



**Public Building
Commission** of Chicago

OFFICE OF THE INSPECTOR GENERAL

Public Building Commission of Chicago

QUARTERLY REPORT

OF THE

OFFICE OF THE INSPECTOR GENERAL

FIRST QUARTER 2013

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A. Overview

This report provides an overview of the operations of the Office of the Inspector General (“OIG”) of the Public Building Commission (“PBC”) from January 1, 2013 through March 30, 2013. This report includes statistical and narrative descriptions of the activity of the OIG, as required by Public Building Commission of Chicago (“PBCC”) *Inspector General Function Policies and Procedures*.

Two of eight investigations opened during the fourth quarter of 2012 have been closed because documents produced by the general contractors indicate that the subcontractors at issue did not perform work on the projects specified in the complaints. The OIG will complete a third investigation in early April and furnish the comprehensive investigative report to the Commission at that time. In addition to managing the five remaining investigations from 2012, the OIG opened two new investigations during the first quarter of 2013.

Also in this time period, the OIG, in conjunction with PBC management, began clarifying what constitutes small business “pass-throughs” within the MBE/WBE Program and what activities legitimately serve as “commercially useful functions,” as required by the PBC for award of small business credits to Prime Contractors. The OIG initiated ten investigations since December 2012 and all ten reviews contain allegations of fraud or abuse in the MBE/WBE Program. The objective of the upcoming discussion document is to provide more detailed guidance on what constitutes compliant participation in the MBE/WBE Program.

Finally, the OIG has taken steps to increase the accessibility of our office to contractors, citizens and members of the construction industry by establishing a presence at meetings and events relevant to PBC operations. Our objective is to increase the visibility of the office and demonstrate our commitment to responding to parties interested in contacting the OIG.

B. Closed Investigations

The OIG closed two investigations during the first quarter of 2013 after determining that the contractors targeted did not participate in the PBC projects at issue.

PBC-4-2012.12

The Office of the Inspector General opened a case regarding small business participation of a subcontractor providing general contracting services and terrazzo for a 2010 PBC project.

The OIG received documentation from the subcontractor evincing that the contractor was not retained to perform services for the PBC Project at issue in the case. Due to lack of participation in the project, this investigation was closed.

PBC-5-2012.12

The Office of the Inspector General opened a case regarding participation of a minority-owned supplier of construction materials for a 2010 PBC project.

The OIG received documentation from the general contractor evincing the subcontractor's withdrawal from participation in the PBC Project at issue in the case. Due to the lack of participation in the project, this investigation was closed.

C. Ongoing Investigations

The Office of the Inspector General opened eight investigations in its first four weeks after appointment. These investigations stemmed from an investigative news report containing broad allegations of failures in the execution of PBC programs designed to ensure that certified minority-owned and women-owned businesses perform a specified percentage of work on public building projects. Several complainant interviews have commenced and six of those investigations are currently underway.

PBC-1-2012.11

The Office of the Inspector General opened a case regarding the participation of a minority-owned supplier of mechanical, electrical, and plumbing supplies in a 2009 PBC project.

The OIG received records relevant to this case in February pursuant to a request for documents issued in December. This investigation is ongoing.

PBC-2-2012.11

The Office of the Inspector General opened a case regarding participation of a minority-owned and woman-owned supplier of construction materials in a 2009 PBC project.

The Office of the Inspector General received records relevant to this case in early February pursuant to a request for documents issued in December. A detailed review of submitted materials was performed and an interview with key firm personnel was conducted at the offices of the investigation subject.

The OIG anticipates submitting the completed report of investigation in April 2013.

PBC-3-2012.12

The Office of the Inspector General opened a case regarding the participation of a woman-owned supplier of construction materials in a 2010 PBC project.

The OIG received records relevant to this case in February pursuant to a request for documents issued in December. This investigation is ongoing.

PBC-6-2012.12

The Office of the Inspector General opened a case regarding the participation of a minority-owned subcontractor joint-venture member providing masonry services for a 2010 PBC project.

The OIG received records relevant to this case in February pursuant to a request for documents issued in December. This investigation is ongoing.

PBC-7-2012.12

The Office of the Inspector General opened a case regarding the participation of a minority-owned subcontractor performing demolition services for a 2010 PBC project.

The OIG received records relevant to this case in February pursuant to a request for documents issued in December. This investigation is ongoing.

PBC-8-2012.12

The Office of the Inspector General opened a case regarding the participation of a woman-owned supplier of construction materials in a 2010 PBC project.

The OIG received records relevant to this case in February pursuant to a request for documents issued in December. This investigation is ongoing.

D. New Investigations

During the first quarter of 2013, the Office of the Inspector General opened two new investigations.

PBC-9-2013.2

A case was opened regarding a woman-owned supplier of electrical supplies for a 2009 PBC Project in February 2013.

The OIG received records relevant to this case pursuant to a request for documents issued in March 2013. This investigation is ongoing.

PBC-10-2013.3

A case was opened regarding allegations of improper payments practices by a minority-owned subcontractor performing security services for a 2010 PBC project.

The OIG anticipates issuing a request for relevant documents in early April 2013.

E. Program Management

MBE/WBE Program

The OIG has opened ten investigations since December 2012 and each contains allegations of activity that constitutes fraud or abuse by firms participating in the PBC's MBE/WBE Program. As a result, the OIG has conducted significant research into common schemes employed to defraud and abuse MBE, WBE and DBE programs. The OIG has also examined common practices leading to operational missteps that prevent such programs from meeting their stated objectives. We believe that contractors require clarification on what constitutes fraudulent "pass-through" activity that provides no commercially-useful function.

The OIG anticipates presenting the findings and recommendations document to the Commission early in the second quarter for discussion and possible integration into the current program through contracting documents, informational materials and advisory literature.

F. Outreach and Engagement

We are committed to increasing the accessibility of the OIG to contractors, both current and prospective, as well as industry professionals and citizens interested in the work of the Commission.

This quarter, in addition to attending board meetings, operational meetings, and training sessions, the OIG also attended the City of Chicago, Department of Procurement Services' Construction Summit as well as the dedication ceremony for the new Humboldt Park Branch Library Addition. Attendance at these events provided the OIG the opportunity to observe first-hand the presentation of achievements and accomplishments by the PBC, as well as hear concerns voiced by contractors regarding community hiring protocols, payment process reform and the pre-qualification process for general contractors. We have found this practice valuable in establishing rapport as a resourced dedicated to supporting the PBC in its mission to provide exceptional client service while demonstrating strong stewardship of public funds and we plan to continue to make a strong showing at PBC events.