

## Protecting Our Water Environment



### Metropolitan Water Reclamation District of Greater Chicago

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October 15, 2025

#### 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: Interim Inspector General Quarterly Report (3rd Qtr. 2025)

Dear President Steele and Honorable Members of the Board of Commissioners:

On September 4, 2025, the Board of Commissioners of the Metropolitan Water Reclamation District of Greater Chicago (MWRD or District) amended the Office of the Interim Inspector General Ordinance, O25-011 (September 4, 2025)(Interim IG Ordinance). The purpose of the Office of the Interim IG is to detect, deter and prevent corruption, fraud, waste, mismanagement, unlawful political discrimination, misconduct or other criminal activity in relation to MWRD operations and to assure that no interference or influence external to the Office of the Interim IG adversely affects the independence and objectivity of the office. This report is being submitted in accordance with the Interim IG Ordinance to apprise you of the activities of the office during the period of July 1, 2025 through September 30, 2025.<sup>1</sup>

#### Office of the Interim IG Case Activity

The office received a total of 12 complaints during this reporting period. This number includes those matters resulting from my own initiative (Interim IG Ordinance, art. IV, para. 2).<sup>2</sup>

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<sup>1</sup> In accordance with Article VII of the Interim IG Ordinance, this office reports on a quarterly basis (a) the number of complaints received along with the number and type of investigations initiated, concluded and pending, (b) any recommendations made by the Interim IG during the reporting period and whether such recommendations were adopted by the MWRD and (c) any concluded investigations that require a response from the District. Interim IG Ordinance, O25-010, art. VII, para. A-C. Finally, quarterly reports also reflect miscellaneous activities of the Interim IG Office that may be of interest to MWRD officials, employees, contractors and members of the public.

<sup>2</sup> Upon the receipt of a complaint, the Interim IG Office will undertake an analysis of each complaint as part of the intake process and determine whether a formal investigation should be initiated or whether the matter should proceed as an "IG Inquiry." This level of review involves a determination of the existence of corroborating evidence before proceeding with a formal investigation. When an IG Inquiry reveals the existence of corroborating evidence, the matter will be upgraded to a formal investigation. Should additional information be developed negating the viability of the complaint, the matter will be closed without further inquiry.

Three of these matters are proceeding as an IG Inquiry at this time while a total of four IG Inquiries remain pending. Three IG Investigations have been initiated during this reporting period. These investigations relate to alleged conduct involving conflicts of interest, hiring irregularities and residency requirements. One investigation has been completed this reporting period as set forth below. There are no Office of the Interim IG investigations that remain pending beyond 180 days of its opening.<sup>3</sup>

#### Office of the Interim IG Concluded Investigations

During the 3rd Quarter of 2025, the Office of the Interim IG issued one summary report. The following provides a general description of the matter. Specific identifying information is being withheld in accordance with the Office of the Interim IG Ordinance where appropriate.

**Case No. OIG 25-012:** The Office of the Interim IG initiated this investigation when information was received alleging that District officials mismanaged application of the Affirmative Action Ordinance, Revised Appendix D, Section 14(j) resulting in an erroneous contract award.

#### Background

District Contract No. 25-647-011 for Boiler Tuning and Maintenance Services at Various Locations was scheduled for consideration before the Board of Commissioners and Procurement Committee on July 17, 2025. The Transmittal Letter to the Board informed that a public advertisement (April 23, 2025) and bid opening (May 20, 2025) for the contract had transpired. Contractor A supplied a bid in the amount of \$1,223,235.00 while Contractor B bid \$1,248,135.00. The associated affirmative action goals for this contract were set at 5% W/MBE participation. Contractor A's bid included W/MBE participation exceeding the 5% threshold, however, Contractor A's bid was rejected as non-responsive due to its overreliance on a W/MBE supplier of materials (no labor) in violation of section 14(j) of the District's Affirmative Action Ordinance, Revised Appendix D.<sup>4</sup> The Board Transmittal Letter conveyed that Contractor B's bid was in compliance with the affirmative action goals for this contract. Accordingly, Contract 25-647-11 became an agenda item wherein authority was sought to award the contract to Contractor B despite its bid being \$24,900.00 greater than the bid proffered by Contractor A.

On July 16, 2025, Contractor A issued a formal bid protest to Contract 25-647-11. Contractor A asserted that "[w]e understand that our WBE Supplier Utilization Calculations [were] not correct. Having said that, we believe that the other Contractor bidding is not meeting the MBE/WBE goals for the same reason." On July 17, 2025, during the public comment period of

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<sup>3</sup> See Interim IG Ordinance, art. VIII, para. D.

<sup>4</sup> Section 14(j) states: Purchase of materials and supplies must be pre-approved if their purchase is related to Contract Goal attainment. The Bidder may count payments to MBE or WBE regular dealers or Manufacturers for Contract Goal attainment for no more than fifty (50%) percent of each MBE or WBE goal, unless otherwise approved by the Administrator. If the Bidder exceeds the supplier exception amount allowable as stated in the bid documents, the bid will be viewed as non-responsive.

the meeting of the Board of Commissioners (T: 02:45 – 04:27), the President of Contractor A appeared and discussed his concerns over the proposed award to Contractor B asserting that the bid offered by Contractor B should also be rejected because of its overreliance on a W/MBE furnishing materials pursuant to its Utilization Plan. Contractor A's President requested the District reconsider the prevailing bidder for Contract 24-647-11. The subject agenda item was deferred by the Board of Commissioners on July 17, 2025.<sup>5</sup>

On July 22, 2025, the District issued a letter response to Contractor A's bid protest of July 16<sup>th</sup>. The District denied the protest because, *inter alia*, Contractor B's Utilization Plans specified the provision of W/MBE labor in the amount of \$32,500 and W/MBE material supply in the amount of \$32,500 for a combined total of 5.21% goal attainment. Moreover, because the provision of material supply by one W/MBE equaled that of the provision of labor by another W/MBE, the bid remained in compliance with section 14(j).

#### Office of the Interim Inspector General Investigation

This office initiated an investigation to determine whether the issues raised by Contractor A represent a material variance between the bid documents and Contractor B's bid requiring its rejection. *See Walsh v. MWRD*, 389 Il. App. 3d 138 (1<sup>st</sup> Dist. 2009); *Muchuda v. MWRD*, 97 Il. App. 3d 344 (1<sup>st</sup> Dist. 1981). This investigation involved the review of scope of work and specifications (Contract Documents) for Contract 24-647-11, pre-bid documentation, bid opening audio recording, Contractor A and Contractor B bid documents, including Utilization Plans, Contractor A's bid protest as well as Contract 24-647-11 file materials maintained by the District's Diversity Section. Interviews were also conducted of the President of Contractor A, a Senior Diversity Officer and Principal Engineer overseeing Contract 24-647-11.

#### President of Contractor A

The President of Contractor A was interviewed by telephone on July 23, 2025. The President acknowledged that Contractor A submitted a bid that relied entirely on a W/MBE supplier of materials to reach the stated affirmative action goals. In this regard, the President understood the reasoning supporting the District's rejection of Contractor A's bid. However, the President also believed that Contractor B's utilization of W/MBEs should also be rejected for the same reason. Specifically, the President asserted that Contractor B's Utilization Plan specified W/MBE Subcontractor A was to supply "Item 1 or Item 5 Pipefitter or Sheetmetal" services at a cost of \$32,500.00. Contractor B's W/MBE Subcontractor B was listed in the Utilization Plan to supply "[m]aterial only" under "Item 5" at a cost of \$32,500.00. The President further asserted that Contract Item 1 pertains to labor services while Item 5 pertains to material supply only. Because Contractor B's W/MBE Subcontractor B was listed as a material supplier only and represented 50% of the set goal, Subcontractor A could not supply any materials as opposed to labor in order

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<sup>5</sup> Contract 24-647-11 was subsequently deferred at the Board meeting of August 14, 2025. Authority to award the contract was approved during the Board's meeting of September 4, 2025.

to reach its stated goal. However, according to the President, W/MBE Subcontractor A was listed as a provider under both Contract Item 1 and Item 5 thereby making its bid ambiguous. That is, because W/MBE Subcontractor A is listed as also providing services under Contract Item 5 and Item 5 solely relates to material supply, a violation of section 14(j) has occurred.

#### Senior Diversity Officer

On July 30, 2025, the Senior Diversity Officer overseeing Contract 24-647-11 was interviewed. In general terms, the Senior Diversity Officer described the process of the Diversity Section, which includes reviewing bid documents to determine the appropriate utilization goals. This may involve a review of scope of work documents, cost estimates and detailed specifications. The “bid” leaves her office and proceeds through the advertisement, pre-bid process and bid opening before returning to the Diversity Office for its review of the apparent low bid. This segment of review by the Diversity Office will involve verifying various compliance issues associated with utilization goals, W/MBE certification status, small business status and compliance with section 14(j) of Revised Appendix D.

In addition to serving as the Senior Diversity Officer in relation to the subject bid, the Officer also handled additional issues specific to this contract both before and after the Board of Commissioners’ meeting of July 17, 2025 where the President of Contractor A voiced his concerns over the proposed award to Contractor B.

On July 16, 2025, prior to the Board meeting, the Senior Diversity Officer became aware that the President of Contractor A had concerns over the selection of Contractor B. The Senior Diversity Officer recalled emails addressing the issue shortly before the meeting and spoke with a senior Procurement official wherein the Senior Diversity Officer took contemporaneous notes. The notes contain reference to an “ambiguity” and “Item 5.” The Senior Diversity Officer stated that the notations were made based on statements to her suggesting that there may be an issue of ambiguity in relation to Contract Item 5. The Senior Diversity Officer also reviewed Contractor A’s bid protest submitted by its President. The Senior Diversity Officer was tasked to prepare to address questions during the July 17, 2025 Board meeting should they arise. In preparation for the meeting, the Senior Diversity Officer prepared typewritten “Notes for Agenda Item No 43, Boiler Tuning and Maintenance at Various Locations” containing the following entry:

- Item No. 5??
  - Furnish and deliver miscellaneous parts, materials, **analysis and expert technical services** at the Contractor’s cost plus 10% markup, for work performed under Items 1, 2, 3, 4A, and 4B as ordered and specified, in the amount estimated to be Three Hundred Fifteen Thousand (\$315,000.00)(emphasis in original).

In connection with the highlighted language, the Senior Diversity Officer explained that the language, taken from Contract Item 5, is important because it demonstrates that labor was also required under Item 5. The Senior Diversity Officer stated her belief that all material supplies to

be provided in relation to W/MBE goal attainment were related to Contract Item 5 only though labor services were also included in Contract Item 5. In this regard, the Senior Diversity Officer saw the \$32,500.00 set by W/MBE Subcontractor B for Contract Item 5 for material supply consistent with W/MBE Subcontractor A's pledge to supply "analysis and expert technical services" that are also called for under Contract Item 5.

The Senior Diversity Officer was asked if the use of the word "or" in Contractor B's Utilization Plan wherein it states "Item 1 or Item 5 Pipefitter or Sheetmetal" makes this portion of the bid ambiguous. The Senior Diversity Officer explained that she did not believe so, though she was unable to further explain how the use of either Pipefitter or Sheetmetal labor could be distributed under either Item 1 or Item 5 by Contractor B. The Senior Diversity Officer suggested I speak with the assigned District engineer for additional explanation on this issue.

In anticipation of the Board meeting, the Senior Diversity Officer also reviewed the National Institute of Governmental Purchasing Codes (NIGP) and the North American Industry Classification System (NAICS). The NIGP and NAICS both list W/MBE Subcontractor A as an HVAC contractor and not as a supply company. These findings are also contained on page 2 of her notes. Moreover, the Senior Diversity Officer examined W/MBE Subcontractor A's web page and found no indication that it was also a materials supplier. These checks were not normally part of the Diversity Section's process, rather, the extra analysis was performed in light of the protest by Contractor A.

#### Principal Engineer – Contract 24-647-11

The Principal Engineer overseeing Contract 24-647-11 was interviewed on August 4, 2025. The Principal Engineer explained that Boiler Tuning and Management Services at various District facilities is a reoccurring contract that has been bid over the years and that he is familiar with the Contract Documents, the project and the Utilization Plans. The Principal Engineer also explained that Pipefitter and Sheetmetal services are separate and distinct trades and that the work of Pipefitters relate solely to the work required under Contract Item 1 while Sheetmetal work is limited to Contract Item 5 and includes work for the "steam trap survey." Item 5 is a standard clause that he described as a "catch-all provision." While the Principal Engineer confirmed that Item 5 is the sole provision calling for material supply under the documents, he also saw the necessity for labor/hourly billing by W/MBE Subcontractor A under Contract Item 5.

The Principal Engineer was asked if the Utilization Plan setting forth W/MBE Subcontractor A's participation was ambiguous; he stated that he did not believe that the description of work was ambiguous in any way. That is, the Principal Engineer explained that the reference to Pipefitting and Sheetmetal work in Contractor B's Utilization Plan in relation to Items 1 and 5 were specific and supported by the Contract Documents in that pipefitting related to Item 1 and Sheetmetal work is limited to Item 5.

### Findings and Conclusion

The preponderance of the evidence developed during the investigation failed to support a violation of the Affirmative Action Ordinance, Revised Appendix D, Section 14(j). Specifically, Contractor B submitted a Utilization Plan setting forth the participation of two W/MBE subcontractors. Subcontractor A's participation involved labor services as sought under both Contract Item 1 (Pipefitting) and Contract Item 5 (Sheetmetal) in the amount of \$32,500.00. W/MBE Subcontractor B's participation was limited to materials supply under Contract Item 5 in the amount of \$32,500.00 representing 50% of the affirmative action goal set for Contract 24-647-11. The Utilization Plan submitted by Contractor B did not represent a material variance or rely upon ambiguous language. Accordingly, the allegations of this matter are not sustained. There were no IG recommendations issued in relation to this case.

### Conclusion

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

Very truly yours,

*/s/ Patrick M. Blanchard*

Patrick M. Blanchard  
Interim Inspector General  
312.751.6590

cc: John P. Murray, Interim Executive Director  
Susan T. Morakalis, General Counsel  
John T. Joiner, Administrative Aid to the President