



# 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."

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Metropolitan Water Reclamation District of Greater Chicago Quarterly Report 1st Quarter 2025



## OFFICE OF THE INDEPENDENT INSPECTOR GENERAL

Tirrell J. Paxton, Inspector General

69 West Washington Street | Suite 1160 | Chicago, IL 60602 | (312) 603-0350

April 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: Independent Inspector General Quarterly Report (1st Qtr. 2025)

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" or "District") adopted Ordinance O19-003 entitled Office of the Independent Inspector General ("OIIG") 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 extended three times 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 January 1, 2025, through March 31, 2025.

### **OIIG Case Activity**

The OIIG received a total of 8 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 investigations have been opened and five OIIG case inquiries have been initiated during this reporting period while a total of 18 OIIG case inquiries remain pending at the present time.<sup>2</sup> We have referred one complaint to management or outside

<sup>&</sup>lt;sup>1</sup> 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.

<sup>&</sup>lt;sup>2</sup> 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

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agencies for further consideration during this reporting period. The OIIG currently has one open case, and no cases open more than 180 days as of the issuance of this report.

## OIIG Summary Reports<sup>3</sup>

During the 1st Quarter of 2025, the OIIG issued four 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.

IIG24-0124. 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")<sup>4</sup> to determine whether information submitted by such employees for the PPP loans was consistent with MWRD records and/or in violation of any MWRD Personnel Rules. Based on this review, we discovered an MWRD employee sought a federal PPP loan totaling over \$19,000. On her loan application, the subject employee stated she was the sole proprietor of a business. 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 Personnel Rules.

During this investigation, the OIIG reviewed the subject employee's personnel file, and conducted Illinois Secretary of State Corporation/LLC record searches and public record searches for the subject employee. The OIIG also reviewed subpoenaed documents from the Federal Small Business Administration PPP Loan and a bank. Additionally, the OIIG interviewed the subject employee.

The preponderance of the evidence in this investigation supports the conclusion that the subject employee did not violate the MWRD Ethics Ordinance, Article 2, 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

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.

<sup>&</sup>lt;sup>3</sup> 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.

<sup>&</sup>lt;sup>4</sup> 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.

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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 stated she has never had any outside employment.

The preponderance of evidence developed in this investigation supports the conclusion that the subject employee violated MWRD Ethics Ordinance O22-004, Article I, Section (B)(1) – Public servant code of conduct and MWRD Admin. Proc. Manual 10.27.0, Section 2(j) – Violating the District's Ethics Ordinance. Although the subject employee stated she did not apply for any SBA loans or receive any PPP funds, the preponderance of the evidence shows the subject employee engaged in fraud against the federal government by participating in the certification and submission of documents containing false information with her loan application to the SBA. The SBA loan documents show that the subject employee submitted documents with her name, date of birth, social security number, phone number and photos of herself to confirm her identity. The subject employee's bank records show the PPP loan funds deposited into the subject employee's bank account.

Committing financial fraud directed at the federal government tarnishes the subject employee's 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 involved, the OIIG recommended the subject employee's employment be terminated. The MWRD accepted the OIIG recommendation.

IIG24-0141. 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 Personnel Rules. Based on this review, we discovered an MWRD employee sought a federal PPP loan totaling over \$20,000. On his loan application, the subject employee stated he was the sole proprietor of a business. The OIIG conducted an investigation to determine if the subject employee informed the MWRD that he was engaging in secondary employment and otherwise complied with MWRD Personnel Rules.

During this investigation, the OIIG reviewed the subject employee's personnel file, Illinois Secretary of State Corporation/LLC records and other public records for the subject employee. The OIIG also reviewed subpoenaed documents from the Federal Small Business Administration PPP Loan, a bank, and an apartment complex. Additionally, the OIIG interviewed the subject employee.

The preponderance of the evidence in this investigation supports the conclusion that the subject employee did not violate the MWRD Ethics Ordinance, Article 2, 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

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within 14 days. Compensated "self-employment" must also be disclosed. The subject employee stated he has never had any outside employment, and our investigation did not reveal any evidence to contradict his claim.

The preponderance of evidence developed in this investigation supports the conclusion that the subject employee violated MWRD Ethics Ordinance O22-004, Article I, Section (B)(1) – Public servant code of conduct and MWRD Admin. Proc. Manual 10.27.0, Section 2(j) – Violating the District's Ethics Ordinance. The evidence shows the subject employee engaged in fraud against the federal government by participating in the certification and submission of documents containing false information with his loan application to the SBA. The SBA loan documents show that the subject employee submitted documents with his name, date of birth, social security number, phone number and photos of himself to confirm his identity. When interviewed by the OIIG, the subject employee stated that he did not apply for any SBA loans or receive any of the funds. However, the documents show differently. The subject employee stated that he was not familiar with the address associated with the bank account shown to him. Records subpoenaed from the apartment complex and documents obtained from the Circuit Court of Cook County show that the subject employee had a signed lease agreement matching the address on the bank records.

Committing financial fraud directed at the federal government tarnishes the subject employee's reputation and brings discredit to MWRD as it can erode the public's trust in the MWRD and its employees. Based on the serious nature of the misconduct involved, the OIIG recommended the subject employee's employment be terminated. The MWRD accepted the OIIG recommendation.

IIG24-0338. The OIIG received an anonymous complaint alleging that an MWRD employee used two hours of paid voting time benefit and left work two hours early to participate in the general primary election, even though she actually voted by mail.

During its investigation, the OIIG reviewed MWRD time records, Chicago Board of Elections voting records, and MWRD Administrative Procedures. OIIG investigators also interviewed the subject employee.

The preponderance of the evidence in this matter supports the claim that the subject employee violated the MWRD Voting Time Policy by using the two-hour benefit time for voting although she participated in early voting and/or voting by mail. Further investigation revealed that the subject employee used voting benefit time on at least 10 occasions although she did not physically vote on election days. MWRDGC Administrative Procedures Manual 10.7.0 - Voting Time Policy states that the maximum of two hours off without penalty for the purpose of voting in any Federal, State, or local election does not apply to participating in the casting of early ballots during any period authorized by election authorities for early voting.

The subject employee is also in violation of MWRDGC Procedures Manual 10.27.0 (3e.) Intolerable Offenses. The subject employee admitted that she misused the District Voting Time

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benefit by taking the time off for voting when she was not actually voting. Intolerable Offenses include engaging in fraud, deceit, or intentionally providing false information or making misrepresentations with respect to official District records or in the use or attempted use of various government-mandated or District-provided benefits or causing or attempting to cause others to do the same. Records obtained during the course of this investigation demonstrate that the subject employee requested and received at least twenty hours of paid leave that she was not entitled to, based on ten separate instances of her submitting false information to the MWRD to obtain such a benefit.

Based on its findings, the OIIG recommended that the subject employee's employment be terminated. The MWRD response is not yet due.

IIG24-0471. 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 Personnel Rules. Based on this review, we discovered an MWRD employee sought a federal PPP loan totaling over \$20,000. On her loan application, the subject employee stated she was the sole proprietor of a business. 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 Personnel Rules.

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 other public records 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 the MWRD Ethics Ordinance, Article 2, 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 stated she had a secondary business when the secondary employment policy was implemented, but did not disclose that business to the MWRD as required by policy.

The preponderance of evidence developed in this investigation also supports the conclusion that the subject employee violated MWRD Ethics Ordinance O22-004, Article I, Section (B)(1) – Public servant code of conduct and MWRD Admin. Proc. Manual 10.27.0, Section 2(j) – Violating the District's Ethics Ordinance. The evidence shows that the subject employee engaged in fraud against the federal government by participating in the certification and submission of documents containing false information with her loan application to the SBA. When the OIIG interviewed the subject employee, she stated that the information on the application, as well as the Schedule C

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submitted with her SBA loan application, was false. She stated that she did not personally apply for the SBA PPP loan but did provide her personal identifiable information to an individual for the purpose of obtaining the PPP loan proceeds. The subject employee stated that she received a total of over \$20,000 in loan funds which were deposited into her personal bank account.

Committing financial fraud directed at the federal government tarnishes the subject employee's 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 involved, the OIIG recommended the subject employee's employment be terminated. The MWRD accepted the OIIG recommendation.

## **Outstanding OHG 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 responses we received during this quarter to recommendations made in prior quarters.

IIG24-0217. The OIIG received a complaint alleging that an MWRD employee used normal work hours to test several refrigerators, one of which was later posted on the State of Illinois iBid website and purchased by the subject employee. This investigation consisted of a review of the subject employee's time records, photos submitted anonymously, the State of Illinois iBid auction listing at issue, and MWRD internal documents from the Procurement and Materials Management Department. The OIIG also interviewed the subject employee and another MWRD employee.

The preponderance of evidence in this investigation supports the conclusion that the subject employee violated MWRD Administrative Procedures Manual 10.27.0 section 1(m) - Employees must adhere to all district policies and Personnel Rules and 2(l) - Employees shall not engage in non-district activities during working hours. A witness told an OIIG investigator that he saw the subject employee working on a refrigerator in the iBid area. Additionally, the witness stated that no MWRD employee should be repairing iBid items. The evidence supports the conclusion that the subject employee repaired a refrigerator during his work hours and violated the MWRD's policies with this conduct. The subject employee stated he used his break time to work on the refrigerator and admitted to bringing in tools to test the refrigerators. Furthermore, the first bid that was placed on the refrigerator took place while the subject employee was on the clock.

The evidence in this case supports the conclusion that the subject employee violated MWRD Administrative Procedures Manual 10.27.0 section 2(j) - Violating the District's Ethics Ordinance. The subject employee ultimately had an unfair advantage when purchasing this iBid item because he had firsthand knowledge about the item. Namely, he was able to test the

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refrigerators to determine whether they worked prior to bidding by virtue of his MWRD employment, an advantage that was not available to members of the public.

Based on our findings, the OIIG recommended that the subject employee receive discipline consistent with factors set forth in MWRD Personnel Rules, including practices in recent similar cases. In addition, we recommended that the MWRD implement a policy prohibiting MWRD employees involved with items placed on iBid or the iBid process itself, as well as their household members, from bidding on MWRD items listed on iBid. The MWRD placed the subject employee on a 30-day suspension pending discharge. No response was given on the policy recommendation.

IIG24-0473. 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 Personnel Rules. Based on this review, we discovered an MWRD employee sought a federal PPP loan totaling over \$14,000. On his loan application, the subject employee stated he was the "Independent Contractor" of a business. The OIIG conducted an investigation to determine if the subject employee informed the MWRD that he was engaging in secondary employment and otherwise complied with MWRD Personnel Rules.

During this investigation, the OIIG reviewed the subject employee's personnel file, public and subpoenaed federal Small Business Administration PPP loan records, Illinois Secretary of State Corporation/LLC record searches and other public record searches 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 the MWRD Ethics Ordinance, Article 2, 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 does or does not have compensated secondary employment and further requires that any subsequent change in status be reported within 14 days. Compensated "self-employment" must also be disclosed. The subject employee admitted to working with another governmental entity as a vendor during the time he was employed with the MWRD, but he twice submitted a form indicating he did not have secondary employment.

The preponderance of evidence developed in this investigation also supports the conclusion that the subject employee violated MWRD Ethics Ordinance O22-004, Article I, Section (B)(1) – Public Servant Code of Conduct and MWRD Admin. Proc. Manual 10.27.0, Section 2(j) – Violating the District's Ethics Ordinance. The evidence shows that the subject employee engaged in fraud against the federal government by participating in the certification and submission of documents containing false information with his loan application to the SBA. Although the subject employee did own a company, he admitted that the company only had two jobs between 2018 and

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2022. When asked if he made \$70,000, as he claimed on his PPP loan application, the subject employee stated that he was unsure if that was accurate.

The subject employee stated that he received a total of over \$14,000 in loan funds, which were deposited into his business account. However, based on the OIIG's investigation, the funds were deposited into a personal bank account. When confronted with this information, the subject employee declined to provide any additional details. The OIIG provided the subject employee with time to submit additional documentation to corroborate his explanation, which included his IRS tax transcript and his business bank account statement showing the PPP loan deposit, but he failed to do so. He spent the money and successfully applied for the loan to be forgiven, claiming to have spent the money on payroll costs, despite his assertion to the OIIG that he spent the money on supplies. Committing financial fraud directed at the federal government tarnishes the subject employee's reputation and brings discredit to MWRD, as it can erode the public's trust in MWRD government and its employees.

Based on the serious nature of the misconduct involved, the OIIG recommended the subject employee's employment be terminated. We also recommended the MWRD place the subject employee on the *Ineligible for Hire List*. The MWRD terminated the subject employee.

IIG24-0475. 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 Personnel Rules. Based on this review, we discovered an MWRD employee sought a federal PPP loan totaling over \$20,000. On his loan application, the subject employee stated he was the "Sole Proprietor" of a business. The OIIG conducted an investigation to determine if the subject employee informed the MWRD that he was engaging in secondary employment and otherwise complied with MWRD Personnel Rules.

During this investigation, the OIIG reviewed the subject employee's personnel file, public and subpoenaed PPP loan records, Illinois Secretary of State Corporation/LLC record searches and other public record searches for the subject employee. The OIIG also interviewed the subject employee.

The preponderance of the evidence developed in this investigation supports the conclusion that the subject employee violated Ethics Ordinance O21-002 Article II Section C(5) Secondary Employment. The MWRD did not require employees to disclose secondary employment until the end of 2020 and the subject employee acknowledged that he failed to disclose his secondary employment business, which he was engaged in when the requirement was implemented.

The preponderance of evidence developed in this investigation also supports the conclusion that the subject employee violated MWRD Ethics Ordinance O22-004, Article I, Section (B)(1) – Public servant code of conduct and MWRD Admin. Proc. Manual 10.27.0, Section 2(j) – Violating

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the District's Ethics Ordinance. The evidence shows the subject employee submitted his application claiming to be the sole proprietor of a business. When interviewed by the OIIG, the subject employee stated he generated a small income per weekend with his business; however, on the loan documents the subject employee claimed he owned a different business that generated over \$97,000 in gross receipts. The subject employee stated that the financial information included on the PPP loan application and Schedule C form was false. He denied personally applying for the SBA PPP loan but admitted to providing his personal identifiable information to an individual for the purpose of obtaining the PPP loan proceeds and paying her to complete the loan application for him.

The subject employee stated that he received a total of over \$20,000 in PPP loan funds which were deposited into his personal bank account. Committing financial fraud directed at the federal government tarnishes the subject employee's reputation and brings discredit to the MWRD as it can erode the public's trust in the government, and their employees.

Based on the serious nature of the misconduct involved, the OIIG recommended the subject employee employee employment be terminated. We also recommend the MWRD place the subject employee on its *Ineligible for Hire List*. The MWRD placed the subject employee on a 30-day suspension pending discharge. The subject employee retired prior to the completion of the disciplinary process.

#### **Other Important Matters**

In our last quarterly report, we mentioned the possibility that the Intergovernmental Agreement ("IGA") between the MWRD and the OIIG may not be renewed upon its expiration on May 16, 2025. After additional discussions between the parties, it was decided that the IGA would in fact not be renewed. Accordingly, this will be the last quarterly report submitted by the OIIG regarding MWRD matters. It has been an honor for our office to serve as the MWRD's Inspector General for the past 6 years. By state statute, the MWRD is required to have inspector general oversight either by appointing its own Inspector General or entering into an intergovernmental agreement with another unit of local government to obtain such oversight. Pursuant to that statute, on April 3, 2025, the MWRD appointed Patrick Blanchard to serve as its Interim Inspector General effective May 17, 2025.

On April 3, 2025, the MWRD also passed Ordinance O25-10 entitled "Office of the Interim Inspector General" in connection with Mr. Blanchard's appointment. The OIIG has identified a problematic section in the MWRD Interim Inspector General Ordinance ("MWRD IIGO"). Specifically, the MWRD IIGO states:

ARTICLE XII FACILITATING THE TRANSFER OF FILES AND EVIDENCE FROM THE OIIG
TO THE INTERIM INSPECTOR GENERAL

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In accordance with the IGA, the OIIG <u>shall</u> transfer all open and closed files and related materials to the Interim Inspector General using best practices and maintaining confidentiality. (Emphasis added.)

While we believe the passage of this ordinance is a good start, we must note that this provision in the ordinance should be removed as it is inaccurate and misleading and is contrary to controlling law on the issue. There actually are no provisions in the Intergovernmental Agreement between the MWRD and the OIIG that require the OIIG to transfer its confidential investigative files to an MWRD Interim Inspector General or anyone else. The relevant language from the IGA states the following:

#### XIII. <u>Termination</u>

Upon expiration or termination of this Agreement, the Independent Inspector General shall cease any pending MWRD-related investigations and at his discretion may refer such investigations to MWRD's General Counsel for further handling. The Independent Inspector General in his discretion <u>may</u> also provide MWRD with its MWRD-related investigation files, including closed files. (Emphasis added.)

Moreover, the rules regarding the release of any OIIG confidential investigatory files are governed by the Cook County Code, not MWRD Ordinance, and Article XII of the new MWRD ordinance is contrary to the Cook County Code on this issue. The relevant section of the Cook County Office of the Independent Inspector General Ordinance states:

#### Sec. 2-289. Confidentiality; public statements.

Investigatory files and summary reports concerning alleged corruption, fraud, waste, mismanagement, unlawful political discrimination or misconduct by any person <u>shall</u> be confidential except as provided below or required pursuant to the Supplemental Relief Order entered in the Shakman Case.

(b) Investigatory files <u>shall be confidential</u>, however said files <u>may</u> be divulged with the summary report to the Board of Ethics, the Chief of the Bureau of Human Resources and the head of any department or bureau and elected official to whose office the investigation pertains in order to effectively <u>address matters of discipline or ethical violations</u>. Notwithstanding the foregoing, information or evidence obtained by the Independent Inspector General which pertains to possible criminal activity may be promptly provided to the appropriate law enforcement authorities. (Emphasis added.)

Even though Article XII of the new MWRD ordinance is unenforceable, the MWRD Board should still amend the ordinance to remove Article XII in order to avoid any confusion among the public. In the meantime, the residents of Cook County can be assured that the OIIG will maintain and protect the confidentiality of its investigatory files in accordance with the Cook County Code. Finally, although our confidential files will not be transferred, our office can and will assist Mr. Blanchard in other ways as he transitions into his new role.

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# **Conclusion**

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

Very truly yours,

Tirrell J. Paxton

Independent Inspector General

cc: Brian A. Perkovich, Executive Director

Susan T. Morakalis, General Counsel

John T. Joiner, Administrative Aide to the President