

PUBLICATION OF REDACTED VERSION
OF THE OEIG FOR THE AGENCIES UNDER THE GOVERNOR
INVESTIGATIVE REPORT

Case Number: 23-00109

Subject(s): Dana Stanback

Below is the redacted version of an investigative summary report issued by the Executive Inspector General for the Agencies of the Illinois Governor. Pursuant to section 20-50 of the State Officials and Employees Ethics Act (Act) (5 ILCS 430/20-50), a summary report of an investigation is required to be issued by an executive inspector general when, and only when, at the conclusion of investigation, the executive inspector general determines reasonable cause exists to believe a violation has occurred. If a complaint is not to be filed with the Executive Ethics Commission (Commission) for adjudication of the alleged violation, the Act further requires the executive inspector general to deliver to the Commission a statement setting forth the basis for the decision not to file a complaint and a copy of the summary report of the investigation and of the response from the ultimate jurisdictional authority or agency head regarding the summary report. 5 ILCS 430/20-50(c-5). The Act requires that some summary reports be made available to the public and authorizes the Commission to make others available. 5 ILCS 430/20-52. Before making them available, however, the Commission is to redact from them information that may reveal the identity of witnesses, complainants, or informants and may redact “any other information it believes should not be made public.” 5 ILCS 430/20-52(b).

Some summary reports delivered to the Commission may contain a mix of information relating to allegations with respect to which the executive inspector general did and did not determine reasonable cause existed to believe a violation occurred. In those situations, the Commission may redact information relating to those allegations with respect to which the existence of reasonable cause was not determined.

The Commission exercises its publication responsibility with great caution and seeks to balance the sometimes-competing interests of transparency and fairness to the accused and others uninvolved. To balance these interests, the Commission has redacted certain information contained in this report and identified where said redactions have taken place and inserted clarifying edits as marked. Publication of a summary report of an investigation, whether redacted or not, is made

with the understanding that the subject or subjects of the investigation may not have had the opportunity to rebut the report's factual allegations or legal conclusions before issuance of the report. Moreover, there has not been, nor will there be, an opportunity for the subject to contest or adjudicate them before the Commission. The subject merely has the opportunity to submit a response for publication with the report.

The Commission received this report and a response from the ultimate jurisdictional authority and/or agency in this matter from the Agencies of the Illinois Governor Office of Executive Inspector General ("OEIG"). The Commission, pursuant to 5 ILCS 430/20-52, redacted the OEIG's final report and responses and mailed copies of the redacted version and responses to the Attorney General, the Executive Inspector General for the Agencies of the Illinois Governor, and each subject.

The Commission reviewed all suggestions received and makes this document available pursuant to 5 ILCS 430/20-52. By publishing the below redacted summary report, the Commission neither makes nor adopts any determination of fact or conclusions of law for or against any individual or entity referenced therein.

– THE REDACTED VERSION OF THE EIG'S SUMMARY REPORT
BEGINS ON THE NEXT PAGE –

I. INTRODUCTION

Based on finding evidence of a State employee fraudulently obtaining a federal Paycheck Protection Program (PPP) loan, the OEIG conducted a larger review to determine whether State employees properly obtained PPP loans and provided notice of secondary employment. Based on the large volume of PPP loans obtained by State employees, the OEIG narrowed its review based on certain factors including those State employees who received approximately \$20,000 or more in PPP loan funds.¹

The OEIG self-initiated this investigation regarding two PPP loans, one for \$21,684 and one for \$17,042, obtained by Dana Stanback while employed at the Illinois Department of Human Services (DHS). During his interview with the OEIG, Mr. Stanback ultimately admitted that he submitted or caused to be submitted PPP loan applications and PPP loan forgiveness applications containing false information.

II. BACKGROUND

Mr. Stanback began working for the State in January 2010, and has been a Mental Health Technician 2 since August 2012.

The PPP was created by the Coronavirus Aid, Relief, and Economic Security (CARES) Act and administered by the Small Business Administration (SBA) to provide relief to small businesses affected by the COVID-19 pandemic. PPP loans were made to eligible businesses, which included sole proprietorships and self-employed individuals, for qualifying payroll costs and business operating expenses such as insurance, rent, and utilities.² To apply for the loan, a sole proprietor or self-employed individual needed to submit certain tax filings or other payroll documentation to an SBA-approved lender, establishing their eligibility and demonstrating the qualifying payroll amount, which as of March 2021 could be based on “gross income” reported on an IRS Form 1040, Schedule C.³ PPP loans were eligible for forgiveness by the SBA if used on qualifying expenses and if at least 60% was used for payroll costs.⁴

III. INVESTIGATION

A. PPP Records For Dana Stanback

The OEIG located public records from the SBA showing that Mr. Stanback received two PPP loans totaling \$38,726. They were for \$21,684 and \$17,042 in March and April 2021 respectively and they were for a sole proprietorship. The OEIG subpoenaed loan documents from the lenders, which included a PPP “Borrower Application Form Revised March 3, 2021” (First

¹ From the OEIG’s review, in order to be eligible for at least \$20,000 in loan proceeds, the small business typically had approximately \$100,000 or more in yearly net profit or gross income. The OEIG will be referring to the Ultimate Jurisdictional Authority those State employees who obtained PPP loans in smaller amounts or were not investigated for other logistical reasons.

² 15 U.S.C. § 636(a)(36); SBA Interim Final Rule, 85 FR 20811 (Apr. 15, 2020).

³ SBA Interim Final Rule, 86 FR 13149 (Mar. 8, 2021) (expanded definition of “payroll costs” for sole proprietors).

⁴ *See id.*; 15 U.S.C. § 636(m).

Loan), signed in Mr. Stanback's name and dated March 17, 2021, and a PPP "Borrower Application Form for Schedule C Filers Using Gross Income Revised March 18, 2021" (Second Loan), signed in Mr. Stanback's name and dated April 6, 2021.⁵ On both applications the "Sole proprietor" box was checked, the Business Legal Name was Dana Stanback, and Mr. Stanback was identified as the sole employee. Both loan applications contained various certifications, all reflecting the initials "DS," which included a statement that the applicant "was in operation on February 15, 2020...and was either an eligible self-employed individual, independent contractor, or sole proprietorship with no employees..."; a statement that the funds would be used as authorized by PPP rules; and a statement that information provided in the application and supporting documentation was "true and accurate in all material respects."

The First Loan application reflected an average monthly payroll of \$8,673.92 and the Second Loan application listed the gross income amount from tax year 2019 IRS Form 1040, Schedule C, line 7 as \$81,813. Those figures were used to calculate the loan amounts of \$21,684.77 for the First Loan, and \$17,042 for the Second Loan (intended to cover a period up to 2.5 months). The First Loan application indicated that the Dana Stanback sole proprietorship was established in April 2018 and had a business code for Administrative Management and General Management Consulting Services, while the Second Loan application indicated that the Dana Stanback sole proprietorship was established in 2019 and had a code for Landscaping Services.

The loan documentation contained a different 2019 Schedule C form submitted with each loan application. Although both of the 2019 Schedule C forms were for a sole proprietorship named Dana Stanback, they contained varying information regarding Mr. Stanback's 2019 income and expenses, specifically:

	Schedule C - First Loan	Schedule C - Second Loan
2019 Gross Income	\$134,226	\$81,813
<u>2019 Total Expenses</u>	<u>\$30,139</u>	<u>\$6,813</u>
2019 Net Profit	\$104,087	\$75,000

Other documents were submitted related to the loans, which included:

- bank statements in Dana Stanback's name (submitted with both loans);
- a photograph of a voided check with the same account number as the bank statements in Dana Stanback's name (submitted with the First Loan); and
- a copy of Dana Stanback's Illinois identification card (submitted with both loans).

The loan documentation included a "Note" for each loan, with an electronic signature in Mr. Stanback's name; the "Note" for the First Loan was dated March 13, 2021, for a loan in the amount of \$21,684, and the "Note" for the Second Loan was dated April 17, 2021, for a loan in the amount of \$17,042. There also were loan forgiveness applications for both loans, with electronic signatures in Mr. Stanback's name, dated August 19 and September 9, 2021,

⁵ The Second Loan application used was not a second draw application form, and therefore did not include certifications required for a second draw loan, such as that the applicant had realized a reduction in gross receipts in excess of 25%, and used the full first draw loan amount for eligible expenses. Discussed in more detail below, in his interview Mr. Stanback said both loans were intended for the same business, [Company 1].

respectively, indicating that \$18,300 of the First Loan and the entire amount of the Second Loan had been spent on payroll costs. A letter from the lender for the First Loan, and an SBA document relating to the Second Loan, indicated that the loans had been forgiven as of August 31, 2021 and September 14, 2021, respectively. Both forgiveness applications included certifications that the borrower had complied with all requirements, including those related to eligible use of PPP loan proceeds, and that the information provided in the application was “true and correct in all material respects.”

B. Secondary Employment Information

The OEIG also reviewed the DHS personnel file for Mr. Stanback, for any documents related to his secondary employment. At the time the OEIG reviewed Mr. Stanback’s personnel file, there were Report of Secondary Employment forms for 2010, 2014, January and November 2017, and 2022. None of the forms documented that he had reported any secondary employment.

C. Dana Stanback’s OEIG Interview

On February 1, 2023, the OEIG interviewed Dana Stanback. Mr. Stanback stated for the past seven years he has operated a business called [Company 1]. He said he moves furniture and performs odd jobs like painting, cutting grass, and hanging ceiling fans, televisions, and drywall. He said the number of hours he works on these projects varies but it is approximately 20 hours per week. Mr. Stanback said he was unsure what his annual income was from [Company 1] but said that an estimate of \$50,000 was too much. Mr. Stanback said he is unsure whether his business income was ever reported on his taxes.

Mr. Stanback said he did not report this business to DHS as secondary employment because he did not consider these projects to be jobs. After reading the secondary employment policy in the interview, he said he was not previously aware that the policy stated self-employment was considered secondary employment. Mr. Stanback confirmed that he never reported his self-employment to DHS on the Report of Secondary Employment forms he submitted.

Mr. Stanback admitted that he received two loans for [Company 1], but said he did not recall the name of the loans. He said for the First Loan a friend referred him to an individual to whom he paid \$100 to complete the First Loan documents. Mr. Stanback claimed that he could not remember that individual’s name and he did not have contact information for her. Mr. Stanback said he provided his tax information, bank information, social security number and a copy of his photo identification to his friend, who then gave the information to the individual whose name he did not remember to complete the application. When shown the loan documents in the interview, Mr. Stanback said he did not receive any documents regarding the First Loan application, and that the Schedule C did not look familiar. He admitted that the monthly payroll amount of \$8,673.91 listed on the First Loan application, and the gross income amount of \$134,226 and the net profit amount of \$104,097 listed on the 2019 Schedule C that accompanied it, were all incorrect. Mr. Stanback said he did not initial or sign the First Loan application and when asked how he expected a loan application to be processed without his signature, he said he was naïve. Mr. Stanback said he spent all the proceeds from the First Loan on equipment, supplies, and to pay some people who

occasionally help him with [Company 1] jobs. He said he did not fill out, sign, or initial the First Loan forgiveness application but he confirmed that the First Loan for \$21,684 was forgiven in full.

Mr. Stanback said he completed the Second Loan application himself and confirmed he listed his business' gross income on that application as \$81,813 in 2019. He said he did not know why he put his name in the box labeled "Business Legal Name" instead of [Company 1] but he may have thought the application was asking for his legal name. Mr. Stanback said he was not familiar with the Schedule C filed with the Second Loan application but that he must have submitted it because he did the Second Loan application himself. Mr. Stanback admitted that in 2019 he did not make \$81,813 from his secondary employment, and confirmed that the gross income of \$81,813 listed on the application and the 2019 Schedule C that accompanied it, and the net profit of \$75,000 and some of the expenses listed on the Schedule C, were incorrect. Mr. Stanback claimed that he may have combined his State income with the [Company 1] income to arrive at the income number listed on the paperwork. Mr. Stanback said he initialed and signed the Second Loan application. Mr. Stanback said he spent all the proceeds from the Second Loan on equipment, supplies, and to pay some people who occasionally help him with [Company 1] jobs, and it was possible he used some of the loan proceeds to pay for his personal cellular telephone that is used to conduct [Company 1] business. He said he personally applied for and received forgiveness in full for the Second Loan for \$17,042.

IV. ANALYSIS

The DHS Rules of Employee Conduct state that an employee's "conduct while off-duty may subject the Employee to discipline up to and including discharge" when the conduct raises "reasonable doubt concerning the Employee's suitability for continued state employment."⁶ In addition, the State of Illinois Code of Personal Conduct provides that "A State Employee will conduct himself or herself...with integrity and in a manner that reflects favorably upon the State."⁷

Additionally, the DHS secondary employment policy requires employees to complete a new Report of Secondary Employment form annually, confirming "any secondary employment, including self-employment, or whether no secondary employment exists." It further states that employees who want to engage in previously unreported outside employment need to submit a Report of Secondary Employment form within five working days of commencing secondary employment and receive approval to engage in the secondary employment. The policy states that "[f]ailure to have an accurate and current form submitted may result in disciplinary action, up to and including discharge."⁸

Mr. Stanback acknowledged that he obtained two PPP loans – which totaled \$38,726 – and that he used the proceeds, and that both loans were forgiven in full by the SBA. The information in Mr. Stanback's loan documentation, however, was false. Mr. Stanback's 2019 Schedule C forms submitted with each loan application had different income and expense information for the same sole proprietorship in the same year, and he admitted that his business did not even make

⁶ DHS Administrative Directive 01.02.03.040.

⁷ Illinois Code of Personal Conduct, Conduct Unbecoming of a State Employee (2017 & March 17, 2021).

⁸ DHS Administrative Directive 01.02.03.120. The policy states that if secondary employment is reported, the form will be placed in the employee's official personnel file. *Id.*

\$50,000, an amount significantly less than the \$81,813 in gross income that he claimed in his Second Loan application and accompanying 2019 Schedule C, and even further from the \$134,226 in gross income claimed in the 2019 Schedule C submitted with his First Loan application. Mr. Stanback admitted that he paid an individual to fill out the First Loan application on his behalf, and that he provided his personal information to that individual to facilitate that process. He further admitted that the monthly payroll amount on the First Loan application, and the gross income and net profit on the accompanying Schedule C were incorrect. In addition, Mr. Stanback said he personally completed the loan application and forgiveness application for the Second Loan, and admitted that the gross income, net profit, and expenses listed on the loan application and/or accompanying Schedule C were also incorrect. Mr. Stanback also admitted that he spent the proceeds from both loans.

Mr. Stanback's statements that he did not complete, sign, or even see the First Loan application and accompanying documents do not absolve Mr. Stanback of responsibility for that loan. He admitted he authorized the individual to apply for that loan on his behalf and confirmed that he spent the loan proceeds of \$21,684 without taking any reasonable steps to ensure the information submitted on his behalf to obtain federal money was accurate.

Thus, Mr. Stanback submitted or caused to be submitted loan applications with false information, and received and spent the loan proceeds in violation of PPP rules. Mr. Stanback also admitted that he did not report his secondary employment to DHS. Based on the evidence, there is reasonable cause to believe that Mr. Stanback violated DHS and State of Illinois policies on employee conduct and secondary employment.

V. [REDACTED] AND RECOMMENDATIONS

Based on the evidence detailed above, the OEIG has determined **THERE IS REASONABLE CAUSE TO BELIEVE THE FOLLOWING:**

- **[REDACTED]** – Mr. Stanback obtained two federal PPP loans based on falsified information in violation of DHS and State of Illinois policies on employee conduct.
- **[REDACTED]** – Mr. Stanback failed to report secondary employment in violation of DHS policy.

Regardless of the ease of procuring these PPP funds, this was not free money for the taking. These loans, as with any other, required truthful information as a basis for approval. State employees are expected, at minimum, to maintain the public's trust and confidence. Misappropriating such funds is far from being ethical, professional, acting with integrity, or conducting oneself in a manner that reflects favorably upon the State. Accordingly, the OEIG recommends that DHS terminate Dana Stanback.

Finally, DHS policy requires employees to complete a new Report of Secondary Employment form annually, even if no secondary employment exists. The OEIG, however, did not locate annual secondary employment forms on file for Mr. Stanback for multiple years. Thus, the OEIG recommends that DHS work with its appropriate staff to ensure that managers are

requiring employees to annually complete Reports of Secondary Employment forms pursuant to current DHS policy. The OEIG also recommends that DHS work on ensuring that those forms are vetted for conflicts, and that such forms are properly maintained.

No further investigative action is necessary, and this matter is considered closed.

Date: March 21, 2023

Office of Executive Inspector General
for the Agencies of the Illinois Governor
69 West Washington Street, Ste. 3400
Chicago, IL 60602

By: **Jamiela Kassem**
Senior Assistant Inspector General

Sarah Williams
Investigator II #119



JB Pritzker, Governor

Illinois Department of Human Services

Grace B. Hou, Secretary

Office of the General Counsel

69 West Washington • 9th Floor • Chicago, Illinois 60602

April 7, 2023

Via e-mail to Senior Paralegal Sherry Bult (at [REDACTED]@illinois.gov), on behalf of:

Susan M. Haling

Executive Inspector General

Office of the Executive Inspector General for the Agencies of the Illinois Governor

69 West Washington Street, Suite 3400

Chicago, Illinois 60602

RE: Response to the Final Reports for Complaints [REDACTED], [REDACTED], [REDACTED],
23-00109, [REDACTED], [REDACTED], [REDACTED], [REDACTED], and [REDACTED]

Dear Executive Inspector General Haling:

This letter responds to the Final Reports for the complaints listed above. The Department of Human Services (DHS) is currently reviewing the complaints. Your office will receive an update as these matters move along. If you have any questions, please feel free to contact Robert J. Grindle, DHS' Ethics Officer.

Regards,

/s/ Grace B. Hou by /s/ Robert J. Grindle

Grace B. Hou
Secretary



JB Pritzker, Governor

Dulce M. Quintero, Secretary Designate

Office of the General Counsel
69 W. Washington St. • Ste. 901 • Chicago, IL 60602

February 15, 2024

Via e-mail to Senior Paralegal Sherry Bult (at [REDACTED]@illinois.gov) on behalf of:

Susan M. Haling
Executive Inspector General
Office of the Executive Inspector General for the Agencies of the Illinois Governor
69 West Washington Street, Suite 3400
Chicago, Illinois 60602

RE: Updated Response to the Final Report for Complaint 23-00109

Dear Executive Inspector General Haling:

This letter updates a previous response for the Final Report for Complaint Number 23-00109. That Final Report details two [REDACTED] allegations, regarding the federal Paycheck Protection Program (PPP) and failure to report secondary employment. It makes three recommendations. The recommendations have been followed.

The Department of Human Services (DHS) began the disciplinary process, and that process is now complete. The employee remains discharged from State employment. In addition, DHS recently implemented improvements to the process for secondary employment form completion, review, and maintenance.

With the employee's discharge complete and DHS improving the process, DHS considers this matter closed. If you have any questions, please feel free to contact Robert J. Grindle, DHS' Ethics Officer.

Regards,

/s/ Dulce Quintero by /s/ Robert J. Grindle

Dulce Quintero
Secretary-designate