IN THE EXECUTIVE ETHICS COMMISSION
OF THE STATE OF ILLINOIS

IN RE: GEORGE SHELDON, ) OEIG Case #15-02309
IGOR ANDERSON, and )
ANDREW FLACH. )

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 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, the Governor’s Executive Inspector General, and to George Sheldon, Igor Anderson, and Andrew Flach at their last known addresses.

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

I. ALLEGATIONS

On November 10, 2015, the Office of Executive Inspector General (OEIG) received an anonymous complaint alleging various hiring, contracting, and other violations against Illinois Department of Children and Family Services (DCFS) and its current Director, George Sheldon.

Specifically, the complaint made allegations regarding the following DCFS employees:

Igor Anderson   Improperly hired; had a DUI, and served as Director Sheldon’s driver.
[Unfounded allegations against six other employees redacted]¹ ²

The complaint also alleged that Director Sheldon improperly contracted with various consultants,³ whom the OEIG determined were or previously had been affiliated with the following entities:

- Five Points Technology Group, Inc. (Chris Pantaleon, Don Winstead, and Melissa Jaacks);
- Eckerd Youth Alternatives, Inc. and [unfounded allegations redacted]⁴
- [unfounded allegations redacted]⁵ and
- [unfounded allegations redacted]⁶

After the OEIG opened this investigation, it learned that the DCFS Office of Inspector General (DCFS-OIG) also received a copy of the November 10, 2015 complaint, and had already begun its own investigation of the allegations. The OEIG and the DCFS-OIG then decided to combine efforts to most efficiently use their respective resources in a joint investigation, and issue this joint report.

However, during the investigation of the allegations relating to Five Points Technology Group (Five Points) and Chris Pantaleon, investigators learned that Director Sheldon had made a disclosure to the DCFS Conflict of Interest Committee regarding his relationship with Mr. Pantaleon. Because a DCFS-OIG staff member is a member of that committee, and in order to avoid any appearance of a conflict, the DCFS-OIG did not participate in the OEIG’s investigation of Director Sheldon’s alleged conflict of interest relating to Mr. Pantaleon and the Five Points contract.

In addition, on October 19, 2016, during the course of this investigation, the OEIG received a complaint alleging that DCFS improperly purchased event planning services from [redacted] through a subcontract to a DCFS grant agreement, after DCFS’s request to enter into a small purchase no-bid contract directly with [redacted] was denied. The DCFS-OIG advised the OEIG that it had been investigating this allegation since May 2016 and DCFS-OIG would continue the investigation independently. Accordingly, the OEIG did not investigate the [redacted] matter.

II. BACKGROUND

A. George Sheldon

¹ [Redacted].
² [Redacted].
³ The complaint also alleged that Director Sheldon improperly contracted with a [redacted] but did not provide a surname for this individual. OEIG investigators were unable to locate a person named [redacted] related to any of the consultants, contracts, or employees named in the complaint.
⁴ [Redacted].
⁵ [Redacted].
⁶ [Redacted].
Prior to becoming the Director of DCFS in February 2015, Director Sheldon served as the Secretary of the Florida Department of Children and Families from 2008 to 2011. From 2011 to November 2013, Director Sheldon served as the Acting Assistant Secretary for the Administration for Children and Families for the U.S. Department of Health and Human Services in Washington. Director Sheldon subsequently was a candidate for Florida Attorney General in the November 2014 election, but was unsuccessful.

B. B.H. Consent Decree

The B.H. consent decree arose from a federal class action lawsuit filed on behalf of children removed from their parents and placed in the custody of DCFS. In 1991, the parties entered into a consent decree that mandated a wide series of reforms at DCFS; the consent decree was subsequently modified.

In February 2015, following the highly publicized disclosure of serious problems with DCFS’s monitoring of wards housed in residential treatment facilities, the plaintiffs in the B.H. case filed an emergency motion to enforce the consent decree. In April 2015, the B.H. court appointed a panel of experts to assist the court and parties in determining how to improve DCFS’s placements and services. The expert panel submitted its findings and recommendations to the court in July 2015. The panel’s recommendations included retaining an organizational consultant, ordering the creation of external monitoring mechanisms, and developing an enforceable implementation plan.

III. INVESTIGATION

A. Investigation of George Sheldon’s Hiring and Employment of Igor Anderson

The DCFS-OIG initially investigated the allegation that Igor Davidovich Anderson may have been improperly hired by the Director. The OEIG reviewed the DCFS-OIG’s investigation and documents relating to that allegation, interviewed DCFS Deputy Director of Employee Services Tammy Grant regarding Mr. Anderson’s hire, and interviewed Director Sheldon regarding the matters previously mentioned.

1. George Sheldon’s Hiring of Igor Anderson, and Personal Payments Made

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On August 25, 2015, Director Sheldon submitted a request to hire a Confidential Assistant on a Personal Services Contract. The contract with Igor Anderson was signed by Director Sheldon on September 28, 2015. The attached pay schedule listed a start date of September 27, 2015, with an end date of June 30, 2016, at a pay rate of just over $25 per hour.8

OEIG investigators interviewed DCFS Deputy Director of Employee Services Tammy Grant on June 7, 2016. According to Ms. Grant, if a person is hired on a Personal Services Contract as opposed to being hired as an employee, it is usually because the agency does not have a position to bring the individual on as a full-time employee, does not have a position for which the individual is qualified, or because the agency is in the process of creating a position. Ms. Grant said that Personal Services Contracts are rare and that there were approximately seven in place at DCFS at the time of her interview. Ms. Grant said that when Mr. Anderson was hired on contract with DCFS, it was because there was not an open position at the time for which he was qualified.

Director Sheldon’s hiring request for the Confidential Assistant position described the position requirements as including a bachelor’s degree, and experience in business or a related area, negotiations, scheduling, and planning. The description of services stated that the position required a “substantial amount of confidentiality” and would serve a major role in communicating directives for implementation from the Director. Director Sheldon subsequently signed a Personal Services Contract Decision Form, which indicated that Mr. Anderson was the only candidate for this contract, certified that the decision was “in the best interest of this agency and the State of Illinois,” and certified that Mr. Anderson was the “most qualified” for the “substantial level of confidentiality and discretion required.” In a “CMS 100” Employment Application dated September 14, 2015, Mr. Anderson listed his educational and employment history as including a bachelor’s degree from Florida State University in 2014, eight years of experience as a Human Resources Sergeant in the U.S. Army Reserves, and nine months with the Tallahassee Hospitality Group as an analytical advisor.9

Director Sheldon’s request to fill this Rutan-exempt position was approved by DCFS Employee Services, and the DCFS Budget Office.10 In addition, Central Management Services (CMS) determined that the contract was exempt from policies for interviewing and selecting candidates. An email from the Governor’s Office to Ms. Grant also indicated that the Personal Services Contract was approved.

Director Sheldon’s bank records reflect that on September 28, 2015, the day he signed Mr. Anderson’s contract, Director Sheldon paid Mr. Anderson $1,000 out of his personal account.

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8 This hourly pay rate would amount to approximately $50,000 per year. However, as noted above, Mr. Anderson’s contract was for a 9-month period.
9 Mr. Anderson later submitted another CMS 100 Employment Application for the position of Special Assistant on December 14, 2015, indicating that there may have been consideration of hiring Mr. Anderson into a full-time DCFS position of Special Assistant as opposed to being a contract employee.
10 “Rutan” refers to Rutan v. Republican Party of Ill., 497 U.S. 62 (1990), a United States Supreme Court case that held that public officials cannot use political affiliation and support as a basis for employment decisions for non-policy-making positions. Hiring for Rutan-covered positions must be based on the merits and qualifications of the candidate(s); hiring for Rutan-exempt positions is not subject to this requirement.
Director Sheldon paid Mr. Anderson an additional $500 out of his personal account 17 days later, on October 15, 2015.\footnote{Director Sheldon also made additional payments to Mr. Anderson in 2016, as discussed further below.}

2. Igor Anderson’s Job Duties and Work Product

Mr. Anderson’s Personal Services Contract stated that his duties would include:

- coordinating scheduling with the Director’s administrative assistant;
- assisting the administrative assistant in preparation of his daily briefing book;
- traveling with the Director to scheduled events;
- attending meetings with the Director;
- ensuring the Director’s timeliness to meetings;
- reviewing information with the Director prior to meetings;
- memorializing notes taken during meetings; and
- confidential communication with the Director regarding meeting goals and outcomes.

DCFS-OIG investigators asked Director Sheldon, Mr. Anderson, and then-Chief Deputy Director Carolyn Ross for work product Mr. Anderson created during his tenure with DCFS. OEIG investigators reviewed the two emails that the DCFS-OIG received in response to the request. Mr. Anderson emailed Director Sheldon, Ms. Ross, and then-Chief of Staff Andrew Flach on December 3, 2015 regarding Senator [redacted] and a “CAC” meeting. It included a bulleted list of issues and topics that were discussed. The email was about a page in length. Mr. Anderson emailed Ms. Ross and Mr. Flach on December 7, 2015 as well with the subject “Quick end-of-day report” with bullet points on three meetings. The email was also approximately a page in length. According to the DCFS-OIG, its investigators identified seven additional emails Mr. Anderson sent between September 28 and December 24, 2015, which were related only to scheduling or other non-substantive issues.

3. DCFS-OIG Interview of Igor Anderson Regarding His Hiring and Job Duties

DCFS-OIG investigators interviewed Mr. Anderson on January 12, 2016, and shared the audio recording of the interview with the OEIG. Mr. Anderson said that prior to working for DCFS he worked for the Tallahassee Hospitality Group as an assistant to the owner of a restaurant. Mr. Anderson said that he was told of the DCFS job by Director Sheldon. Mr. Anderson said that he had never worked with Director Sheldon before, but that they had a mutual friend who told Director Sheldon of Mr. Anderson. Mr. Anderson said that Director Sheldon requested an interview and a writing sample.

Mr. Anderson said that he did not perform any duties beyond what was enumerated in his contract. Mr. Anderson said that [Employee 1] handled Director Sheldon’s schedule, but that he would review the schedule with [Employee 1] and talk about the upcoming meetings.
4. Interview of DCFS Director George Sheldon Regarding Igor Anderson’s Hiring and Job Duties

OEIG and DCFS-OIG investigators interviewed Director Sheldon on January 6, 2017. Director Sheldon said he met Mr. Anderson through a mutual friend, Adam Corey,\(^{12}\) and that Mr. Anderson expressed an interest in coming to Illinois. Director Sheldon said Mr. Anderson submitted a resume and writing sample,\(^{13}\) and that he (Director Sheldon) interviewed him informally. Director Sheldon said that Mr. Anderson was the only person he considered for the Confidential Assistant position.

Director Sheldon said that when Mr. Anderson worked as his Confidential Assistant, he was not aware of Mr. Anderson working on any weekends or holidays, and that he did not think he would have sent Mr. Anderson many emails on weekends. Director Sheldon said that generally, Mr. Anderson’s schedule would be similar to his (Director Sheldon’s). Director Sheldon said he did not expect Mr. Anderson to produce any written work product other than taking notes. According to Director Sheldon, Mr. Anderson did not perform at the level he wanted him to in the position. Director Sheldon said that Mr. Anderson “was a stupid hire.”

When asked about the $1,000 he paid Mr. Anderson out of his personal account on the day he signed Mr. Anderson’s contract, Director Sheldon explained that he received $1,000 for referring Mr. Anderson as a new tenant in his building, and he passed the money along to Mr. Anderson because he did not need it. Director Sheldon said he gave Mr. Anderson an additional $500 the following month because Mr. Anderson needed it for expenses he incurred moving to Chicago. Director Sheldon said he has not made any other payments out of his own funds to other DCFS employees.

B. Investigation of Igor Anderson’s Misreporting of Time Worked

DCFS-OIG also investigated this matter and found evidence that Mr. Anderson may have misreported work hours and Director Sheldon approved those inaccurate time sheets. Based on the limited work product of Mr. Anderson, and Mr. Anderson’s own description of his duties, investigators reviewed Mr. Anderson’s time sheets, computer log-in information, and travel records, and conducted interviews to determine how much time Mr. Anderson spent performing those duties.

Mr. Anderson’s Personal Services Contract with DCFS stated that Mr. Anderson was to submit bi-monthly time sheets. OEIG investigators reviewed Mr. Anderson’s Contractual Staff Time Sheets from September 28, 2015 to December 24, 2015. The time sheets included spaces for Mr. Anderson’s name, rate of pay, hours worked, and the dates worked. The time sheets included a signature line certifying the accuracy of the times indicated, and that the person performed personal services for the benefit of DCFS. Director Sheldon signed off on the time

\(^{12}\) According to DCFS-OIG, Mr. Corey is a lobbyist in Florida who co-owned the Tallahassee Hospitality Group, which donated to Mr. Sheldon’s political campaign in Florida. In addition, Mr. Sheldon’s campaign held a fundraiser at a Tallahassee Hospitality Group restaurant.

\(^{13}\) The DCFS-OIG was unable to locate a writing sample submitted by Mr. Anderson in DCFS’s records.
sheets up until October 15, 2015. Then-Chief Deputy Director Carolyn Ross signed the remaining time sheets after October 15, 2015.

When DCFS-OIG investigators asked Mr. Anderson about his timekeeping practices during his January 12, 2016 interview, he said that he maintained a time sheet, which listed his total hours, but not the times that he started and ended each work day. Mr. Anderson said that he kept notes regarding his hours as well, but those were also totals and not exact times. Mr. Anderson said that his schedule was based on Director Sheldon’s calendar, which was prepared in advance. Mr. Anderson said he was never working unless he was with Director Sheldon and that he only ever billed for hours after 5:00 p.m. when traveling. Mr. Anderson stated that he would not be at the office on a Saturday. Although Mr. Anderson said he did not have access to the DCFS system outside of the office, he said that he sometimes checked emails on a laptop computer at home.

1. Saugatuck, Michigan

Mr. Anderson’s time sheet showed that on the weekend of October 10 and 11, 2015 he worked four hours and three hours, respectively. Director Sheldon approved Mr. Anderson’s time sheet for those dates. Investigators also reviewed Director Sheldon’s calendar for those dates because Mr. Anderson said that he was never working unless he was with Director Sheldon. Director Sheldon’s only calendar entry for October 10 indicated “HOLD” at 12:00 p.m. and the calendar did not include any entries for October 11. Investigators looked at the DCFS vehicle logs since one of Mr. Anderson’s duties was to travel with Director Sheldon. The DCFS Vehicle Mileage Log Sheet for October 10 listed Director Sheldon as the driver of the State vehicle with a destination of Saugatuck, Michigan.

DCFS-OIG investigators asked Mr. Anderson about his time listed for October 10 and 11, 2015. Mr. Anderson said that during this time he and Director Sheldon went to Saugatuck, Michigan in a State car and stayed at a hotel or townhouse rented by Director Sheldon for personal reasons. Mr. Anderson said that he was just getting started in the job and he spent the time he billed familiarizing himself with DCFS rules and regulations. Mr. Anderson said that he was reviewing charts and statistics on DCFS from a leadership meeting. Mr. Anderson told investigators that he discussed the materials with Director Sheldon, and that Director Sheldon was aware Mr. Anderson was billing for the time.

In his interview, Director Sheldon said that he and Mr. Anderson went to Saugatuck, Michigan in October 2015 in a State car, which Director Sheldon said “was a violation.” Director Sheldon said the trip did not relate to State business, and that he was not aware of Mr. Anderson doing any work during the trip. Director Sheldon confirmed that he approved and signed Mr. Anderson’s time sheet for October 10 and 11, 2015, but said he was not aware that Mr. Anderson had billed DCFS for the time spent in Michigan. Director Sheldon said he should not have approved that time.

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14 In his interview, Director Sheldon explained that “HOLD” reflected times blocked off for lunch or non-work activities.

15 DCFS has a policy that prohibits supervisors from having certain types of relationships with subordinates. See DCFS Employee Handbook, § 3.1. However, Director Sheldon denied having such a relationship with Mr. Anderson.
2. Thanksgiving

For November 26 and 27, 2015, Mr. Anderson’s time sheets show that he worked 8 and 10 hours, respectively. Those days constituted a State holiday in observance of Thanksgiving. Director Sheldon’s calendar also stated “Thanksgiving (FLORIDA)” for both days. Records from American Airlines and United Airlines show that Mr. Anderson traveled to Los Angeles, California on November 25, 2015 and returned to Chicago on November 29, 2015. Mr. Anderson’s Facebook profile included photographs from Asuncion Ridge Vineyards & Inn in Atascadero, California on November 26, 2015, and from Justin Vineyards & Winery in Paso Robles, California on November 27, 2015.

Initially, when Mr. Anderson was asked about his time sheet for November 26 and 27, 2015 he said that he was in the office coordinating Director Sheldon’s December schedule with [Employee 1]. After being reminded that those dates encompassed Thanksgiving, Mr. Anderson recalled that he was on vacation for those days and said that he was unsure why the time sheets said otherwise. Mr. Anderson confirmed that he did not work on State business while he was on vacation. Mr. Anderson believed that the dates may have been “adjusted” but he was unsure why and stated that he would need to verify that with Ms. Ross. Mr. Anderson said that Ms. Ross got copies of the schedules and worked closely with Director Sheldon and himself so she would be aware of what Mr. Anderson was doing on a given day.

Director Sheldon told investigators that he was not aware of Mr. Anderson doing any work during the 2015 Thanksgiving holiday.

3. Weekends, Holidays, and Other Questionable Dates

In reviewing Mr. Anderson’s time sheets, investigators also discovered that Mr. Anderson reported working on several weekends, holidays, and days when Director Sheldon was traveling out of the state. The following are the hours Mr. Anderson reported he was working and Director Sheldon’s corresponding schedule entries:¹⁶

<table>
<thead>
<tr>
<th>Date</th>
<th>Mr. Anderson’s Time Sheet</th>
<th>Director Sheldon’s Calendar</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sunday October 4, 2015</td>
<td>4 hours</td>
<td>6:30 p.m. – [Blank] (Dinner)</td>
</tr>
<tr>
<td>Friday, October 30, 2015</td>
<td>10 hours</td>
<td>8:00 a.m. – 12:00 p.m. Work activities in Chicago; flight to Miami at 3:00 p.m.¹⁷</td>
</tr>
</tbody>
</table>

¹⁶ DCFS produced multiple schedules for Director Sheldon, which reflected inconsistent events for some of the dates discussed in this report. In his interview, Director Sheldon said he did not know why there were multiple schedules for the same dates, or why the schedules reflected different events for the same dates. Any inconsistencies are noted below.

¹⁷ DCFS produced multiple schedules reflecting inconsistent events for October 30, 2015. One of the schedules for October 30, 2015 contained entries for 8:00 a.m. to 12:00 p.m.; another schedule for October 30, 2015 contained additional entries covering 8:00 a.m. to 12:00 p.m., but also showed travel time to the airport from 1:30 p.m. to 2:30 p.m., a flight to Miami from 3:00 p.m. to 6:00 p.m., and a Youth Advisory Board meeting from 6:30 p.m. to 7:30 p.m.
<table>
<thead>
<tr>
<th>Saturday, November 7, 2015</th>
<th>10 hours</th>
<th>No work activities in Chicago(^{18})</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wednesday, November 11, 2015</td>
<td>10 hours</td>
<td>State Holiday – Veteran’s Day; 5:30 p.m. gala(^{19})</td>
</tr>
<tr>
<td>Tuesday, December 1, 2015</td>
<td>9 hours</td>
<td>Various work events from 8:15 a.m. – 4:00 p.m., or 9:00 a.m. – 5:00 p.m.(^{20})</td>
</tr>
<tr>
<td>Sunday, December 6, 2015</td>
<td>3 hours</td>
<td>[Blank]</td>
</tr>
</tbody>
</table>

On Sunday, October 4, 2015, Mr. Anderson’s time sheet indicated that he worked four hours, but Director Sheldon’s schedule only listed dinner at 6:30 p.m. As noted above, Director Sheldon said that he was unaware of Mr. Anderson working on weekends.

Mr. Anderson’s time sheet for October 30, 2015 indicated that he worked 10 hours when one of Director Sheldon’s calendars indicated that Director Sheldon was scheduled to fly to Miami, Florida at 3:00 p.m.\(^{21}\) When DCFS-OIG investigators asked Mr. Anderson about that day he said that he drove Director Sheldon to the airport. Mr. Anderson said that he did not believe Director Sheldon’s trip was related to State business. Afterwards, Mr. Anderson said that he went back to the office and worked a normal day. Mr. Anderson was asked how he was able to bill for 10 hours when his work revolved largely around Director Sheldon. Mr. Anderson said that he did not have an answer. Director Sheldon said he did not recall the October 30, 2015 trip to Miami, but said that any trips he took there would have been personal travel.

Mr. Anderson’s time sheet again reflected 10 hours on Saturday, November 7, 2015, when one of Director Sheldon’s calendars indicated he had a flight to Reagan Washington National Airport, in Arlington, Virginia at 11:50 a.m.\(^{22}\) When DCFS-OIG investigators questioned Mr. Anderson about that day he said that he did not recall ever taking Director Sheldon to the airport on a Saturday nor did he recall Director Sheldon traveling to Virginia. Director Sheldon said that he did not recall the November 7, 2015 trip, but said that he believed the trip would have been personal travel because his schedule did not reflect any work appointments. Director Sheldon said he was not aware of Mr. Anderson doing any work that day.

Mr. Anderson also indicated that he worked 10 hours on November 11, 2015, a State holiday in observance of Veterans’ Day, and Director Sheldon’s calendars did not show any events

\(^{18}\) DCFS produced multiple schedules reflecting inconsistent events for November 7, 2015. Two of the schedules for that date merely showed “HOLD” from 12:00 p.m. to 1:30 p.m. Another schedule indicated a flight from Chicago to Reagan Washington National Airport, in Arlington, Virginia, from 11:50 a.m. to 2:40 p.m., in addition to the “HOLD” entry.

\(^{19}\) DCFS produced multiple schedules reflecting inconsistent events for November 11, 2015. Two of the schedules for that date merely noted “State Holiday – Veteran’s Day”; another schedule also showed a “2015 Kennedy Forum Illinois Gala Reception” at 5:30 p.m.

\(^{20}\) DCFS produced multiple schedules reflecting inconsistent events for December 1, 2015. Two of the schedules for that date indicated a Rapid Response Team Retreat (tentative) from 9:00 a.m. to 5:00 p.m., and another meeting from 10:00 a.m. to 11:00 a.m. Another schedule indicated various calls and meetings from 8:15 a.m. to 4:00 p.m.

\(^{21}\) As noted above, another schedule for October 30, 2015 did not include the Miami trip; however, that schedule did not show that Director Sheldon had any work-related activities after 12:00 p.m.

\(^{22}\) As noted above, other schedules for November 7, 2015 did not include the Washington D.C.-area trip; however, those schedules did not show that Director Sheldon had any work-related activities on that date.
other than a gala beginning at 5:30 p.m. During his interview, Mr. Anderson recalled that he attended a gala that evening and that he did not bill DCFS for the time he spent at the gala. Mr. Anderson did not remember if he went to the DCFS office that day or if he was with Director Sheldon during the day and he could not recall what he worked on that day. Director Sheldon recalled attending a gala on November 11, 2015, but did not think Mr. Anderson accompanied him; Director Sheldon said he was not aware of Mr. Anderson doing any work that day.

Mr. Anderson’s time sheet for December 1, 2015 showed he worked nine hours when Director Sheldon’s schedules included entries totaling no more than eight hours. When asked about that day Mr. Anderson recalled that Director Sheldon attended an interview on his own and that he and Director Sheldon also attended the Governor’s Christmas party that evening in Springfield. Mr. Anderson confirmed that he and Director Sheldon left Chicago around 2:00 or 3:00 p.m. and that they did not have any other business in Springfield that day. Mr. Anderson claimed that the nine hours he billed that day was for the travel time, the time he spent at the event, and the time he was at the office in Chicago prior to departing for Springfield. Director Sheldon confirmed that Mr. Anderson drove him to Springfield on December 1, 2015, so that he (Director Sheldon) could discuss an urgent DCFS issue with the Governor at his Christmas party, and that Mr. Anderson drove him back to Chicago the same day. Director Sheldon said that the trip was for State business.

Mr. Anderson’s time sheet for Sunday, December 6, 2015 indicated he worked three hours. Director Sheldon’s calendars did not have an entry for that day. When Mr. Anderson was asked about that day he said that he might have been responding to emails away from the office. DCFS computer login data did not indicate that Mr. Anderson logged into his DCFS laptop on December 6, 2015. Director Sheldon said he was not aware of Mr. Anderson doing any work that day.

4. DCFS’s Effort to Seek Reimbursement from Mr. Anderson

In March 2016, DCFS sent a letter to Mr. Anderson, asking him to reimburse the agency in the amount of $1,326, for the payments he received for dates on which DCFS determined he had not actually worked. According to DCFS-OIG, as of January 5, 2017, Mr. Anderson had not repaid these funds.

C. Investigation of Igor Anderson’s Driver’s License and State Vehicle Use

During the course of DCFS-OIG’s investigation of Mr. Anderson, DCFS-OIG investigators learned that Mr. Anderson had been arrested for Driving Under the Influence. OEIG investigators reviewed Mr. Anderson’s driving record and State vehicle use.

1. Igor Anderson’s Driver’s License Suspension

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23 As noted above, one of Director Sheldon’s schedules for November 11, 2015 showed only a gala beginning at 5:30 p.m.; two other schedules did not show any events.

24 As noted above, one of Director Sheldon’s schedules showed work entries from 8:15 a.m. to 4:00 p.m., and others showed work entries from 9:00 a.m. to 5:00 p.m.

25 The dates DCFS cited were: October 4, 10, and 11, 2015; November 7, 11, 26, and 27, 2015; and December 6, 2015.
Records from the Florida Second Judicial Circuit indicated that Mr. Anderson was arrested on June 17, 2015 for Driving Under the Influence (DUI) in Tallahassee, Florida. Mr. Anderson’s Florida driving record showed that his driving privileges were suspended the same day and listed the charge as “REFUSE SUBMIT BREATH/URINE/BLOOD TEST.” It indicated that Mr. Anderson’s license was restricted to business purposes only through June 16, 2016. The Florida State University Police Department cited Mr. Anderson for violating that restriction on August 11, 2015 when he was stopped for a traffic violation at 2:46 a.m. and was not driving for any of the permitted purposes. In Florida, a violation of a driving restriction results in an automatic suspension or revocation of the license for the remainder of the period.\textsuperscript{26} In addition, Mr. Anderson’s license was cancelled for failure to complete DUI school, effective October 26, 2015.

DCFS records include a CMS 100 Employment Application form, with what appears to be Mr. Anderson’s signature; the form is dated September 14, 2015, which is after Mr. Anderson’s driver’s license suspension, restriction, and violation of the restriction. Mr. Anderson’s Florida driver’s license number is listed on the CMS 100 form; although the form specifically includes a space for applicants to list any driving restrictions, no restrictions are listed. DCFS records also include another CMS 100 form on December 14, 2015, which also appears to bear Mr. Anderson’s signature, and again did not list any restrictions on his license. The paragraph above the signatures on both forms states: “I certify that all the information on this application is true and accurate and understand that misrepresentation of any material fact may be grounds for ineligibility or termination of employment.”

DCFS vehicle logs show Mr. Anderson as the driver of a State vehicle on October 5, 2015 and October 16, 2015. Following the cancellation of his license, Mr. Anderson appears as the driver on the vehicle log eight more times between October 28, 2015 and December 16, 2015. In total, the vehicle logs indicate that Mr. Anderson drove a State vehicle approximately 1,420 miles without a valid license.

2. DCFS-OIG Interview of Igor Anderson Regarding His Driver’s License Suspension

Mr. Anderson told DCFS-OIG investigators that he lived near Director Sheldon and that they would commute to and from work together.\textsuperscript{27} Mr. Anderson said that Director Sheldon would usually drive in the morning. Mr. Anderson admitted that he regularly drove Director Sheldon to and from appointments prior to Mr. Anderson being informed that his permit to drive for work purposes was suspended. However, he also said that his attorney had told him that he was required to go to DUI school within 90 days of a court date that occurred in June or July 2015. At the time of his interview on January 12, 2016, Mr. Anderson said that his license was suspended and he was scheduled to attend DUI school in Florida.

Mr. Anderson admitted that he was arrested for a DUI and refused to take the breathalyzer. Mr. Anderson said that his attorney attended all of the hearing dates on his behalf and informed

\textsuperscript{26} Florida Admin. Code R. 15A-1.019.
\textsuperscript{27} Records obtained in the investigation indicate that Mr. Anderson and Mr. Sheldon had addresses in the same apartment building.
him that there was no conviction, but that Mr. Anderson could not drive unless it was for his employer or commuting to and from school. Mr. Anderson told investigators that he signed up for the court-mandated DUI school, but admitted he never actually went.

Mr. Anderson said that he informed Director Sheldon of the DUI “from the very beginning,” but that he did not tell Director Sheldon that he (Mr. Anderson) needed to attend DUI school.

3. Interview of George Sheldon Regarding Igor Anderson’s Driver’s License

Director Sheldon told investigators that before Mr. Anderson began working at DCFS, Mr. Anderson told him that he (Mr. Anderson) had been charged with a DUI, but that he had pleaded guilty to a lesser offense. Director Sheldon said Mr. Anderson did not tell him that he was required to attend DUI school, or that Mr. Anderson’s license was restricted to certain types of use and was later suspended. Director Sheldon said he did not follow up and request any documentation regarding Mr. Anderson’s license. Director Sheldon said that Mr. Anderson regularly drove him in the State car until DCFS-OIG alerted him in approximately December 2015 that there was a problem with Mr. Anderson’s license.

4. Suspension and Termination of Igor Anderson’s Contract and Subsequent Payments from Director Sheldon

Following its receipt of an interim report from DCFS-OIG, the Governor’s Office conducted an inquiry into Mr. Anderson’s driver’s license, and suspended his employment contract on January 8, 2016. DCFS terminated Mr. Anderson’s contract in a letter dated February 12, 2016.

In February 2016, after DCFS terminated Mr. Anderson’s contract, Director Sheldon and Mr. Anderson took a trip to New York, and Director Sheldon paid for Mr. Anderson’s airfare. In addition, Director Sheldon made two additional payments to Mr. Anderson out of his personal bank account: $1,000 on April 19, 2016, and $500 on May 18, 2016. In his interview, Director Sheldon said Mr. Anderson asked him for the money, and he gave it to him because he felt sorry for Mr. Anderson.28

28 After Mr. Sheldon’s interview, the DCFS-OIG obtained documents that indicated that a payment of $2,074.37 was made to Optima Chicago for Mr. Anderson’s rent on January 5, 2016, using a card ending in “1190.” Mr. Sheldon’s bank records reflect a payment in the same amount made to Optima Chicago on the same date, with “Card 1190.”
D. Investigation of Issues Relating to Other DCFS Employees

[This section, consisting of approximately 4 ½ pages, concerns allegations that the OEIG has determined to be unfounded and the Commission is exercising its discretion to redact it pursuant to 5 ILCS 430/20-52.]

E. George Sheldon’s Alleged Conflict of Interest Relating to Consultant Christopher Pantaleon and Five Points Technology Group

OEIG investigators also examined Director Sheldon’s relationship with Christopher Pantaleon; DCFS’s subsequent no-bid contract with Five Points Technology Group, Inc. (Five Points), under which Mr. Pantaleon was a subcontractor; and Director Sheldon’s disclosure of his relationship with Mr. Pantaleon after DCFS entered into the Five Points contract.

DCFS’s Employee Handbook states that employees who are given a DCFS assignment “that involves a person, group, or other entity with which they have a personal, financial, or beneficial relationship” should “disqualify themselves from any official action related to the assignment.” In addition, applicable administrative rules prohibit DCFS employees from using their official position to benefit the economic interest of any person with whom they have a personal relationship.

As discussed below, OEIG investigators learned that relevant events occurred in the following chronology:

2003-present Director Sheldon owns Tallahassee property with Mr. Pantaleon

2013 and 2014 Mr. Pantaleon makes contributions to Director Sheldon’s campaign for Florida Attorney General

March 9, 2015 DCFS enters into a no-bid contract with Five Points, under which Mr. Pantaleon is a subcontractor

29 [Redacted].
30 [Redacted].
31 [Redacted].
32 [Redacted].
33 [Redacted].
34 [Redacted].
35 [Redacted].
36 [Redacted].
37 As noted above, a DCFS-OIG staff member is a member of the DCFS Conflict of Interest Committee, and Director Sheldon made a disclosure to that committee regarding his relationship with Mr. Pantaleon. To avoid any appearance of a conflict, the DCFS-OIG did not participate in the OEIG’s investigation of Director Sheldon’s alleged conflict of interest relating to Mr. Pantaleon and the Five Points contract, or drafting this section of the report.
38 DCFS Employee Handbook, § 3.9 (June 2006).
39 89 Ill. Admin. Code § 437.40(e). The administrative rules define “personal relationship” in this context as “related by blood, marriage or adoption, or that one has or has had a social, business or other relationship that has the potential to influence or affect one’s objectivity.” Id. § 437.20.
November 2015  OEIG investigation opened

March 15, 2016  Director Sheldon discloses his joint ownership of property with Mr. Pantaleon to the DCFS Conflict of Interest Committee

1. George Sheldon’s Financial Relationship with Five Points Consultant Christopher Pantaleon, and DCFS’s 2015 No-Bid Contract with Five Points

OEIG investigators obtained and reviewed various records regarding Director Sheldon’s financial relationship with Mr. Pantaleon. Leon County (Florida) Property Appraiser records reflect that Director Sheldon and Mr. Pantaleon have co-owned a residential property in Tallahassee, Florida, since 2003. In addition, according to records maintained by the Florida Secretary of State, Mr. Pantaleon previously contributed $1,275 to Director Sheldon’s campaign for Florida Attorney General between October 2013 and February 2014.40

OEIG investigators determined that Mr. Pantaleon was a subcontractor in a March 9, 2015 DCFS no-bid contract with Five Points, a consulting company headquartered in Florida.41 That contract, under which Five Points was to help DCFS defend against various types of lawsuits, specifically provided that Mr. Pantaleon would be paid $30,000 for consulting services.42 The contract ran from February 22, 2015 to June 30, 2017.43 In Fiscal Year 2016, DCFS obligated approximately $150,000 to Five Points.

The OEIG learned that in approximately early 2016, during a DCFS-OIG interview of Director Sheldon, DCFS Inspector General Denise Kane brought up that Director Sheldon co-owned property with Mr. Pantaleon. Investigators also learned that Director Sheldon subsequently made a disclosure to the DCFS Conflict of Interest Committee. OEIG investigators interviewed General Counsel Lise Spacapan, who also attended the DCFS-OIG interview of Director Sheldon.44

2. Interview of DCFS General Counsel Lise Spacapan, and Director Sheldon’s 2016 Disclosure to the DCFS Conflict of Interest Committee

According to Ms. Spacapan, when Ms. Kane raised the issue of Director Sheldon’s joint ownership of property with Mr. Pantaleon, Director Sheldon told Ms. Kane that he had not thought about the property. Ms. Spacapan said that Director Sheldon explained that the property was a

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40 Five Points and the other three Five Points consultants also contributed to Director Sheldon’s campaign. Five Points contributed $500 in 2014, [Consultant 1] contributed $6,000 between October 2013 and September 2014, [Consultant 2] contributed $1,500 between November 2013 and October 2014, and [Consultant 3] contributed $2,000 in 2014. In total, Five Points and its consultants contributed $11,275 to Director Sheldon’s campaign.
42 DCFS indicated that this contract was exempt from the Procurement Code’s competitive bidding requirements because its purpose was to perform work in anticipation of litigation. See 30 ILCS 50/1-10(b)(7) (stating that the Illinois Procurement Code does not apply to “[c]ontracts necessary to prepare for anticipated litigation”).
43 The original contract end date was June 30, 2015, but was ultimately extended to June 30, 2017, for a higher amount, and with a new scope of work.
44 OEIG investigators interviewed Ms. Spacapan on January 12, 2017.
small house in Tallahassee that he and Mr. Pantaleon had owned for a long time, it was bought before the stock market declined and is now “under water,” that Mr. Pantaleon manages it, and that the only financial impact on Director Sheldon was a tax implication. Ms. Spacapan said that to her knowledge, this was the first time Director Sheldon discussed his and Mr. Pantaleon’s joint ownership of property with anyone at DCFS.

Ms. Spacapan said that during the DCFS-OIG interview, Ms. Kane told Director Sheldon that he should disclose his and Mr. Pantaleon’s joint ownership of property to the DCFS Conflict of Interest Committee. According to Ms. Spacapan, DCFS’s Conflict of Interest Committee is a resource for employees who think they may have a conflict of interest arising from their work. The Committee has three members: Ms. Spacapan, a representative from the Office of Internal Audits, and a representative from DCFS-OIG. Ms. Spacapan said that when an issue is brought to the Committee, the Committee decides whether the employee has a conflict of interest, and makes recommendations about what action the employee should take. Ms. Spacapan said that most of the issues brought to the Committee involve whether an employee can accept secondary employment.

DCFS records indicate that Director Sheldon submitted a letter to the DCFS Conflict of Interest Committee dated March 15, 2016. In that letter, Director Sheldon stated that he has known Mr. Pantaleon for over 25 years, that they have co-owned a single-family home in Tallahassee, Florida since 2003, and that they previously co-owned another property that was sold in 2006. Director Sheldon stated that he and Mr. Pantaleon co-owned the properties for investment purposes, and that the Tallahassee property has been rented out since Director Sheldon moved out of it in 2003. Director Sheldon stated that when he arrived at DCFS he believed that Mr. Pantaleon met DCFS’s need for experienced external consultants because of his (Mr. Pantaleon’s) extensive background in operations and technology. Director Sheldon said he engaged Mr. Pantaleon through a DCFS contract with Five Points, but maintained that his co-ownership of property with Mr. Pantaleon “does not create a conflict of interest in my decision to have him part of the broader team under the Five Points contract.”

On March 22, 2016, Ms. Kane issued a written request asking the Conflict of Interest Committee to hold its consideration of Director Sheldon’s March 15, 2016 letter about his relationship with Mr. Pantaleon in abeyance, on the basis that the letter pertained to a pending DCFS-OIG investigation. Ms. Spacapan confirmed that the Conflict of Interest Committee did not consider Director Sheldon’s March 15, 2016 letter, based on Ms. Kane’s request.\(^{45}\)

3. Review of Director Sheldon’s Bank Records for Evidence of Rental Income

OEIG investigators reviewed Director Sheldon’s bank records for transactions showing that he received income from the Florida property he co-owns with Mr. Pantaleon. Although investigators did not identify deposits to Director Sheldon’s personal bank account that indicated that they were rent from that property, investigators did identify three relatively large cash deposits ($1,550, $1,100, and $5,000) to Director Sheldon’s account between February and June 2016.

\(^{45}\) Ms. Spacapan told OEIG investigators that she advised Director Sheldon that she would recuse herself from any consideration of his letter based on her prior knowledge of the events discussed in it, but that she never raised her recusal with the Conflict of Interest Committee because the Committee never considered the letter.
4. Interview of George Sheldon Regarding Five Points and Christopher Pantaleon, and Relevant Tax Records

In his interview, Director Sheldon confirmed that he has co-owned a single-family residence with Mr. Pantaleon since 2003, and that they rent the property out. Director Sheldon said that Mr. Pantaleon manages the property, and periodically advises him of significant issues relating to the property. Director Sheldon said that he has never received any share of the rent, which is used to cover the expenses. When shown documentation of cash deposits to his personal account between February and June 2016 in the amounts of $1,550, $1,100, and $5,000, Director Sheldon said he did not recall the source of the cash. Director Sheldon said the only potential benefit he realizes from the property is a tax advantage, but he said he did not know how much that advantage may be. Director Sheldon said that he and Mr. Pantaleon paid $200,000 for the property, and he estimated that it is currently worth about $160,000.

Director Sheldon also confirmed that he made the decision to bring Five Points to DCFS, and that he knew Mr. Pantaleon would be doing work under the Five Points contract. Director Sheldon said he did not consider any other companies for the work. Director Sheldon said that he continues to be involved in the work Five Points performs under the contract, including receiving updates, and participating in telephone calls and attending meetings with Mr. Pantaleon. Director Sheldon said that currently Mr. Pantaleon is actively involved in performing work under the contract.

Director Sheldon said that he does not believe he had a conflict of interest relating to his role in awarding a DCFS contract to Mr. Pantaleon's company, Five Points. He explained that Mr. Pantaleon and the other Five Points consultants had worked for him in the past, and that he believed he could rely on them to perform the critical tasks DCFS needed. Director Sheldon noted that at the time he was appointed Director, DCFS was involved in litigation in the B.H. matter, and he did not think he had time to consider other companies for the work. Director Sheldon said that he did not believe his joint ownership of property with Mr. Pantaleon created a conflict of interest because they have owned the property for a long time, he (Director Sheldon) realizes more of a loss than a benefit from it, and it did not have anything to do with his decision to engage Mr. Pantaleon to do work for DCFS.

Director Sheldon said that he disclosed his relationship with Mr. Pantaleon to DCFS's Conflict of Interest Committee shortly after the DCFS Inspector General brought the matter to his attention, but that as of the date of his January 6, 2017 OEIG interview, the Committee had not issued a decision relating to his disclosure. Director Sheldon said he should have disclosed his relationship with Mr. Pantaleon sooner.

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46 OEIG investigators invited Director Sheldon to submit any supporting documentation he had regarding the cash deposits following his interview. Director Sheldon did not provide any documents, but subsequently relayed through [Employee 2] that he believed the $5,000 cash deposit related to a down payment for an air conditioning unit for his residence in Florida and speculated that one of the smaller cash deposits may have been to move money from one of his other accounts.
At the conclusion of his interview, investigators invited Director Sheldon to submit any supporting tax documentation he had relating to his joint ownership of property with Mr. Pantaleon. Director Sheldon subsequently provided the OEIG with copies of 2015 tax records, which indicated that his portion of the rental income from the property that year was $1,460 after subtracting expenses.

F. Investigation of Other No-Bid Contracts

In addition to examining Director Sheldon’s alleged conflict of interest regarding DCFS’s no-bid contract with Five Points, investigators examined several other contracts that DCFS awarded without competitive bidding in order to determine whether proper procurement processes were being followed. Specifically, investigators examined two no-bid contracts that were justified as sole source procurements. Investigators also examined three other no-bid contracts for goods or services to DCFS that were rejected by the Comptroller’s Office because they were improperly processed as grants.

1. Competitive Bidding and Contract Requirements

The Illinois Procurement Code generally requires State contracts to be awarded through competitive bidding. The Procurement Code does not apply to some kinds of transactions, however, including grant awards. The Illinois Grant Funds Recovery Act provides that a written agreement is required before grant funds are used.

Some types of transactions that are governed by the Procurement Code are exempt from its competitive bidding requirements. For example, when there is only one economically feasible source for an item (a “sole source”), competitive bidding is not required. However, various other steps must be taken before a sole source procurement can be completed, including posting a notice about the proposed procurement, holding a public hearing if requested, and obtaining approval from the State Purchasing Officer.

In addition, although the Procurement Code also governs small purchases, it does not require competitive bidding for all of them. For example, purchases of supplies or services (other than for professional or artistic services and construction) of $50,000 or less (plus adjustments for cost of living increases) are exempt from the Procurement Code’s competitive bidding requirements. However, additional steps may be required before a small purchase can be made.

47 30 ILCS 500/20-5.
48 30 ILCS 500/1-10(b).
49 30 ILCS 705/4(b).
50 See 30 ILCS 500/20-25(a); 44 Ill. Admin. Code § 1.2025.
51 See 30 ILCS 500/20-25; 44 Ill. Admin. Code § 1.2025(c). State Purchasing Officers are appointed by the Chief Procurement Officer, and “act primarily to review, authorize and approve State agency procurement activities and, to that end, exercise procurement authority with the assistance of the State agency procurement staff.” 44 Ill. Admin. Code § 1.1005(e). According to the Senior State Purchasing Officer job description, that position is responsible for ensuring that procurements by an assigned agency are conducted in compliance with applicable laws, rules, and policies, and in accordance with good procurement practices.
completed, including obtaining approval from the State Purchasing Officer for small purchases of $10,000 or more. In addition, State agencies making small purchases of "$1,000 to the small purchase threshold inclusive" are required to first offer the opportunity to Illinois small businesses that are registered with the State.

Finally, the Procurement Code requires that contracts for goods or services must be reduced to writing before the goods are received or the services are performed.

2. Process for Approving and Paying for DCFS Transactions

For transactions over $10,000, DCFS generally uses two processes to approve new procurements and grants: the decision memorandum process, and the Procurement Business Case process.

As various DCFS personnel explained in their interviews, when a transaction is contemplated, DCFS Contract Administration and budget staff review the proposed program and funding. For transactions that are not included in the annual spending plan, a decision memorandum is then prepared that provides, in addition to other information, the effective date of the contract, a description of the services or goods, and the proposed contract amount; the decision memorandum also indicates whether the transaction is subject to the Procurement Code. The decision memorandum has spaces for approval signatures of multiple DCFS managers: the Deputy Director who is recommending or originating the transaction, the Agency Procurement Officer, representatives of the Office of Contract Administration and the Budget Office, the Chief Financial Officer, and the Director.

In addition to the decision memorandum process, DCFS uses a Procurement Business Case process for transactions over $10,000. According to former [Employee 3], an employee of the unit requesting the contract or a Contract Administration employee initiates the process by filling in fields in an electronic Procurement Business Case Print Report form indicating, among other information, the expected start date of the contract, programmatic objective, contract amount, and procurement approach. Various individuals may then electronically approve or reject the transaction. Depending on the type of transaction, these individuals may include DCFS Office of Contract Administration staff and the Agency Procurement Officer, the State Purchasing Officer, and individuals from Central Management Services, the Governor’s Office, and the Governor’s Office of Management and Budget. [Employee 3] said that the Procurement Business Case process is usually completed after the decision memorandum process, but that they may be done simultaneously.

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54 Chief Procurement Office Notice 2016.03 (eff. Aug. 24, 2015); see also 30 ILCS 500/45-45(a) (stating that "[e]ach chief procurement officer has authority to designate as small business set aside a fair proportion of . . . contracts for award to small businesses in Illinois. . . . In awarding the contracts, only bids or offers from qualified small businesses shall be considered.").
55 30 ILCS 500/20-80.
56 [Employee 3] was the [identifying information redacted], and continued to perform the duties of that position on a contractual basis through October 2016. [Employee 3] was interviewed on May 17, 2016 and February 23, 2017.
After the decision memorandum and Procurement Business Case processes are completed, DCFS Office of Contract Administration staff generate a written contract, which is signed by a DCFS representative and the vendor or grantee. DCFS then submits the contract to the Comptroller’s Office, which ultimately decides whether to obligate State funds to pay the contract.

3. DCFS No-Bid Contracts Processed as Sole Source Procurements

[This section, consisting of approximately two pages, contains information that the OEIG determined were unfounded. The Commission exercises its discretion to redact this section pursuant to 5 ILCS 430/20-52.]^57^58^59^60^61^62

4. DCFS No-Bid Contracts Processed as Grants

The Procurement Code does not apply to some types of transactions, including grant awards.63 The Code defines a “grant” as “the furnishing by the State of assistance, whether financial or otherwise, to any person to support a program authorized by law.”64 The Code explains that an award is not a grant if its “primary purpose . . . is to procure an end product for the direct benefit or use of the State agency making the grant, whether in the form of goods, services, or construction,” and states that “[a] contract that results from such an award is not a grant and is subject to this Code.”65 The Code applies “regardless of the source of the funds with which the contracts are paid, including federal assistance moneys.”66

In the course of the investigation, investigators identified several no-bid contracts that DCFS processed as grants, even though the purpose of the transactions appeared to be to purchase goods or services for DCFS.

i. Eckerd

Eckerd is a youth services organization headquartered in Florida.67 As noted above in the discussion of [redacted], on September 18, 2015, DCFS entered into a contract for Eckerd to

\footnotesize

57 [Redacted].
58 [Redacted].
59 [Redacted].
60 [Redacted].
61 [Redacted].
62 [Redacted].
63 30 ILCS 500/1-10(b).
64 30 ILCS 500/1-15.42.
65 30 ILCS 500/1-15.42. Similarly, the Grant Accountability and Transparency Act defines a “grant agreement” as a legal instrument used to enter into a relationship, “the principal purpose of which is to transfer anything of value from the awarding agency or pass-through entity to the non-federal entity to carry out a public purpose authorized by law and not to acquire property or services for the awarding agency or pass-through entity’s direct benefit or use . . . .” 30 ILCS 708/15.
66 30 ILCS 500/1-10(b).
develop, deploy, and maintain an automated Rapid Safety Feedback Program for DCFS. In Fiscal Year 2016, DCFS obligated approximately $195,560 to Eckerd.

DCFS did not request bids for the 2015 contract before awarding it to Eckerd. According to the Procurement Business Case Print Report, on September 8, 2015 (one week after the Procurement Business Case process was initiated), [Agency Purchasing Officer Rick] Hackler wrote: “SP0 [State Purchasing Officer] indicates this will be a Grants & Awards POC [purchase of care]. Please make changes and resubmit.” Various individuals subsequently approved the contract as a grant in the Procurement Business Case, including Mr. Hackler, a DCFS contracts administrator, and a CMS portfolio manager. In his interview, Director Sheldon said he did not have any discussions with anyone at DCFS about the procurement process for the Eckerd contract, and that it was not his decision to process it as a grant.

Because the purpose of the Eckerd contract was to develop an automated system for DCFS, rather than to support a program, OEIG investigators interviewed Mr. Hackler and [State Purchasing Officer Sharon] Clanton about why it was processed as a grant. Mr. Hackler said that the Eckerd contract initially was classified as a sole source procurement, which he believed was appropriate because Eckerd was the only company that offered a particular model. According to Mr. Hackler, Ms. Clanton changed the contract’s classification to a grant because DCFS was planning to pay for it with grant funds. Mr. Hackler said that at the time of this contract, he was not aware that the funding source is not relevant to whether a contract is exempt from the Procurement Code.

Ms. Clanton told investigators that she did not recall changing DCFS’s contract with Eckerd to a grant, as suggested in Mr. Hackler’s September 8, 2015 Procurement Business Case Print Report entry for the Eckerd transaction that the “[State Purchasing Officer] indicates this will be a Grants & Awards,” and observed that ordinarily she would make notations in the Procurement Business Case Print Report herself. Ms. Clanton further stated that she did not recall telling anyone at DCFS that the Eckerd transaction should be classified as a grant because DCFS was paying for it with grant funds. Ms. Clanton acknowledged that she was the State Purchasing Officer overseeing DCFS as of September 8, 2015.

Investigators interviewed Thwyla Drury, who manages the Comptroller’s Voucher Control Section. Ms. Drury said that when an agency submits a grant to her section, her staff reviews the description of the goods or services being purchased to verify that the transaction is properly coded as a grant, as defined in the Procurement Code. Ms. Drury explained that with a grant, the funds usually go to a vendor to conduct a program that benefits the general public; by contrast, a transaction is not a grant if the purchase is for the benefit or use of the agency requesting the funds. Ms. Drury told investigators that she has frequently heard, from many different agencies, the justification that a transaction is a grant because it is being paid with grant funds, but that she ignores it because the source of funds does not matter to the determination of whether the transaction is properly coded as a grant.

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68 The State’s 2016 fiscal year ran from July 1, 2015 through June 30, 2016.
69 Ms. Drury was interviewed on January 20, 2017.
Ms. Drury said that although DCFS’s Fiscal Year 2016 contract with Eckerd was coded as a grant, her staff did not notice the problem at that time. She stated that DCFS’s subsequent Fiscal Year 2017 contract with Eckerd also was coded as a grant, and was brought to her attention. Ms. Drury said she believed that DCFS had improperly coded the transaction as a grant because the contract was for services Eckerd was to provide to DCFS, rather than services for children or the general public. According to Ms. Drury, her determination that the Eckerd contract was not a grant was not a close call.

Ms. Drury said that she or her staff called DCFS, but she did not recall if the DCFS contact person offered a reason for classifying the Eckerd contract as a grant. Ms. Drury said that DCFS ultimately changed the coding of the Eckerd contract so that it was no longer a grant.

OEIG investigators confirmed that DCFS’s Fiscal Year 2017 contract with Eckerd was processed as a sole source procurement. The Procurement Business Case Print Report for that transaction explained that DCFS was replacing its Fiscal Year 2016 Eckerd grant agreement with a sole source procurement because DCFS “has no more grant funds.”

ii. TCC

Investigators also examined a DCFS no-bid grant agreement with TCC. According to DCFS documents, in 2015 DCFS sought to purchase software for its licensing unit’s tablet computers, using $255,000 of the approximately $257,000 in funds that remained under a federal Race to the Top grant.70 DCFS selected TCC,71 an information technology company headquartered in Indiana, to supply the software. According to DCFS records, it executed a no-bid grant agreement with TCC on April 1, 2016.72

[Employee 3] told investigators that she recalled a conference call in which the head of DCFS’s information technology unit proposed processing a transaction as a grant because it was paid with grant funds. [Employee 3] said she objected and said that a transaction is not a grant just because it is paid with grant funds. [Employee 3] said she told the call participants that if Ms. Clanton was willing to put in writing that the transaction could be processed as a grant, it could be done as a grant. [Employee 3] said she did not expect Ms. Clanton to do so, but she did.

[Employee 3] subsequently provided the OEIG with the document she referenced in her interview, in which Ms. Clanton provided written approval to process a transaction as a grant. That document was an October 2015 email exchange between DCFS [Employee 4] and Ms. Clanton:

[Employee 4]: We are moving forward with the Purchase of a mobile app for the Day Care Licensing Unit via the Race to the Top Grant. We have confirmed that the grant does not have any language that states it must be

70 An email from the Governor’s Office of Early Childhood Development to Comptroller’s Office staff regarding DCFS’s use of Race to the Top grant funds for the TCC contract indicated that federal officers for the Race to the Top grant “are aware of the work DCFS is doing and approve the use of RTT [Race to the Top] funds for this work.”
71 TCC is also known as TCC Software Solutions.
72 Director Sheldon told investigators that he was not familiar with the TCC contract.
competitively bid. This purchase is being paid for solely from this grant. The Contracts Dept is requesting written approval of this being Exempt from the Procurement Code. This is an [sic] grant that is exempt for [sic] Procurement Code.

Ms. Clanton:

Ms. Clanton told investigators that she recalled the October 2015 email exchange, and said she did not recall asking any questions about the TCC transaction or getting any information about the transaction other than what [Employee 4] wrote in her email. Nevertheless, Ms. Clanton said that she believed the TCC purchase fell within the Procurement Code’s definition of “grant” and was properly exempt from the Code because DCFS was purchasing “services . . . directly linked to . . . monitoring the children,” and because the TCC software was a “responsive element to a child’s safety.” Ms. Clanton told investigators that as Senior State Purchasing Officer, she approves transactions that are governed by the Procurement Code, and does not approve grants because they are not governed by the Procurement Code. Ms. Clanton said that despite [Employee 4’s] request in her email for Ms. Clanton’s “written approval” of the transaction as an exempt grant, [Employee 4] was merely asking for her “opinion,” because Ms. Clanton does not approve grants.

DCFS records indicate that in approximately late April 2016, the Comptroller rejected the TCC contract on the basis that TCC was providing a direct benefit to DCFS, and therefore the transaction was not a grant. Upon reviewing a copy of DCFS’s Fiscal Year 2016 contract with TCC, Ms. Drury told investigators that because the contract was for software licensing for DCFS, it provided no direct benefit to the public and should not have been a grant.

On June 23, 2016, DCFS executed a new no-bid contract with TCC, this time under the sole source exemption to the Procurement Code. DCFS’s stated justification for using that exemption was that it would lose the remaining federal grant funds if they were not used by June 30, 2016, and that DCFS then would be unable to complete the second phase of the project for which it originally purchased the computer equipment.

In her interview, Ms. Clanton said that DCFS “needed [the TCC contract] bad and . . . the only way for the timeframes that they were looking at to get this in place was to do a sole economically feasible source.” The Procurement Business Case Print Report for the sole source contract indicated that various individuals approved it, including Mr. Hackler, Ms. Clanton, CMS Procurement and Bureau of Communication and Computer Services personnel, and an individual from the Governor’s Office of Management and Budget.

Ms. Clanton said that as a result of the Comptroller’s Office’s rejection of DCFS’s classification of the TCC transaction as a grant, she has changed her mind about the classification. Mr. Hackler said that since the TCC grant award was rejected, he, Ms. Clanton, and other DCFS procurement staff have discussed that purchases of goods or services for the agency are not grants.
iii. DCFS’s Previous Approach to Classifying Contracts as Grants

Investigators inquired of [Employee 3] and Contract Administration Deputy Director Royce Kirkpatrick\(^{73}\) about DCFS’s practice of processing of contracts as grants based on the fact that they were funded with grant money.

According to [Employee 3], there was a period of time when Ms. Clanton took the position that if a transaction was paid with grant funds it could be processed as a grant for procurement purposes, but [Employee 3] did not recall when Ms. Clanton began taking this approach. Mr. Kirkpatrick said he believed the approach originated in approximately Fiscal Year 2013, when an email exchange with the State Purchasing Officer resulted in DCFS’s contracts with Northwestern University and Chapin Hall changing from sole source procurements to grants based on the use of grant funds to pay them.

Investigators obtained and reviewed emails regarding the Chapin Hall contracts. These emails reflect that on February 27, 2012, in response to a question from DCFS’s procurement manager, then-DCFS Agency Procurement Officer Debra Matlock confirmed that the Chapin Hall contracts should be processed as grants; Ms. Clanton, who was a State Purchasing Officer at the time, was copied on the email.

Investigators interviewed Ms. Clanton, who stated that she reviewed and approved DCFS procurements as the DCFS Deputy Director of Purchasing from 2004 to 2010. Ms. Clanton has worked for the Chief Procurement Office since 2010, and has been the Senior State Purchasing Officer assigned to oversee DCFS procurements since June 2015.

Ms. Clanton said that when she was DCFS’s Deputy Director of Purchasing, she “caught a couple” of transactions that were classified as grants even though DCFS was purchasing goods or services for agency use, and said she did not recall approving any such contracts when she worked at DCFS. Ms. Clanton said that she approved DCFS’s initial contract with Chapin Hall as a sole source procurement, but that at some point after she left DCFS, Ms. Matlock changed the classification of the Chapin Hall and Northwestern University contracts from sole source procurements to grants.

Ms. Clanton said that at the time the classification of the Chapin Hall and Northwestern contracts changed, she was “covering” for the State Purchasing Officer assigned to oversee DCFS procurements, Brian Quinn. Ms. Clanton said she received an email from Ms. Matlock about the change, but Ms. Clanton only recalled that the justification for the change had something to do with funding. According to Ms. Clanton, she expressed concerns to Ms. Matlock because the change was “based on funding and not on definitions,” and was not satisfied with Ms. Matlock’s response, which Ms. Clanton said referenced some legislation.\(^{74}\) Ms. Clanton said she also relayed her concerns to Mr. Quinn, but did not recall how he responded.

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\(^{73}\) Mr. Kirkpatrick has been the Deputy Director of the Office of Contract Administration since March 1, 2016; prior to that, Mr. Kirkpatrick was DCFS’s Budget Officer. Mr. Kirkpatrick was interviewed on February 27, 2017.

\(^{74}\) Ms. Clanton said she did not recall what legislation Ms. Matlock referenced.
5. DCFS’s No-Bid Contract with the Zachary Group (Gary Yordon)

Finally, investigators examined a DCFS no-bid grant agreement with the Zachary Group, which is a media and political consulting company headquartered in Florida. Gary Yordon is the President of the Zachary Group.

As with Eckerd and TCC, a contract with the Zachary Group was sent by DCFS to be processed as a grant when it was a purchase of goods and services for DCFS. However, in addition to this impropriety, investigators discovered that Director Sheldon commissioned the work product from the Zachary Group prior to any proper consideration or approval of the purchase. As detailed further below, the Zachary Group first completed work for DCFS at Director Sheldon’s request. Then the Zachary Group sought payment for its services, after which the procurement process was considered for the first time by DCFS. DCFS first attempted to pay the Zachary Group by way of a grant, which was rejected by the Comptroller’s Office, and then the transaction was recoded by DCFS as a small purchase without completing the proper procedures for that exemption.

i. The Zachary Group Performs Work for DCFS in 2015

Investigators reviewed emails and other DCFS documents regarding the work the Zachary Group performed for DCFS in 2015. Those documents, and interviews of various individuals, reflect the following timeline relating to that work:

**March-May 2015**  
Mr. Yordon contacted Director Sheldon and offered to make public service announcements (PSAs) for DCFS. Director Sheldon made then-DCFS Public Information Officer Andrew Flach the point-of-contact for the project, and Mr. Yordon and Mr. Flach exchanged emails about the possibility of the Zachary Group producing PSAs for DCFS.

**May 15, 2015**  
Director Sheldon asked Mr. Flach for information on the production costs, and stated: “He [Mr. Yordon] can begin work on content.” Mr. Flach advised Director Sheldon that Mr. Yordon estimated the cost to be $30,000-$35,000.

**May 22, 2015**  
Mr. Flach wrote Mr. Yordon that he had spoken to Director Sheldon and “we have a green light.”

**November 9 and 20, 2015**  
Mr. Yordon emailed links to the PSAs to Mr. Flach.

**November 30, 2015**  
Mr. Yordon submitted an invoice for $35,000 to Mr. Flach.

**February 1, 2016**  
DCFS publicly released one PSA and made it available for broadcast.

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75 Mr. Flach told investigators that he was DCFS’s Public Information Officer from January 2015 until approximately fall 2015, and then was Chief of Staff until he left DCFS employment in February 2016.
Investigators interviewed Gary Yordon regarding the work the Zachary Group did for DCFS. Mr. Yordon said he had known Director Sheldon since the 1970s. Mr. Yordon said he previously produced videos for Director Sheldon’s Florida Attorney General campaign, and charged only the production costs for the work. Mr. Yordon said that he contacted Director Sheldon shortly after Director Sheldon was appointed DCFS Director, to offer to make PSAs for DCFS. Mr. Yordon said that approximately one month later, Director Sheldon contacted him and told him he was interested in doing PSAs on infant deaths caused by co-sleeping and drowning, and that Director Sheldon subsequently put him in contact with Andrew Flach.

Mr. Yordon said he provided Mr. Flach an estimate of $35,000 for the work; however, during the interview Mr. Yordon declined to provide a breakdown of his costs. Mr. Yordon said he filmed PSAs on co-sleeping and drowning in Illinois during the summer of 2015, using his own camera and equipment and a camera person from Florida, and that he filmed one of them in the home of a DCFS employee. Mr. Yordon said that the actors in the videos were family friends, and that he could not remember if they were paid. Mr. Yordon said he delivered the PSAs in approximately November 2015, and billed DCFS after the work was delivered.

Investigators also interviewed Mr. Flach. Mr. Flach said he discussed the PSAs with Mr. Yordon, and that Mr. Yordon told him he could do the work for $30,000 to $35,000. Mr. Flach said CMS had previously recorded radio PSAs for DCFS, but he did not recall whether he asked CMS if it had the capability to create video PSAs; he said he did not look at any other private vendors to produce the PSAs. Mr. Flach said he did not talk to Mr. Yordon or Director Sheldon about doing a written contract for the work, and that he did not talk to anyone in the DCFS contract or procurement offices before he gave Mr. Yordon the “green light.”

Mr. Flach said that in November 2015, Mr. Yordon delivered the PSAs to him. Mr. Flach said Mr. Yordon submitted a bill for the work dated November 29, 2015, which Mr. Flach forwarded to DCFS Chief Financial Officer Matt Grady and then-Chief Deputy Director Carolyn Ross for payment. Mr. Flach said DCFS publicly released the co-sleeping PSA sometime before February 9, 2016, but waited to release the drowning PSA until May 2016, to coincide with Infant Drowning Prevention Month.

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76 Mr. Yordon was interviewed by telephone on January 30, 2017.
77 Mr. Yordon said he did work for other candidates as well, under similar arrangements.
78 As noted above, Director Sheldon was appointed DCFS Director in February 2015.
79 “Co-sleeping” refers to the practice of a parent sharing a bed with an infant.
80 Mr. Flach was interviewed on February 28, 2017.
81 Investigators subsequently confirmed that in 2015, CMS did have the capability of producing video PSAs for State agencies at minimal cost.
82 Chief Accountability Officer Derek Hobson told investigators that he recalled Mr. Flach asking him about the availability of funding for a PSA project in approximately August 2015, but said Mr. Flach did not tell him anything about a vendor at that time. Mr. Hobson said he did not respond to Mr. Flach’s funding question at that time, and that their discussions about the project did not resume until February 2016.
83 Mr. Flach said the PSAs he received in November 2015 could be shown on YouTube, but the resolution was not high enough to be broadcast on television; Mr. Flach could not recall whether Mr. Yordon later provided broadcast-ready files.
84 In his March 16, 2017 interview, Mr. Grady told investigators that he did not recall if he saw the invoice in November 2015, or whether he took any action regarding it.
In his interview, Director Sheldon said that he brought the Zachary Group in because he had worked with Mr. Yordon before, and Mr. Yordon told him that he was willing to charge DCFS just for the production expenses in making the PSAs. Director Sheldon said he believed it was less costly for DCFS to use Mr. Yordon’s company than it would have been to contract directly with an Illinois company, although he acknowledged that he did not check the pricing of any Illinois companies. Director Sheldon said he did not recall discussing how the Zachary Group transaction was to be processed for procurement purposes, and said he assumed DCFS staff went through the appropriate procurement process. Director Sheldon said no one told him that there were any problems with the way the Zachary Group contract was awarded.


DCFS emails and other documents indicate that the decision memorandum, Procurement Business Case, and contract processes occurred in 2016, after the Zachary Group delivered the PSAs to DCFS and billed DCFS for the work, as shown in the timeline below:

*February 4, 2016*  In response to an emailed question from Chief Financial Officer Matthew Grady about whether the Zachary Group’s November 2015 invoice had been paid, DCFS’s Accounting Manager wrote that the bill could not be paid without an approved decision memorandum and a contract.

*February 5, 2016*  Mr. Flach emailed Mr. Grady and Chief Accountability Officer Derek Hobson links to the co-sleeping PSAs.

*February 9, 2016*  DCFS staff began circulating a draft decision memorandum, which indicated a contract effective date of July 1, 2015.

*February 18, 2016*  [Employee 3] emailed Mr. Hobson.\(^{85}\) [I]t appears that these PSAs have already occurred and we are now figuring out how to pay for them. Is that accurate? If so, then that explains why the start date is 7/1/15! . . . I’m thinking it would be best to do this as a BOA [basic ordering agreement] using grant money. Mr. Hobson responded that that the start date should have been March 1, 2016, and that he understood that the PSAs were “only drafts.”

*February 24-25, 2016*  Mr. Flach, [Employee 3], Mr. Kirkpatrick (who was DCFS’s Budget Officer at the time), and Mr. Grady signed the decision memorandum, which showed a contract effective date of March 1, 2016, and stated that the transaction was a grant.\(^{86}\)

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\(^{85}\) [Employee 3] also copied other DCFS personnel on the email, including her supervisor, Royce Kirkpatrick.

\(^{86}\) Mr. Grady signed the decision memorandum twice: once in his capacity as Chief Financial Officer, and once on behalf of Director Sheldon.
March 3, 2016  Mr. Hackler and a CMS portfolio manager electronically approved the Procurement Business Case, which showed an expected contract start date of March 1, 2016, and procurement approach “Grant Agreement.” In the “Economic Justification” for the transaction, the Procurement Business Case Print Report stated that the Zachary Group “has done several things pro-bono and the Department is dependent on them to produce the necessary [PSAs].”87

March 8, 2016  Mr. Kirkpatrick signed the contract in his new capacity as DCFS Office of Contract Administration Deputy Director. The contract indicated that the contract term was to run from March 1, 2016 to June 30, 2016, and that “[t]he State will not pay for . . . services rendered, including related expenses, incurred prior to the execution of this contract by the Parties . . . .” The contract stated that the source selection and procurement method were “Grant Agreement.”

Investigators asked Mr. Kirkpatrick and Mr. Grady88 about the propriety of commissioning the Zachary Group to produce PSAs without first executing a contract. Mr. Kirkpatrick said that the contract language stating that “[t]he State will not pay for . . . services rendered, including related expenses, incurred prior to the execution of this contract by the Parties . . . .” meant that payment could not be made until the total project was approved. Mr. Kirkpatrick said that for a “project-based” transaction, such as the Zachary Group’s PSA project, a vendor can do some “pre-work” before the contract is executed, but that the receiving officer (Mr. Flach, in this case) had to review and approve the project after the contract was executed.

Mr. Kirkpatrick said that in February 2016, when he was the DCFS Budget Officer, he participated in a telephone call with Mr. Flach and Mr. Hobson to discuss funding for the Zachary Group transaction. Mr. Kirkpatrick said that during that call he was told that the Zachary Group had five or six items that were being finished up, Mr. Flach had not reviewed the work, and that the PSAs were going to run in May. Mr. Kirkpatrick said Mr. Flach also said that the Zachary Group had done some pro bono work for DCFS, but did not provide any details.89

87 DCFS analyst [Employee 5] told investigators that she drafted the Procurement Business Case Print Report for the Zachary Group transaction, and that the reference to prior pro bono work came from either [Employee 3] or DCFS analyst [Employee 6]. [Employee 3] said she did not know what the statements in the Procurement Business Case Print Report about prior pro bono work referenced. [Employee 6] recalled having heard from Mr. Hobson that the Zachary Group had done pro bono work before, but said he did not tell her what that work was. Mr. Hobson told investigators that Mr. Flach told him that the Zachary Group had worked on a project pro bono; however, in his interview, Mr. Flach said he did not tell anyone at DCFS that Mr. Yordon had done pro bono work. Director Sheldon stated in his interview that Mr. Yordon was willing to develop PSAs for DCFS on a pro bono basis, but that there would be some production costs.

88 Mr. Grady has been DCFS’s Deputy Director of Budget and Finance and Chief Financial Officer since approximately 2014 or 2015. Mr. Grady was interviewed on March 16, 2017.

89 In his interview, Mr. Hobson said that in February 2016, Mr. Flach told him that the Zachary Group had been working on a project pro bono, and that DCFS would be purchasing a final product from the Zachary Group; Mr. Hobson said Mr. Flach also told him the PSAs were drafts. In his interview, Mr. Flach said Mr. Yordon did not say he would do any of the work for free, and that he (Mr. Flach) did not tell anyone at DCFS that Mr. Yordon had done pro bono work. Mr. Flach said he did not recall telling Mr. Hobson that the PSAs were drafts, that he (Mr. Flach) had
Mr. Kirkpatrick said that if vendors incur costs before DCFS approves the project, they do so “at their risk,” because there is no mechanism for a vendor to receive payment if the project ultimately is not approved. When asked what the problem would be if a vendor did work and billed for it before the decision memorandum process was completed and a contract was executed, Mr. Grady said there would be “no proper authority” for the transaction. Mr. Grady said it is not good accounting practice to award grant funds for prior incurred costs, and agreed that a contract should be executed before services are provided or grant costs are incurred.

iii. DCFS’s Decision to Process the Zachary Group Transaction as a Grant

Investigators also interviewed various DCFS personnel who approved the Zachary Group transaction about the decision to process it as a grant. According to Mr. Grady, DCFS Contract Administration staff generally work with the Agency Procurement Officer and the division recommending the purchase on the “front end,” to determine whether a transaction should be processed as a contract under the Procurement Code, or whether it should be a grant. Mr. Kirkpatrick said that a Contract Administration representative signs off on the decision memorandum to verify that the procurement method is correct.90

[Employee 3] said she suggested processing the Zachary Group transaction as a grant because it could not be processed retroactively unless it was exempt from the Procurement Code, and because other similar transactions had been processed as grants and accepted by the Comptroller’s Office. [Employee 3] said that although the retroactive circumstances91 of the Zachary Group transaction had a bearing on her recommendation to process the transaction as a grant, she also believed it was consistent with the Procurement Code’s definition of “grant” because DCFS clients and potential clients were the intended audience for the PSAs, rather than DCFS. [Employee 3] said she did not recall who made the final decision to process the transaction as a grant, but that her opinion would have been weighed in conversations with Mr. Hobson and Mr. Kirkpatrick.

Mr. Hobson told investigators that he participates in the decision memorandum process for transactions that are paid with grant funds he oversees, and that he and Contracts Administration staff collectively decide how to process such transactions for procurement purposes.92 Mr. Hobson said his decision to process the Zachary Group transaction as a grant was based primarily on

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90 According to Mr. Kirkpatrick and Mr. Grady, the Budget Office signs off on the decision memorandum to verify that funds are available. Mr. Grady said that in his capacity as Chief Financial Officer, he signs off on the decision memorandum to verify fund availability, as well as that the expenditure is consistent with DCFS’s goals and limitations; Mr. Grady said the Director (or his designee) signs off to indicate final operational approval. However, according to [Employee 3], signing off on the decision memorandum also includes approving the use of a particular Procurement Code exemption.

91 [Employee 3] said she had seen an invoice for the transaction, and that Mr. Hobson did not tell her why he understood that the PSAs were only drafts, as stated in his February 18, 2016 email; [Employee 3] also said she was unaware that one of the PSAs had already been publicly released.

92 Mr. Hobson explained that he manages DCFS’s federal grant unit, in addition to his duties as Chief Accountability Officer. Mr. Hobson was interviewed on February 27, 2017.
funding, and his belief that it fit the profile of the federal funding source being used; he said he did not think about whether the transaction qualified as a grant under the Procurement Code’s definition.

Mr. Kirkpatrick said he signed the Zachary Group decision memorandum in the position he then held as the Budget Officer, and that his signature merely indicated that funds were available. However, Mr. Kirkpatrick told investigators that he agreed with processing the Zachary Group transaction as a grant because the purpose of the PSAs was to notify the public of the risks of co-sleeping and drowning, and that the PSAs therefore were not for DCFS’s use.

Mr. Hackler approved the Zachary Group transaction in the Procurement Business Case. Mr. Hackler told investigators that he is not involved in the decision to treat a transaction as exempt from the Procurement Code, and that he plays no part in deciding to characterize a transaction as a grant. He said he did not recall that the purchase of the Zachary Group’s services was processed as a grant, and that he did not know why it was processed that way. Mr. Hackler acknowledged that DCFS requires him to participate in the Procurement Business Case process for all transactions, including those that are exempt from the Procurement Code. However, according to Mr. Hackler, his approval of an exempt contract during this process merely indicates that he agrees the information provided is consistent, and does not indicate his agreement that the contract is exempt from the Procurement Code or his approval of the contract.

iv. The Comptroller’s Rejection of DCFS’s Classification of the Zachary Group’s Contract as a Grant

Documents reviewed in the investigation indicate that the Comptroller’s Office received DCFS’s paperwork for the Zachary Group grant transaction on March 16, 2016. Ms. Drury told investigators that she believed DCFS’s classification of the Zachary Group transaction as a grant was incorrect because the contract was for the Zachary Group to provide PSAs for DCFS. Ms. Drury explained that although the PSAs would provide some public benefit, the Zachary Group’s work was not going to benefit the public directly. Ms. Drury said her determination might have been different if, for example, in addition to producing the PSAs the Zachary Group was going to go to schools to screen them. Ms. Drury said she knew the Zachary Group transaction was not a grant the “minute” she saw the DCFS documents.

v. Reclassification of DCFS’s Contract with the Zachary Group as a Small Purchase, and Payment of the Contract

Documentation obtained from the Office of the Comptroller indicated that it received a “corrected” copy of DCFS’s paperwork for the Zachary Group transaction on March 22, 2016. That documentation had what appears to be a handwritten award code indicating that the

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93 Although the decision memorandum includes a signature line for “APO Review,” that line was blank on the Zachary Group decision memorandum. Mr. Kirkpatrick told investigators that for grants, the extent of the Agency Procurement Officer’s involvement is to approve the Procurement Business Case.

94 The duties listed in the job description for Mr. Hackler’s Agency Procurement Officer position do not specify participating in the decision memorandum or Procurement Business Case processes, but do generally include “monitor[ing] to ensure strict compliance with the Procurement Code, the Standard Procurement Rules, all relevant federal, state, and local procurement laws and regulations . . . .”
transaction was a small purchase. On April 14, 2016, the Comptroller’s Office issued a voucher to pay the Zachary Group $35,000.

Mr. Hackler and Ms. Clanton told investigators that when the Zachary Group procurement was re-processed as a small purchase, DCFS should have started the Procurement Business Case process over, obtained Mr. Hackler and Ms. Clanton’s approval, and obtained Ms. Clanton’s approval of a waiver of the requirement to solicit registered Illinois small businesses. 95 However, Mr. Hackler told investigators that he was not aware that the Comptroller’s Office had rejected the grant award to the Zachary Group, and Ms. Clanton said she did not recall DCFS submitting the transaction to her for approval of the contract or the waiver.

Investigators interviewed DCFS Account Technician [Employee 7] about how the Zachary Group transaction was changed from a grant to a small purchase. 96 [Employee 7] said [Comptroller’s Employee], emailed her that the Zachary Group contract was coded incorrectly, and then asked her in a follow up call whether the Zachary Group was creating the PSAs, or whether DCFS was buying the rights to existing PSAs. 97 [Employee 7] said she consulted [Employee 6], who was the DCFS analyst assigned to the transaction, and used the information [Employee 6] gave her to change the code for the transaction, based on [Comptroller’s Employee’s] instructions. [Employee 7] said she did not know what the procurement requirements were for a small purchase, and that she did not consult a supervisor before she changed the code for the Zachary Group transaction. [Employee 7] said her supervisor, [Employee 3], talked to her about the matter about one week later, and told her not to make such changes again without supervisory approval.

Investigators interviewed DCFS Contract Analyst [Employee 6]. 98 [Employee 6] said she generated the agreement used for the Zachary Group transaction, and that another analyst created the Procurement Business Case because she did not have time to do so. 99 [Employee 6] said that subsequently, [Employee 7] told her that the Comptroller’s Office was rejecting the Zachary Group transaction because it should have been a small purchase. [Employee 6] said she told [Employee 7] that she guessed they had to do whatever the Comptroller’s Office wanted, and then [Employee 7] changed the award code on the paperwork to reflect a small purchase. [Employee 6] said she did not think about the procurement consequences of making that change, and that it was an “honest mistake” on both her and [Employee 7’s] parts. [Employee 6] said [Employee 3] later talked to her and told her that the transaction could not be changed to a small purchase because they did not have the required paperwork for a procurement.

95 According to Ms. Clanton, PSAs would not be considered professional or artistic services, which she described as typically involving contracts with regulated individuals, such as physicians or accountants. As noted above, the small purchase limit for supplies or services other than for professional or artistic services and construction is $50,000, and the small purchase limit for professional or artistic services is $20,000. 44 Ill. Admin. Code § 1.2020(a) (Oct. 31, 2014).
96 [Employee 7] was interviewed on March 20, 2017.
97 [Employee 7] said her job duties include acting as the liaison between Contract Administration and the Comptroller’s Office.
98 [Employee 6] was interviewed on February 23, 2017.
99 [Employee 6] said [Employee 3] told her that the transaction was to be processed as a grant because it was being paid with grant funds.
In her interview, [Employee 3] said she learned of the changed award code after the change was made and after payment was issued, and said she told [Employee 7] never to change something that had been signed. [Employee 3] said she attempted to convince the Comptroller’s Office to change the classification of the transaction back to a grant, but that the Comptroller’s Office personnel did not “buy” her argument that the PSAs were used for a public purpose. [Employee 3] said she ultimately let the matter go because the Comptroller’s staff did not tell her to take any further action, and the Zachary Group had already been paid. [Employee 3] said that if she had known the Comptroller’s Office had rejected the transaction as a grant when it happened she would have tried to find another way to process it, but that the Zachary Group probably would have had to pursue an action against DCFS in the Court of Claims in order to get paid.

IV. ANALYSIS

The OEIG and DCFS-OIG’s joint investigation revealed a variety of problems at DCFS, including Director Sheldon’s imprudent hire of Igor Anderson to perform duties that included driving State vehicles, despite Mr. Anderson’s suspended driver’s license; and Mr. Anderson’s subsequent misuse of State vehicles and time abuse during his State employment. In addition, the investigation revealed that Director Sheldon violated conflict of interest rules relating to one no-bid contract, and that mismanagement occurred in DCFS’s award of several other no-bid contracts.

A. Analysis and Findings Relating to Igor Anderson

1. Director Sheldon Mismanaged DCFS When He Hired Igor Anderson

Director Sheldon hired Mr. Anderson as his Confidential Assistant, under a Personal Services Contract in September 2015. Due to the nature of the position, Mr. Anderson was not subject to the interview, evaluation, and selection procedures of Rutan. Given Mr. Anderson’s education and previous employment, he met the minimum required qualifications for the position. However, although Director Sheldon admitted that Mr. Anderson advised him that he had been charged with a DUI (which, according to Mr. Anderson, had been resolved through a plea to a lesser charge), Director Sheldon took no steps to independently verify the status of Mr. Anderson’s driver’s license before he engaged him to perform duties that included driving State vehicles. Had he done so, he would have learned that Mr. Anderson’s license was suspended for violating a driving restriction. In his interview, Director Sheldon acknowledged that Mr. Anderson “was a stupid hire.” The allegation that Director Sheldon mismanaged DCFS when he hired Igor Anderson is FOUNDED.

2. Mr. Anderson Abused State Time and Failed to Provide Accurate Time Records, and Director Sheldon Approved Mr. Anderson’s Initial Time Sheets

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100 Ms. Drury said that she participated in a conference call with [Employee 3], and possibly Mr. Kirkpatrick, to discuss the Zachary Group transaction. Ms. Drury recalled that the DCFS personnel said they wanted the transaction to be a grant, but did not explain why, and she told them that the transaction could not be a grant.

101 The OEIG concludes that an allegation is “founded” when it has determined that there is reasonable cause to believe that a violation of law or policy has occurred, or that there has been fraud, waste, mismanagement, misconduct, nonfeasance, misfeasance, or malfeasance.
Mr. Anderson’s contract required him to provide accurate and timely invoices, and stated that by submitting an invoice, Mr. Anderson certified that the services he provided met all requirements of the contract and scope of services, and that the amount billed was as allowed in the contract.\textsuperscript{102} In addition, DCFS’s Employee Handbook states that “[a]ccuracy is required for all documents, including but not limited to . . . [e]mployee time records.”\textsuperscript{103} Contrary to these requirements, on numerous dates in 2015 Mr. Anderson billed DCFS for time when he was not working, including October 4, 10, 11, and 30; November 7, 11, 26, and 27; and December 6. The allegation that Mr. Anderson failed to provide accurate time records and invoices is \textbf{FOUNDED}.

Director Sheldon approved Mr. Anderson’s time sheet for October 10 and 11, 2015, even though he and Mr. Anderson were in Michigan on those dates, the trip did not relate to State business, and Director Sheldon said he was not aware of Mr. Anderson doing any work during the trip. Director Sheldon said in his interview that he should not have approved Mr. Anderson’s time for those dates. The allegation that Director Sheldon improperly approved Mr. Anderson’s time for October 10 and 11, 2015 is \textbf{FOUNDED}.\textsuperscript{104}

\textbf{3. Mr. Anderson Violated DCFS’s Vehicle Use Policy, and Failed to Disclose His License Restrictions on State Employment Forms}

DCFS’s Vehicle Use Policy requires that drivers using State vehicles “possess a valid driver’s license appropriate for use.”\textsuperscript{105} The evidence gathered by the DCFS-OIG revealed that Mr. Anderson’s driver’s license was suspended or revoked as of August 11, 2015, when he violated a previously imposed restriction to drive for business purposes only, and that on October 26, 2015 it was cancelled when Mr. Anderson failed to complete DUI school. Despite not having a valid driver’s license, Mr. Anderson continued to drive a State vehicle on at least ten occasions after August 11, 2015. The allegation that Mr. Anderson violated DCFS’s Vehicle Use Policy by driving a State vehicle when he did not possess a valid license is \textbf{FOUNDED}.

In addition, the CMS 100 forms Mr. Anderson completed on September 14, 2015 and December 14, 2015 asked him to identify any restrictions on his driver’s license, and his signature on the forms “certif[i]ed that all the information on this application is true and accurate,” and that Mr. Anderson understood that “misrepresentation of any material fact may be grounds for ineligibility or termination of employment.” Although Mr. Anderson’s license was suspended and restricted to use for “business purposes only” on June 17, 2015 following a DUI charge, and was suspended for violating that restriction on August 11, 2015, Mr. Anderson did not list those restrictions on his September 14, 2015 CMS 100 form. Nor did he list those restrictions or the October 26, 2015 cancellation of his license on his December 14, 2015 CMS 100 form. The

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\textsuperscript{102} DCFS Contract, Igor Anderson, Section 4.1.1 Invoicing.
\textsuperscript{103} DCFS Employee Handbook, § 3.16 (June 2006). Mr. Anderson’s contract required him to comply with DCFS employment requirements in effect during the contract term. DCFS Contract, Igor Anderson, Section 1.1 S(a).
\textsuperscript{104} Then-Chief Deputy Director Carolyn Ross signed Mr. Anderson’s time sheets after October 15, 2015. Because Mr. Anderson was generally with Director Sheldon when he was working, rather than with Ms. Ross, there is insufficient evidence to conclude that Ms. Ross’s approval of those time sheets amounted to a violation.
\textsuperscript{105} DCFS Vehicle Use Policy, 2 (January 30, 2013).
\end{flushleft}
allegation that Mr. Anderson failed to disclose restrictions on his driver’s license on his September 14, and December 14, 2015 CMS 100 forms is **FOUNDED.**

**B. Analysis and Findings with Regard to Employment of Other DCFS Staff**

[This section, consisting of approximately 1 1/2 pages, concerns matters that the OEIG has determined to be unfounded and the Commission exercises its discretion to redact it pursuant to 5 ILCS 430/20-52.]

**C. Director Sheldon Violated Conflict of Interest Rules by Participating in the Decision to Award a No-Bid Contract to Five Points**

The evidence gathered in this investigation revealed that Director Sheldon violated conflict of interest rules applicable to DCFS employees, by participating in the decision to award a no-bid contract to Five Points, given his co-ownership of investment property with Five Points consultant Christopher Pantaleon.

As noted above, DCFS’s Employee Handbook states that employees who are given a DCFS assignment “that involves a person, group, or other entity with which they have a personal, financial, or beneficial relationship” should “disqualify themselves from any official action related to the assignment.”

In addition, applicable administrative rules prohibit DCFS employees from using their official position to “benefit the economic interest, private or personal interest of . . . persons with whom he or she has a personal relationship.” The administrative rules define “personal relationship” as including individuals with whom the employee “has or has had a social, business or other relationship that has the potential to influence or affect one’s objectivity.”

Despite the fact that he owns an investment property with Christopher Pantaleon, in March 2015 Director Sheldon made the decision to award a no-bid DCFS contract to Mr. Pantaleon’s company, Five Points, under which Mr. Pantaleon was to receive $30,000. Director Sheldon did not disclose his financial relationship with Mr. Pantaleon to anyone at DCFS for more than one year after DCFS entered into the Five Points contract, and continues to be involved in the work performed under the contract, including receiving updates, participating in telephone conferences, and attending meetings with Mr. Pantaleon.

Director Sheldon admitted that he should have disclosed his relationship with Mr. Pantaleon sooner. However, he said he did not believe his relationship with Mr. Pantaleon created a conflict of interest relating to DCFS’s contract with Five Points. Director Sheldon explained that he awarded the contract to Five Points because he needed to act quickly to resolve issues identified in the ongoing *B.H.* litigation, and he believed Five Points and Mr. Pantaleon were best equipped to do the work DCFS needed. Director Sheldon said his decision to award the contract to Five Points had nothing to do with his co-ownership of property with Mr. Pantaleon.

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106 [Redacted.]
107 DCFS Employee Handbook, § 3.9 (June 2006).
Director Sheldon has had a financial relationship with Mr. Pantaleon since 2003. Director Sheldon reported receiving $1,460 in rental income from the property in 2015, and regardless of the current status of the Florida housing market he has at least the potential to realize a future profit on the sale of the property. DCFS’s contract with Five Points involved a person with whom Director Sheldon had and has a financial relationship, given that the contract specifically provided that Mr. Pantaleon would perform work under it. Accordingly, Director Sheldon should have disqualified himself from taking any official action related to Five Points, including awarding a no-bid contract to that company. The allegation that Director Sheldon violated DCFS’s conflict of interest policy and applicable administrative rules, is FOUNDED.

D. [Redacted]

[This section, consisting of three paragraphs, concerns matters that the OEIG has determined to be unfounded and the Commission exercises its discretion to redact it pursuant to 5 ILCS 430/20-52.]

E. Director Sheldon and Mr. Flach Committed Mismanagement When They Commissioned Work from the Zachary Group

The evidence gathered in this investigation revealed that Director Sheldon and then-Public Information Officer Andrew Flach committed mismanagement when they commissioned the Zachary Group to produce PSAs for DCFS, without first consulting DCFS procurement and contracts staff or otherwise determining how DCFS would process the transaction in compliance with procurement requirements.

Mr. Flach and Director Sheldon made no effort to determine what procurement or contractual procedures applied before they commissioned the Zachary Group to create PSAs for DCFS, and committed State funds for the project. Director Sheldon stated that he did not recall discussing how this transaction would be processed for procurement processes. Mr. Flach also told investigators that he did not talk to Mr. Yordon or Director Sheldon about doing a written contract for the work, and that he did not talk to anyone in the DCFS contract or procurement offices before he directed Mr. Yordon to begin work. Emails show that, after speaking with Director Sheldon, Mr. Flach told Mr. Yordon to start the project in May 2015. Mr. Yordon sent the PSAs to Mr. Flach in November of 2015 along with an invoice for his work. It was not until February 2016 that DCFS began circulating the decision memorandum required prior to executing a vendor payment.

Although Director Sheldon stated in his interview that he defers to “the professionals of the agency” on procurement matters and that he assumed DCFS staff went through the appropriate procurement process regarding the Zachary Group transaction, he and Mr. Flach did not include anyone else in these discussions or the decision to hire the Zachary Group. None of the relevant DCFS staff interviewed in this investigation said they were aware of the Zachary Group’s work
for DCFS until at least February 2016, which was after the Zachary Group created the PSAs and billed DCFS $35,000 for the work.\textsuperscript{110}

Director Sheldon told investigators that he believed that commissioning PSAs from the Zachary Group for $35,000 was a cheaper option, although he admitted that he did not check the pricing of any Illinois companies.\textsuperscript{111} Mr. Flach said he did not look at any other vendors to produce the PSAs, because Director Sheldon had asked him to work with Mr. Yordon. In his interview, Mr. Yordon declined to provide a breakdown of his costs. In short, no one knows if DCFS could have purchased the PSAs from another vendor at a lower cost because no one checked other vendors’ pricing, and the project was not bid out. In addition, it appears that DCFS could have obtained PSAs from CMS at minimal cost, instead of paying $35,000 in State funds to the Zachary Group; however, neither Director Sheldon nor Mr. Flach explored this option before commissioning the Zachary Group for the work.

Director Sheldon and Mr. Flach’s failure to ensure that the Zachary Group transaction complied with procurement requirements before commissioning the work and committing $35,000 of State funds to the project, or even to seek guidance about the appropriate process for purchasing the Zachary Group’s services, was highly irresponsible. Part of the purpose of procurement rules is to ensure that the State is getting the best price and using State funds appropriately. The process provides such review; failing to go through the process, whether intentional or not, bypasses an important requirement that all State agencies must follow.

The allegation that Director Sheldon and Mr. Flach committed mismanagement when they commissioned the Zachary Group to produce PSAs for DCFS, without first consulting DCFS procurement and contracts staff or otherwise determining whether it was appropriate or proper for DCFS to commission such work in compliance with procurement requirements, is FOUND.\textsuperscript{112}

\textbf{F. DCFS Committed Mismanagement by Processing No-Bid Contracts Awarded to Eckerd, TCC, and the Zachary Group as Grants}

The evidence gathered in this investigation further revealed that DCFS committed mismanagement by processing the no-bid contracts awarded to Eckerd, TCC, and the Zachary Group as grants.

As discussed above, the Procurement Code and its competitive bidding requirements do not apply to grant awards.\textsuperscript{112} The Code defines a “grant” as assistance provided to support a program, as opposed to the purchase of goods or services for the direct benefit or use of the agency making the award, and specifies that the source of the funds with which the contract is paid is not

\textsuperscript{110} Although Chief Accountability Officer Derek Hobson recalled Mr. Flach asking him about the availability of funding for a PSA project in approximately August 2015, he said Mr. Flach did not tell him anything about a vendor at that time.

\textsuperscript{111} The Procurement Business Case Print Report for the Zachary Group transaction indicated that prior pro bono work performed by the Zachary Group was a justification for choosing that company. Although that report’s author said he obtained that information from Mr. Hobson, and Mr. Hobson said he heard it from Mr. Flach, Mr. Flach said he did not tell anyone at DCFS that Mr. Yordon had done pro bono work.

\textsuperscript{112} See 30 ILCS 500/1-10(b)(2).
relevant to the determination of whether the Code applies. As Comptroller Voucher Control Section Manager Thwyla Drury explained, a transaction is not a grant unless the purchase directly benefits the public, regardless of whether it is being paid with grant funds.

The evidence obtained in this investigation revealed that DCFS improperly processed its contracts with Eckerd and TCC as grants, even though both were purchases of goods or services for DCFS’s own benefit or use, rather than the delivery of assistance for a program: Eckerd’s contract was for the development and maintenance of an automated program for DCFS, and TCC’s contract was for the purchase of software for DCFS’s computers. Ms. Drury told investigators that the Comptroller’s Office’s rejection of the Eckerd transaction as a grant was not a close call. In addition, upon reviewing documentation for the TCC transaction in her interview, Ms. Drury opined that it too should not have been a grant. Ms. Drury said her opinion would not change if DCFS had said it needed TCC’s software to improve the safety of children (the justification advanced by Senior State Purchasing Officer Sharon Clanton), because the contract was not for the direct benefit of the public.

In addition, DCFS processed the Zachary Group purchase as a grant after the services were provided, because under those circumstances it was impossible to retroactively comply with the requirements of the Procurement Code and the Chief Procurement Office. In order to properly make a small purchase of $35,000 in services from a Florida company such as the Zachary Group, DCFS was required to first obtain approvals from the Agency Procurement Officer and State Purchasing Officer, and obtain a waiver of the requirement that it engage registered Illinois small businesses to do the work; in addition, for a procurement, DCFS was required to execute a written contract for the work before the services were provided.

Instead, Director Sheldon and Mr. Flach commissioned the Zachary Group to produce PSAs for DCFS, and the Zachary Group performed those services and billed DCFS $35,000 for the work, all without first complying with procurement procedures or entering into a written contract. After the fact, when it was too late to obtain the required approvals and small business waiver, DCFS staff attempted to fix the problem by processing the transaction as a grant, for which the procurement procedures did not apply. Although [Employee 3] and Mr. Kirkpatrick maintain that the Zachary Group transaction was properly a grant because it provided a public benefit, Ms. Drury said she knew the Zachary Group transaction was not a grant the “minute” she saw the DCFS documents.

DCFS’s classification of its purchases from Eckerd, TCC, and the Zachary Group as grants had serious consequences. None of these contracts were bid out, and therefore it is impossible to know whether DCFS could have obtained the goods and services these out-of-state vendors provided at a lower cost, or from Illinois suppliers. In addition, although DCFS’s contract with

113 30 ILCS 500/1-15.42 & 1-10(b).
114 Indeed, by Ms. Clanton’s logic, nearly any purchase of goods or services by a State agency with a public mission could be described as a grant.
115 Chief Procurement Office Notice 2016.03 (eff. Aug. 24, 2015); see also 30 ILCS 500/45-45(a) (stating that “[e]ach chief procurement officer has authority to designate as small business set-asides a fair proportion of . . . contracts for award to small businesses in Illinois. . . . In awarding the contracts, only bids or offers from qualified small businesses shall be considered.”).  
116 30 ILCS 500/20-80.
Eckerd arguably could have been properly exempt from the Procurement Code’s competitive bidding requirements as a sole source procurement, by classifying it a grant DCFS avoided the transparency requirements applicable to sole source procurements. The misclassification of the TCC contract created other problems as well, as DCFS staff scrambled to recast it as a sole source procurement in the final days of the fiscal year to avoid losing over $250,000 in federal grant funds. By classifying the Zachary Group transaction as a grant, DCFS also avoided the Procurement Code’s requirement for a written contract to be executed before the services were provided, the requirement that DCFS purchase from a registered Illinois small business, as well as the approvals required for a small purchase.

It appears that DCFS personnel may have processed the Eckerd, TCC, and Zachary Group purchases as grants based at least in part on a misunderstanding that purchases made with grant funds constitute grants. Agency Procurement Officer Rick Hackler told investigators that Senior State Purchasing Officer Sharon Clanton decided that the Eckerd procurement should be processed as a grant, which is corroborated by Mr. Hackler’s notation in the Procurement Business Case Print Report shortly after the procurement process was initiated, that the State Purchasing Officer indicated that the Eckerd procurement was a grant. In addition, there is evidence that after DCFS [Employee 3] objected to a proposal to process the TCC transaction as a grant, a DCFS information technology services employee requested and received Ms. Clanton’s written approval of the TCC contract as being exempt from the Procurement Code as a grant. Although investigators found no evidence that Ms. Clanton provided any direction specific to the Zachary Group purchase, [Employee 3] told investigators that her [(Employee 3’s)] suggestion to process the purchase as a grant was based in part on the fact that previous similar transactions had been processed as grants and accepted by the Comptroller’s Office.

DCFS staff’s understanding that purchases made with grant funds constitute grants for procurement purposes was contrary to the Procurement Code’s plain statement that the Code “shall apply regardless of the source of the funds with which the contracts are paid, including federal assistance moneys.” It is clear that DCFS’s contracts with Eckerd and TCC were not grants, and should have been processed in compliance with the Procurement Code’s requirements (whether as sole source procurements or competitively bid contracts). In addition, although DCFS Contracts Administration staff maintain that DCFS’s contract with the Zachary Group was properly processed as a grant even aside from the funding issue, because it provided some public benefit, as Ms. Drury noted the Zachary Group performed its work for DCFS, and that work did not provide a direct public benefit.

The practice of processing procurements for DCFS’s benefit or use as grants appears to have predated Director Sheldon’s appointment as DCFS Director, and the OEIG did not uncover evidence that Director Sheldon was involved in the decisions to process the contracts examined in this investigation as grants. In addition, there were many different DCFS employees involved in these decisions, and it is unclear whether any particular individuals at DCFS bear the primary responsibility for any wrongdoing. Finally, there is evidence that DCFS procurement and contracts staff relied on the Senior State Purchasing Officer’s guidance that various contracts should be classified as grants because they were being paid with grant funds. Therefore, although the OEIG concludes that DCFS’s purchases of goods or services from Eckerd, TCC, and the Zachary Group

\[17\text{ See 30 ILCS 500/1-10(b).}\]
were improperly processed as grants, the OEIG does not make a finding against any individual DCFS employee.\textsuperscript{118} The allegation that DCFS committed mismanagement relating to its purchases of goods or services from Eckerd, TCC, and the Zachary Group, is \textbf{FOUND}ED.

V. FINDINGS AND RECOMMENDATIONS

As a result of its investigation, the OEIG concludes that there is \textbf{REASONABLE CAUSE TO ISSUE THE FOLLOWING FINDINGS}:

- \textbf{FOUND}ED – DCFS Director George Sheldon mismanaged DCFS when he hired DCFS contractual employee Igor Anderson as his Confidential Assistant.

- \textbf{FOUND}ED – DCFS contractual employee Igor Anderson failed to provide accurate time records and invoices, when on multiple dates between October and December 2015 he billed the State for time when he was not performing State duties, in violation of his contract and the DCFS Employee Handbook.

- \textbf{FOUND}ED – DCFS Director George Sheldon improperly approved Igor Anderson’s time for October 10 and 11, 2015, when Mr. Anderson was not performing State duties.

- \textbf{FOUND}ED – DCFS contractual employee Igor Anderson drove a State vehicle when he did not possess a valid driver’s license, in violation of DCFS’s Vehicle Use Policy.

- \textbf{FOUND}ED – DCFS contractual employee Igor Anderson failed to disclose restrictions on his driver’s license on his September 14, and December 14, 2015 CMS 100 Employment Application forms.

- \textbf{UNFOUND}ED – [Redacted]

- \textbf{UNFOUND}ED – [Redacted]

- \textbf{UNFOUND}ED – [Redacted]

- \textbf{UNFOUND}ED – [Redacted]

- \textbf{UNFOUND}ED – [Redacted]

- \textbf{FOUND}ED – DCFS Director George Sheldon took official action related to awarding a no-bid contract to Five Points, which was a contract involving a person

\textsuperscript{118} In addition, although DCFS employees [Employee 7] and [Employee 6’s] actions resulted in the Comptroller paying the Zachary Group contract as a small purchase, even though DCFS had not complied with any procurement requirements for a small purchase, it appears that they acted under the mistaken belief that they were making a minor correction to the paperwork and they have already been counseled not to repeat this conduct. Therefore, no finding is made against them.
with whom Director Sheldon had a financial relationship, in violation of DCFS’s conflict of interest policy and 89 Ill. Admin. Code 437.40(e).

- **UNFOUNDED** – [Redacted]

- **FOUNDED** – DCFS Director George Sheldon and former DCFS Public Information Officer Andrew Flach committed mismanagement when they commissioned the Zachary Group to produce public service announcements for DCFS, without first consulting DCFS procurement and contracts staff or otherwise determining how DCFS would process the transaction in compliance with procurement requirements.

- **FOUNDED** – DCFS committed mismanagement when it processed its purchases of goods or services from Eckerd Youth Alternatives, Inc.; The Consultants Consortium; and the Zachary Group as grants.

Based on the findings, the OEIG recommends that the Office of the Governor and/or DCFS:

- Not rehire Igor Anderson.
- Continue the efforts to obtain reimbursement from Igor Anderson for payments he received from DCFS for dates on which he did not work.
- Conduct training of procurement and contracts staff, to ensure that staff are knowledgeable about the requirements that must be met for no-bid grants.
- [Redacted]
- Take whatever action it deems appropriate regarding Director Sheldon.

Because Andrew Flach is no longer a DCFS or executive branch employee, the OEIG makes no recommendations as to him. [One sentence redacted].

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

Date: April 28, 2017

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

By: Angela Luning
Deputy Inspector General

Dirk De Lor
Assistant Inspector General

Margaret Marshall
Investigator #158
Office of Executive Inspector General
for the Agencies of the Illinois Governor

AGENCY OR ULTIMATE JURISDICTIONAL AUTHORITY
RESPONSE FORM

Case Number: 15-02309

Return 20 Days After Receipt

Please check the box that applies. (Please attach additional materials, as necessary.)

☐ We have implemented all of the OEIG recommendations. Please provide details as to actions taken:

☒ We will implement some or all of the OEIG recommendations but will require additional time to do so.
   We will report to OEIG within 20 days from the original return date.

☐ We do not wish to implement some or all of the OEIG recommendations. Please provide details as to what actions were taken, if any, in response to OEIG recommendations:

Signature

- Office of the Governor, Associate General Counsel
  Print Agency and Job Title Ethics Officer

Christina McCleenon
Print Name

May 18, 2017
Date

FORM 700.7

Revised March 2013
CONFIDENTIAL

June 15, 2017

Margaret A. Hickey
Executive Inspector General
Office of Executive Inspector General
69 West Washington, Suite 3400
Chicago, Illinois 60602

Re: OEIG Complaint Number #15-02309—Response to Final Report

Dear Executive Inspector General Hickey,

This letter is in reply to the Office of Executive Inspector General ("OEIG")’s Final Summary Report ("Final Report") to the Office of the Governor ("Governor’s Office"), issued in a joint investigation conducted by the OEIG and the Department of Children and Family Services ("DCFS") Office of Inspector General in the above captioned matter. With the issuance of this Final Report, the OEIG has determined that no further investigative action is needed, and this case is considered closed. The OEIG has asked the Governor’s Office to reply to the Final Report by listing all actions the Governor’s Office has taken to address the recommendations the OEIG has made relative to the investigation.

The OEIG concluded there was reasonable cause to issue the following findings:

(1) DCFS Director George Sheldon mismanaged DCFS when he hired DCFS contractual employee Igor Anderson as his Confidential Assistant.
(2) DCFS contractual employee Igor Anderson failed to provide accurate time records and invoices when on multiple dates between October and December 2015 he billed the State
for time when he was not performing State duties, in violation of his contract and the DCFS Employee Handbook.

(3) DCFS Director George Sheldon improperly approved Igor Anderson’s time for October 10 and 11, 2015, when Mr. Anderson was not performing State duties.

(4) DCFS contractual employee Igor Anderson drove a State vehicle when he did not possess a valid driver’s license, in violation of DCFS’s Vehicle Use Policy.

(5) DCFS contractual employee Igor Anderson failed to disclose restrictions on his driver’s license on his September 14, and December 14, 2015 CMS 100 Employment Application forms.

(6) DCFS Director George Sheldon took official action related to awarding a no-bid contract to Five Points, which was a contract involving a person with whom Director Sheldon had a financial relationship, in violation of DCFS’s conflict of interest policy and 89 Ill. Admin. Code 437.40(e).

(7) DCFS Director George Sheldon and former DCFS Public Information Officer Andrew Flach committed mismanagement when they commissioned the Zachary Group to produce public service announcements for DCFS, without first consulting DCFS procurement and contracts staff or otherwise determining how DCFS would process the transaction in compliance with procurement requirements.

(8) DCFS committed mismanagement when it processed its purchases of goods or services from Eckerd Youth Alternative, Inc.; The Consultants Consortium; and the Zachary Group as grants.

The Governor’s Office reviewed the Final Report and the investigatory materials furnished to it by the OEIG in support of these findings. The Governor’s Office accepts and agrees with all of the findings of the OEIG in the Final Report.

Based on the findings, the OEIG made five recommendations to the Governor’s Office and/or DCFS. This letter will address each recommendation in turn.¹

**Recommendation 1: the Governor’s Office and/or DCFS not rehire Igor Anderson**

The Governor’s Office accepts and agrees with the recommendation.

Mr. Anderson was never an employee of the Governor’s Office, but the Governor’s Office under Governor Rauner is committed to never hire Mr. Anderson because of his unethical conduct. The Governor’s Office has also directed DCFS to never rehire Mr. Anderson because of his unethical conduct. Although the Governor’s Office cannot bind a future administration, it is working diligently with the Department of Central Management Services to ensure that all executive branch agencies, when they consider potential new hires, are alerted whether the candidate has previously been terminated by another executive branch agency based on a serious and founded violation of ethics law. With this anticipated reform, agencies can, in accordance with all federal and State law and rules and regulations governing employment practices, avoid blindly making a

¹ The OEIG also stated that “[b]ecause Andrew Flach is no longer a DCFS or executive branch employee, the OEIG makes no recommendations as to him. [Sentence redacted.]”
hiring decision that results in an ex-State employee who has violated the public trust obtaining new State employment.

**Recommendation 2: the Governor’s Office and/or DCFS continue the efforts to obtain reimbursements from Igor Anderson for payments he received from DCFS for dates on which he did not work.**

The Governor’s Office accepts and agrees with the recommendation.

Mr. Anderson’s actions constituted an abuse of State taxpayer resources. Immediately upon discovery that Igor Anderson fabricated timesheets by improperly stating he worked on days that he did not work, the Governor’s Office directed DCFS to calculate the amount Mr. Anderson owed the State and to seek reimbursement. In March 2016, DCFS sent a demand letter to Mr. Anderson, requiring him to repay $1,326 to the State. To date, Mr. Anderson has not repaid the State. Upon receipt of the Final Report, the Governor’s Office directed DCFS to again demand payment of Mr. Anderson and to explore all possible legal means of obtaining repayment from him.

**Recommendation 3: the Governor’s Office and/or DCFS conduct training of procurement and contracts staff, to ensure that staff are knowledgeable about the requirements that must be met for no-bid grants.**

The Governor’s Office accepts and agrees with the recommendation.

The Governor’s Office considers it vitally important that DCFS procurement and contracts staffs—indeed, the staffs of all agencies under the Governor’s jurisdiction—are properly trained and knowledgeable about the requirements that must be met for no-bid contracts. As evident in the Final Report, several times members of these staffs authorized contracts as no-bid grants because they were funded with grant monies, in contravention of the Procurement Code.

The Governor’s Office is now working the Chief Procurement Officer for General Services and DCFS’s General Counsel’s Office to prepare a comprehensive training in procurement and grant making. This training will be required of all staff members who are involved directly in procurement, grant making, and contracting generally. To date, more than 120 employees at DCFS have been identified to take this training, and the training will also be recorded so that other and future employees of the Department and employees of other State agencies can reference this information. The training will also be required of any other relevant agency staff members who indirectly interact or may interact with decisions regarding procurement, grants, and contracts, to ensure that DCFS employees can properly identify common errors and possible problems in agency contracting.

In addition to this comprehensive training, the Governor’s Office has directed DCFS’s Office of General Counsel to conduct a review of all existing and pending agency contracts and grants, and that DCFS policy is amended to outline an expanded oversight role for the agency’s General Counsel’s Office in all future contracting decisions. The Governor’s Office has also directed its Office of General Counsel to work with the Department and the Chief Procurement Officer for
General Services to create a program for ongoing reminders and training on the requirements for awarding no-bid grants for relevant staff members on a regular basis and orientation in this area for new employees. As a prophylactic measure, the Governor's Office itself is also preparing a comprehensive review of all definitions of "grant" that affect its agencies to ensure that contracts and grants are properly being awarded across the State.

Moreover, the Governor's Office recognizes that, starting with agency leadership, DCFS staff more broadly should be thoroughly trained on the Procurement Code and other relevant contracting provisions of State law. Therefore, the Governor's Office has further directed DCFS to establish continuous programming for all necessary staff in these areas and to work collaboratively with the Governor's Office of General Counsel and the Chief Procurement Officers to that end. For its own part, the Governor's Office has developed, with the State's Labor & Employment Advisory Division and with TEAM Illinois, a comprehensive management training program for agency senior leadership across the executive branch. The Governor's Office has directed that one module of leadership training include training on procurement and State contracting generally, highlighting especially the vital role that senior staffs play in ensuring compliance for their agencies.

The Governor's Office through its General Counsel is also providing expanded procurement training for all agency general counsels, and has directed agency general counsels to (1) ensure they are advising agency officials on important contracting decisions and (2) emphasize the important role that legal advisors must play in day-to-day procurement and grant making processes. The Governor's Office has prepared handbooks for all executive agency ethics officers and general counsels, respectively, and these handbooks include chapters on procurement and contracting law.

Recommendation 4: [Redacted]
Recommendation 5: the Governor's Office take whatever action it deems appropriate regarding Director Sheldon.

Director Sheldon resigned on May 31, 2017 to serve as CEO of Our Kids of Miami-Dade/Monroe, Inc., in Florida. The Governor's Office will ensure that Acting Director Spacapan and her permanent replacement understand and comply not only with the various procurement requirements applicable to the Department (see response to Recommendation 3) but also with all rules and regulations that the Governor expects all State employees to uphold.

If you have any questions or require any further information with respect to this reply, please do not hesitate to contact me.

Sincerely,

Christina McClernon
Associate General Counsel, Ethics Officer
Office of Governor Bruce Rauner, State of Illinois
JRTC, 100 W. Randolph St., Suite 16-100
Chicago, IL 60601

cc:

Dennis Murashko
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