



OEIG Investigation No.: 23-01950

Subject(s) Name(s): Leon Spears

Investigative Summary Report Publication

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If you have questions about the content of the report, please contact the Executive Inspector General for the Agencies of the Illinois Governor. For enquiries about the Commission's publication process, please email eec@Illinois.gov or visit eec.illinois.gov for additional information.

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

Investigation Case No. 23-01950



I. INTRODUCTION

Based on finding evidence of a State employee fraudulently obtaining a federal Paycheck Protection Program (PPP) loan, the OEIG self-initiated a larger investigation to determine whether State employees properly obtained PPP loans and provided notice of secondary employment.¹ The OEIG assigned the present case number to the investigation of a PPP loan in the amount of \$20,465 obtained using Leon Spears' name and other personal information while Mr. Spears was employed at the Illinois Department of Juvenile Justice (IDJJ). Mr. Spears is currently employed at the Illinois Department of Corrections (IDOC). Based on the evidence, there is reasonable cause to believe that Mr. Spears violated IDJJ, IDOC, and State of Illinois policies on employee conduct by obtaining a PPP loan based on false business information.

II. BACKGROUND

Mr. Spears began working for the State in November 2018 with IDJJ until transferring to IDOC, effective July 31, 2023. He is currently employed by IDOC as a Correctional Residence Counselor.

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 April 2020 could be based on "net profit amount" reported on an IRS Form 1040, Schedule C for tax year 2019.³ 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 Mr. Spears

The OEIG located public records from the SBA showing that Mr. Spears received a \$20,465 PPP loan in January 2021 for a sole proprietorship. The OEIG subpoenaed loan documents from the lender, which included a loan application, "Borrower Application Form Revised January 8, 2021," signed in Mr. Spears' name and dated February 2, 2021. The "Sole proprietor" box was checked, the business legal name was "Leon Spears" with year of establishment "11/2015," the business was categorized under a North American Industry

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 may 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, 85 FR 21747 (Apr. 20, 2020) (providing guidance for individuals with self-employment income who file a Form 1040, Schedule C).

⁴ See SBA Interim Final Rules, 85 FR 38304 (June 26, 2020) and 86 FR 13149 (Mar. 8, 2021); 15 U.S.C. § 636(m).

Classification System (NAICS) code for offices of real estate agents and brokers, the business address listed Mr. Spears' home address at the time of the application,⁵ and the number of employees was identified as one. A box checked under "Purpose of the loan" was for payroll costs. The form contained various certifications, all reflecting the electronic initials "LS," 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 application listed average monthly payroll as \$8,186.⁶ This figure was used to calculate the loan amount of \$20,465 (intended to cover a period of 2.5 months).

An IRS Form 1040, Schedule C (Schedule C) for tax year 2019 was also submitted, which identified Mr. Spears as the proprietor at his home address, the principal business or profession as "Real Estate Agent/Broker," and a NAICS code for offices of real estate agents and brokers. The gross income was listed as \$125,334; the "Cost of goods sold" was identified as \$27,101; and the gross profit was \$98,233. The expenses section listed a car and truck expense of "1." Other documents submitted related to the loan included: a copy of Mr. Spears' Illinois driver's license; a screenshot of the first two pages of a bank account (x[Redacted]) statement in Mr. Spears' name for covered period of January 28 through February 26, 2020; and a voided check for a bank account (x[Redacted]) in Mr. Spears' name for the same bank.

A "Note" was dated January 26, 2021, and contained an electronic signature in Mr. Spears' name for a loan in the amount of \$20,465. A PPP loan forgiveness application was dated May 24, 2022, and contained an electronic signature in Mr. Spears' name, indicating the full loan amount of \$20,465 was spent on payroll and requesting forgiveness of the full amount. The application 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." A letter from the SBA, included with the lender documents, reflected that the loan was forgiven in full on June 6, 2022.

B. Secondary Employment Information

The OEIG requested that IDOC and IDJJ produce various documents from Mr. Spears' personnel files, including any documents related to his secondary employment. Both IDOC and IDJJ stated that Mr. Spears had no request for secondary employment forms in his files.

C. Mr. Spears' OEIG Interview

On October 26, 2023, the OEIG interviewed Mr. Spears. He said that his definition of secondary employment was working another job and that he had never had any secondary employment since working for the State. He said that he did not own his own business and had not owned a business since working for the State. When asked whether he had any involvement

⁵ During his OEIG interview, Mr. Spears confirmed that this was his home address at the time the PPP loan application was submitted during his interview. He stated he has since moved.

⁶ Dollar amounts in this report have been rounded down to the nearest whole dollar.

in real estate, Mr. Spears said that he rented his home to a family from Spring 2019 to Spring 2020. He said that he charged \$1,100 per month and that he earned about \$13,000 gross income in total from renting the property. Regarding expenses, he said that he spent \$760 on the property's mortgage payment and \$200 on a repair expense, and that he paid for homeowner's insurance. Mr. Spears said that he did not report the income he earned from renting the property on his income taxes and did not know whether he considered renting the property a business since he only rented one property for a year. When asked about his obligation to report secondary employment to his State employer, Mr. Spears said that IDOC employees need to report a second job, although he was not sure how to do so and theorized there would be a form of some sort to complete. He stated that he believed he did not fill out a secondary employment form for either IDOC or IDJJ and that he was not working anywhere else while employed by the State.

When asked whether he had sought any loans related to his secondary employment, Mr. Spears said that he received two debt consolidation loans. Mr. Spears explained that he saw an acquaintance, Individual A,⁷ posting about a loan on Facebook in 2020 and 2021. Mr. Spears claimed the posts made it appear that Individual A was describing a debt consolidation loan, so he messaged Individual A who informed him that once he received the loan, there was an 85 – 90% chance that he would not have to pay it back. Mr. Spears said that he sent Individual A his name, social security number, and checking account information to apply for the loan on his behalf. Mr. Spears said that Individual A charged him a \$2,000 fee to apply for the loan and that Individual A sent him loan documentation to sign. He confirmed he signed the form but claimed he did not read it. Mr. Spears explained he received the loan documents via email with highlighted sections for him to sign. Later, he stated that he should have looked over the loan materials before signing and admitted he did not ask for a copy of the loan materials. He said that he believed he received between \$10,000 and \$11,000 of loan proceeds to his personal checking account and that he used the funds to pay bills, pay off other loans, and to buy food.

When presented a copy of the PPP loan application, Mr. Spears acknowledged that he initialed and signed a lot of documents that he should have reviewed before doing so. He said Individual A filled out the application on his behalf and with his permission. He said that he did not know why the "sole proprietor" box was checked, that he did not own a sole proprietorship, and he did not know what a sole proprietorship was. When asked about the business name, he said that he did not operate a business under his name. He admitted that the year of establishment, NAICS code, monthly payroll amount, and purpose of the loan were all inaccurate. He said that if he had read the PPP loan application when Individual A sent it to him, then he would not have signed it.

When presented a copy of the 2019 Schedule C, Mr. Spears claimed that he had never seen the document before. He admitted the following information on the document was inaccurate: principal business or profession; his home address listed as a business address because he did not operate a business out of his home; the gross receipts totaling \$125,334; the cost of goods sold listed as \$27,101; the gross income of \$98,233; and the car and truck expense listed as "1."

⁷ Mr. Spears said that Individual A was self-employed. The OEIG found no record of Individual A receiving compensation as a State employee within the last three years.

Mr. Spears said that he signed various other loan documents including the “Note,” but claimed that he did not review the documents before signing. He now said that he paid Individual A \$7,000 of the loan proceeds and denied spending any of the loan funds on his rental property. Mr. Spears said that he received an email regarding a payment plan to pay off the loan, that he then reached out to Individual A who said he would “handle it,” and that then Mr. Spears received an email saying that he did not have to pay back any of the funds. When presented a copy of the forgiveness application, Mr. Spears said that he was not familiar with the document and did not recall signing it, but that it was signed with his permission and on his behalf. He said that the forgiveness application inaccurately listed that he spent \$20,465 of the PPP loan funds on payroll. Mr. Spears said that he is responsible for the loan documents and that he now felt he was ineligible for the loan because he did not own a real estate business with a monthly payroll of \$8,000.

D. Internet Research of Individual A

Based on Mr. Spears’ claims that he sought out the loan based on information Individual A posted on Facebook and that he understood the loan to be a debt consolidation loan, the OEIG conducted internet research of Individual A.⁸ The OEIG located an online profile under Individual A’s name on the LinkedIn website that described Individual A as “Owner, Professional Insurance Agent...” for [Company 1]. The OEIG also discovered a Facebook profile under Individual A’s name and eleven posts on Individual A’s Facebook page, posted between June 2020 and February 2021, that mentioned the PPP. A search for “debt consolidation” on Individual A’s Facebook profile yielded no results.

IV. ANALYSIS

Both IDJJ and IDOC’s Administrative Directives related to Standards of Conduct require employees to “conduct themselves in a professional manner and, whether on duty or off duty, not engage in conduct that is unbecoming of a State employee or that may reflect unfavorably on or impair operations of the Department.”⁹ The Directives also specifically require that employees obey all federal, State, and local laws.¹⁰ 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.”¹¹

Mr. Spears acknowledged that he obtained a loan in 2021, and after reviewing the loan documentation, he admitted that it was a PPP loan, that he used the proceeds, and that the loan was

⁸ A search on the National Association of Insurance Commissioners Illinois State Based Systems database revealed that a person with the same name as Individual A was licensed as an Insurance Producer, effective May 3, 2019. The database reflects that the license expired on March 31, 2021 and is currently inactive. See <https://sbs.naic.org/solar-external-lookup> (last visited Feb. 27, 2024). The OEIG is referring Individual A to the Office of the Governor as the ultimate jurisdictional authority so it can work with the Illinois Department of Insurance to determine whether any further action should be taken.

⁹ IDJJ Administrative Directive 03.02.108, I. B., (effective June 1, 2014); IDOC Administrative Directive 03.02.108. I., (effective November 2019). The IDOC directive was superseded by a version that became effective January 1, 2021; however, no changes were made to the portions of the policy referred to in this report.

¹⁰ IDJJ Administrative Directive 03.02.108, II. G. 1. a. (effective June 1, 2014); IDOC Administrative Directive 03.02.108, II. G. 1. a., (effective November 2019).

¹¹ Illinois Code of Personal Conduct, Conduct Unbecoming of a State Employee (2017 & March 17, 2021).

forgiven in full by the SBA. The information in Mr. Spears' loan documentation, however, was false. Mr. Spears admitted that he did not own or operate a real estate business in 2019 and simply rented out a single property for a year. Further, Mr. Spears admitted that information on the PPP loan application, including the business' year of establishment, NAICS code, monthly payroll amount, and purpose of the loan were all inaccurate. The Schedule C, submitted with the application, reflected 2019 gross receipts or sales of \$125,334 and gross income of \$98,233, but Mr. Spears admitted that he earned only \$13,000 before expenses from renting the property. The Schedule C also reflected that Mr. Spears' "real estate business" had a car and truck expense of \$1; but Mr. Spears admitted that he had actually paid the monthly mortgage with his rental earnings, totaling \$9,120 for the entire year, and a \$200 repair expense. He also acknowledged that he affixed his initials and signature to the PPP loan application and "Note," after receiving the documents via email and that he had an opportunity to read the documentation, but that he chose not to.

Mr. Spears stated that after being approved for the PPP loan, he spent the loan proceeds of \$20,465 in public funds, including for personal things such as payment to Individual A for filling out the loan materials – which Mr. Spears originally said was \$2,000, but then changed the amount to \$7,000 later in the interview – for bills, to pay off other debts, and for purchasing food. Mr. Spears stated that he knew Individual A was going to "handle" the PPP loan debt so that he would not have to pay it back and that he received an email stating he did not have to pay the loan back. When presented the PPP loan forgiveness application, he admitted that it inaccurately stated that the full loan amount of \$20,465 was spent on payroll, because he had not spent any of the funds on payroll since he did not own a real estate business or spend any of the funds on his rental property.

Mr. Spears' explanation that he did not personally fill out the loan documents does not absolve him of responsibility. He admitted to receiving copies of the loan documents prior to submission and admitted that he failed to read the documents, despite being given the opportunity to do so. In addition, Mr. Spears' claim that he understood the loan to be a debt consolidation loan is not credible. The loan documents all clearly state, in plain language, that the loan is for the "Paycheck Protection Program." Further, he said that he found out about the loan program on Individual A's Facebook page. The OEIG reviewed Individual A's Facebook page and found multiple posts referencing the PPP, and no posts regarding debt consolidation.

Thus, a loan application with false information was submitted on Mr. Spears' behalf and with his permission, he received and spent the loan proceeds in violation of PPP rules, and then accepted forgiveness in full by the federal government. Based on the evidence, there is reasonable cause to believe that Mr. Spears violated IDJJ, IDOC, and State of Illinois policies on employee conduct.

V. [REDACTED] AND RECOMMENDATION

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

- **[REDACTED]** – Leon Spears obtained a federal PPP loan based on falsified information in violation of IDJJ, IDOC, and State of Illinois policies on employee conduct.

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 IDOC terminate Mr. Spears.

Date: February 29, 2024

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

By: **Shannon N. Glover**
Assistant Inspector General #157

Dinara Healy
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The Illinois Department of Corrections

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March 20, 2024

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

Re: OEIG Investigation [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED] and 23-01950

Dear Inspector General Haling:

I write in response to the Final Reports issued by the Office of the Executive Inspector General (OEIG) in the above listed investigations. This letter acknowledges receipt of the Final Reports and provides a summary of the actions taken in response by the Illinois Department of Corrections (IDOC). These Final Reports found reasonable cause to believe that six IDOC employees – [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], and Leon Spears – obtained federal Paycheck Protection Program (PPP) loans based on falsified information in violation of IDOC and State of Illinois policies on employment conduct. OEIG recommended that IDOC terminate these employees.

IDOC has now initiated the disciplinary process with respect to all six employees. Five cases have been assigned to staff for an employee review hearing to be conducted, and the remaining case is expected to be assigned in short order. Following the hearings, IDOC will have 45 days in which to impose discipline. And once discipline is imposed, the employees have the right to file a grievance challenging the discipline within 15 days.

Because our response to these matters is ongoing, IDOC will provide a further update in 60 days, unless OEIG requests updates on a different schedule. Please let me know if I can provide any additional information.

Very truly yours,

Jason Krigel
Chief Public Safety Counsel & Ethics Officer
Illinois Department of Corrections



The Illinois Department of Corrections

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May 16, 2024

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

Re: OEIG Investigation 23-01950

Dear Inspector General Haling:

I write in response to the Final Report issued by the Office of the Executive Inspector General (OEIG) in the above listed investigation. The Final Report found reasonable cause to believe that IDOC employee Leon Spears obtained a federal Paycheck Protection Program (PPP) loan based on falsified information in violation of State of Illinois policies on employment conduct. OEIG recommended that IDOC terminate Mr. Spears.

IDOC initiated disciplinary action against Mr. Spears. But before completing the disciplinary process, Mr. Spears resigned, effective March 29, 2024. Therefore, we consider our response to this investigation complete. Please let me know if I can provide any additional information.

Very truly yours,

A handwritten signature in black ink that reads "Jason Krigel".

Jason Krigel
Chief Public Safety Counsel & Ethics Officer
Illinois Department of Corrections