employee would have us believe that she did not participate in the fraudulent scheme and that she thought that the funds that mysteriously arrived in her bank account were a gift from an acquaintance with whom she played football. The subject employee’s story is not credible for numerous reasons including that personal information such as her social security number and banking information was used to obtain the loan. It is also unlikely that a trained law enforcement officer would believe that a mere acquaintance would simply give her \$20,833 or that she would not be suspicious about how he obtained such a large sum of money. More likely is that the subject employee either perpetuated the fraudulent scheme herself or at the very least participated in it, especially considering that she is the one who benefitted financially from the criminal conduct. By participating in financial fraud directed at the federal government, the subject employee failed to place loyalty to governing laws and ethical principles above her desire to enrich herself. The subject employee’s conduct in this regard tarnishes her reputation and brings discredit to the MWRD as it can erode the public’s trust in the MWRD, its employees, and its police officers.

The preponderance of evidence developed in this investigation also supports the conclusion that the subject employee violated MWRD Ethics Ordinance, Article II, Section (C)(5) – Secondary Employment. This provision requires employees to submit a secondary employment form to the MWRD’s Human Resources Department whether the employee has compensated

secondary employment or not and further requires that any subsequent change in status be reported within 14 days. While the subject employee denied owning the business listed on her PPP loan application, she stated that she does occasionally perform outside security, accounting, and dog breeding work. While the subject employee claimed that she disclosed at least some of this outside employment to the MWRD, the evidence shows otherwise.

Based on the serious nature of the misconduct and the subject employee's sensitive placement in government, as well as other aggravating factors present, we recommended that the subject employee's employment be terminated. The MWRD adopted the OIIG recommendation.

IIG23-0243. The OIIG conducted a review for secondary employment compliance of MWRD employees who applied for federal Small Business Administration Paycheck Protection Program loans ("PPP loan") to determine whether information submitted by MWRD employees for the PPP loans was consistent with MWRD records and/or in violation of any MWRD policies. Based on this review, it was discovered that an MWRD employee sought a federal PPP loan totaling \$9,375 wherein she disclosed being the "Sole Proprietor" of an "Accounting Services" business. The OIIG conducted an investigation to determine if the subject employee informed the MWRD that she was engaging in secondary employment as required by the applicable policies.

This investigation consisted of a review of the subject employee's personnel file, public and subpoenaed federal Small Business Administration PPP loan records, Illinois Secretary of State Corporation/LLC records, Illinois Department of Financial and Professional Regulations records, U.S. Bankruptcy Court records, and a LinkedIn profile for the subject employee. The OIIG also attempted to interview the subject employee. On May 23, 2023, the OIIG sent the subject employee an official notification informing her that she was the subject of an OIIG investigation and requesting an interview. The subject employee failed to respond to the OIIG's notification for an interview. Subsequently, the OIIG learned that eight days after the OIIG requested her interview, the subject employee resigned from her position with the MWRD.

The preponderance of evidence in this investigation supports the conclusion that the subject employee violated MWRD Ethics Ordinance, Article 1, Section (B)(1), which provides that all MWRD employees must remember that they are public servants who must place loyalty to federal and State laws and ethical principles above their private gain. The evidence shows that the subject employee engaged in fraud against the federal government by falsely claiming on a federal PPP loan application that she owned an accounting services business that generated gross receipts of \$45,000 in 2020. The OIIG found no evidence to support the existence of the business claimed by the subject employee on her PPP loan application. Importantly, the subject employee herself certified in a subsequent federal bankruptcy proceeding that she did not own any such business during the relevant time period. It is reasonable to conclude that the subject employee resigned her position from the MWRD to avoid having to answer questions from the OIIG regarding the contradictory statements she made on her PPP loan application and in her federal bankruptcy filing. By committing financial fraud directed at the federal government, the subject employee failed to place loyalty to governing laws and ethical principles above her desire to enrich herself. The

subject employee's conduct in this regard tarnishes her reputation and brings discredit to the MWRD as it can erode the public's trust in the MWRD and its employees.

Based on the serious nature of the misconduct and the subject employee's sensitive placement in government, the OIIG would have recommended that the subject employee's employment be terminated. Because the subject employee resigned from her position with the MWRD during the OIIG's investigation, that recommendation is now moot. However, we did recommend that the MWRD create and implement an *Ineligible for Rehire List* upon which to place employees who engage in egregious misconduct such as that discussed above in order to prevent those who are terminated or resign under such circumstances from returning to MWRD service. The MWRD adopted the OIIG recommendation.

IIIG23-0246. The OIIG conducted a review for secondary employment compliance of MWRD employees who applied for federal Small Business Administration Paycheck Protection Program loans ("PPP loan") to determine whether information submitted by such employees for the PPP loans was consistent with MWRD records and/or in violation of any MWRD policies. Based on this review, it was discovered that an MWRD employee sought a federal PPP loan totaling \$20,310 wherein he disclosed being the "Sole Proprietor" of a media production business. The OIIG conducted an investigation to determine if the subject employee informed the MWRD that he was engaging in secondary employment as required by the applicable policies.

This investigation consisted of a review of the subject employee's personnel file, public and subpoenaed federal Small Business Administration PPP loan records, Illinois Secretary of State Corporation/LLC search records, a LinkedIn profile for the subject employee, and information submitted by the subject employee to the OIIG. The OIIG also interviewed the subject employee.

The preponderance of evidence in this investigation supports the conclusion that the subject employee violated MWRD Ethics Ordinance, Article I, Section (B)(1), which provides that all MWRD employees must remember that they are public servants who must place loyalty to federal and State laws and ethical principles above their private gain. The evidence, including the subject employee's statements to OIIG investigators, shows that the subject employee engaged in fraud against the federal government by falsely claiming on a federal PPP loan application that he owned a media production business and that the business generated gross receipts of \$97,492 in 2019.

After fraudulently obtaining \$20,310 in federal PPP loan funds, the subject employee admitted to improperly spending those funds on personal expenses and other expenditures not related to the business listed on his loan and loan forgiveness applications. When requesting forgiveness of the PPP loan, the subject employee falsely told the federal government that he spent \$14,000 of PPP funds he received on payroll. In short, the evidence shows that the subject employee lied to the federal government and misappropriated funds intended to help struggling businesses during the Covid-19 pandemic. By committing financial fraud directed at the federal government, the subject employee failed to place loyalty to governing laws and ethical principles

above his desire to enrich himself. The subject employee's conduct in this regard tarnishes his reputation and brings discredit to the MWRD as it can erode the public's trust in the MWRD and its employees. This is especially true in this case, considering the subject employee admitted that some of his fraudulent conduct occurred while he was on MWRD compensated time and using MWRD resources. Specifically, the subject employee used the MWRD's scanner for unauthorized purposes, which also violates the MWRD Ethics Ordinance, Article I, Section (B)(9) and related provisions of the Administrative Procedures Manual regarding the use of MWRD resources.

Based on the serious nature of the misconduct, as well as other aggravating factors present, we recommended that the subject employee's employment be terminated. Aggravating factors considered in making this recommendation include the fact that the subject employee committed fraud against the federal government while at times on MWRD compensated time and while using MWRD resources. The MWRD adopted the OIIG recommendation.

IIG23-0247. The OIIG conducted a review for secondary employment compliance of MWRD employees who applied for federal Small Business Administration Paycheck Protection Program loans ("PPP loan") to determine whether information submitted by MWRD employees for the PPP loans was consistent with MWRD records and/or in violation of any MWRD policies. Based on this review, it was discovered that an MWRD employee sought a federal PPP loan totaling \$15,625 wherein she disclosed being the "Sole Proprietor" of a "Food Delivery" business. The OIIG conducted an investigation to determine if the subject employee informed the MWRD that she was engaging in secondary employment as required by the applicable policies.

This investigation included a review of the subject employee's personnel file and public and subpoenaed federal Small Business Administration PPP loan records. OIIG investigators also interviewed the subject employee.

The preponderance of evidence in this investigation supports the conclusion that the subject employee violated MWRD Ethics Ordinance, Article I, Section (B)(1), which provides that all MWRD employees must remember that they are public servants who must place loyalty to federal and State laws and ethical principles above their private gain. The evidence gathered during this investigation, including the subject employee's statements to OIIG investigators, show that the subject employee engaged in fraud against the federal government by falsely claiming on a federal PPP loan application that she owned a business that generated gross receipts of \$75,000 in 2020. After fraudulently obtaining \$15,625 in federal PPP funds, the subject employee admitted to improperly spending those funds entirely on personal expenses, including personal debt, day-to-day household expenses, and an international flight. When requesting forgiveness of the PPP loan, the subject employee falsely stated to the federal government that she spent the entire amount of PPP funds she received on payroll costs for a food delivery business. In short, the evidence shows that the subject employee lied to the federal government and misappropriated funds intended to help struggling businesses during the Covid-19 pandemic. By committing financial fraud directed at the federal government, the subject employee failed to place loyalty to governing laws and ethical principles above her desire to enrich herself. The subject employee's conduct in this regard

tarnishes her reputation and brings discredit to the MWRD, as it can erode the public's trust in the MWRD and its employees. This is especially true in this case, considering that the subject employee admitted that some of her fraudulent conduct occurred while she was on MWRD compensated time and using MWRD resources. Specifically, the subject employee used the MWRD's computer and scanner for unauthorized purposes which also violates the MWRD Ethics Ordinance, Article I, Section (B)(9) and related provisions of the Administrative Procedures Manual regarding use of MWRD resources.

The preponderance of evidence in this investigation also supports the conclusion that the subject employee violated MWRD Ethics Ordinance, Article II, Section (C)(5) – Secondary Employment. This provision requires employees to submit a secondary employment form to the MWRD's Human Resources Department whether the employee has compensated secondary employment or not and further requires that any subsequent change in status be reported within 14 days. Compensated "self-employment" must also be disclosed. The subject employee claims to have engaged in outside employment through Instacart on a weekly basis. Although she did not earn anywhere near the amount she claimed on her PPP loan application from this secondary employment, she was still required to report it to the MWRD as required by the MWRD Ethics Ordinance.

Based on the serious nature of the misconduct, as well as other aggravating factors present, we recommended that the subject employee's employment be terminated. Aggravating factors considered in making this recommendation include the fact that the subject employee committed fraud against the federal government while at times on MWRD compensated time and while using MWRD resources. The MWRD adopted the OIIG recommendation.

Conclusion

Thank you for your time and consideration to these issues. Should you have any questions or wish to discuss this report further, please do not hesitate to contact me.

Very truly yours,



Steven E. Cyranoski
Interim Inspector General

cc: Mr. Brian A. Perkovich, Executive Director
Ms. Susan T. Morakalis, General Counsel
Mr. John T. Joiner, Administrative Aide to the President