State of Illinois
EXECUTIVE ETHICS COMMISSION

OEIG Investigation No.: 22-02157
Subject(s) Name(s): Arnita Rudd

Investigative Summary Report Publication
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Office of Executive Inspector General for the Agencies of the Illinois Governor

Investigation Case No. 22-02157

[Redacted].

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 a $20,141 PPP loan obtained by Illinois Department of Veterans' Affairs (IDVA) employee Arnita Rudd. Ultimately, in an interview, Ms. Rudd confirmed to the OEIG that she falsified information on PPP loan documents and admitted that she obtained and spent the PPP proceeds.

II. BACKGROUND

Ms. Rudd is a Veterans' Nursing Assistant-Certified and has served in that position since September 16, 2021. Ms. Rudd applied for the position on July 9, 2021, and was hired via a non-interviewed hiring sequence.

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 proprietorship 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 Arnita Rudd

The OEIG located public records from the SBA showing that Ms. Rudd received a $20,141 loan in 2021 for a sole proprietorship. The OEIG subpoenaed loan documents from the lender, which included a loan application for "Schedule C Filers," signed in Ms. Rudd's name and dated May 27, 2021. The "Self-employed individual" box was checked, the Business Legal Name was "Arnita Rudd" with establishment year 2019, and the business was categorized under a code for

[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).

"Taxi and Ridesharing Services." Ms. Rudd was identified as the sole employee. The box checked under "Purpose of the loan" was payroll costs. The form contained various certifications, all reflecting the initials "AR," 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 gross income from "2019 IRS Form 1040, Schedule C, line 7" was identified as $96,680. That figure was used to calculate the loan amount of $20,141 (intended to cover a period up to 2.5 months). A 2019 IRS Form 1040, Schedule C was also submitted, which identified Ms. Rudd as the sole proprietor at [redacted], the principal business or profession as "driver," and a business code for "Couriers and Express Delivery Service." The gross income was listed as $96,680; expenses were listed totaling $23,870 for advertising, contract labor, depreciation, legal & professional services, office expenses, supplies, taxes & licenses, deductible means, and other expenses; and net profit claimed was $72,810.

A "Note" in Ms. Rudd's name was dated May 27, 2021, for a loan in the amount of $20,141. A PPP loan forgiveness application was dated September 4, 2021, and signed in Ms. Rudd's name, indicating the loan disbursement date was June 7, 2021, the amount spent on payroll costs was $20,141, and requesting forgiveness of the full amount of $20,141. 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." An SBA document, dated September 9, 2021, stated the loan had been forgiven in full.

B. No Taxi Or Ridesharing Services Secondary Employment Reported

IDVA policy and its Employee Handbook both allow IDVA employees to engage in secondary employment as long as it does not interfere with normal job activities but require employees to request approval for such employment, in writing, prior to commencing secondary employment.[5] Ms. Rudd's personnel file does not include documentation for any secondary employment related to taxi or ridesharing services. Her personnel file did, however, contain an approved Request for Outside Employment, dated September 16, 2021, where she requested to work overnight and weekends providing care at various nursing facilities.

C. Professional Licenses

According to Illinois Department of Financial and Professional Regulation (IDFPR) records, Ms. Rudd held a Pharmacy Technician license from October 18, 2019 to May 31, 2022. IDFPR records reflect the license was not renewed.

D. Arnita Rudd's OEIG Interview

[5] IDVA Employee Handbook, Rules of Conduct; IDVA Policy PER-022, Secondary Employment.

On October 12, 2022, the OEIG interviewed Ms. Rudd, who confirmed that while employed at IDVA she had secondary employment as a nursing assistant and for a business she owned called VARS Transportation (VARS). Ms. Rudd confirmed that she submitted a request to conduct secondary employment as a nursing assistant, but not for VARS, and said she did not know why she failed to do so. Ms. Rudd explained that VARS is a transportation service she started, approximately three years ago, for which she drives friends and family to destinations such as the airport. She said she is the only employee of VARS, she uses her personal vehicle to provide the transportation, and she is paid in cash or via Zelle but she did not keep billing records. Ms. Rudd claimed that she had an average of 20 clients with VARS, per year, and she made a total of approximately $500 to $600 in 2019, $400 in 2020, $500 in 2021, and $400 to-date in 2022. Ms. Rudd said she did not believe she reported any money earned through VARS on her federal income tax because it was a small amount of money.

Ms. Rudd confirmed that she applied for a PPP loan. After being shown copies of her PPP loan application, 2019 IRS Form 1040 Schedule C,[6] a Note, and PPP loan forgiveness application, Ms. Rudd confirmed that she filled out and signed and/or initialed the documents. Ms. Rudd admitted that when she indicated on these forms that her gross income was $96,680 and her net profit $72,810, the information was inaccurate. Ms. Rudd further admitted that she listed the inaccurate amounts in order to obtain the $20,141 PPP loan. Ms. Rudd confirmed that on the PPP loan application she selected the box reflecting that the loan would be for payroll costs and that on the PPP loan forgiveness application she reported that $20,141 was spent on payroll costs. She said the money was for payroll costs to pay herself. Ms. Rudd said she then used the money that she paid herself to fix her vehicle, purchase tires, pay her rent, and buy VARS merchandise like shirts and jackets.

Ms. Rudd was shown an SBA Notice of PPP Forgiveness Payment letter. She claimed she did not recall receiving the letter, but she remembered being notified that she no longer needed to make payments on the loan.

IV. ANALYSIS

The IDVA Rules of Conduct require employees to "obey all federal, state, and local laws…"[7] and the Employee Handbook states, "An employee holds a position of public trust and is expected to conduct himself/herself in a responsible, professional manner, refraining from conduct which could adversely affect the confidence of the public" and then notes that "an employee's conduct while off-duty may subject the employee to discipline up to and including discharge" if the conduct raises "reasonable doubt concerning the employee's suitability for continued State employment."[8] The State of Illinois Code of Personal Conduct similarly provides that "A State Employee will conduct himself or herself…with integrity and in a manner that reflects favorably upon the State."[9] Furthermore, IDVA policy and its Employee Handbook both state that IDVA

[6] Ms. Rudd said she hoped she included the 2019 IRS Form 1040 Schedule C with her 2019 tax returns, but it was possible that she did not include it. Ms. Rudd later provided the OEIG with a copy of her State 2019 through 2021 taxes and a copy of the Schedule C form was not included.
[7] IDVA Rules of Conduct, ROC-001.
[8] IDVA Employee Handbook, Rules of Conduct, Employee Personal Conduct.
[9] Illinois Code of Personal Conduct, Conduct Unbecoming of a State Employee (March 17, 2021).

employees can engage in secondary employment as long as it does not interfere with normal job activities but that, prior to engaging in secondary employment, IDVA employees must submit a written secondary employment request. Failure to submit a Request for Secondary Employment may result in discipline up to and including discharge.[10]

Ms. Rudd acknowledged that she obtained a PPP loan of $20,141 in 2021, that she used the proceeds, and that the loan was forgiven by the SBA. She also admitted that she provided false information in her PPP loan documentation. Specifically, Ms. Rudd's PPP loan application listed a 2019 gross income for a "Self-employed individual" in the amount of $96,680, and identified her net profit as $72,810; in her OEIG interview, Ms. Rudd confirmed both of these numbers were inaccurate and were specifically included so that she could obtain the $20,141 PPP loan. Even assuming Ms. Rudd did, in fact, have some kind of transportation business (VARS), she admitted that she made nowhere near the amount she reported on these forms; rather, she made, at most, $600 in a given year. Ms. Rudd further confirmed that she also did not report the purported secondary employment with VARS to IDVA or pay any taxes on that income.[11]

In sum, Ms. Rudd falsified information on the loan documentation in violation of PPP rules, received public funds she was not entitled to based on this information, and accepted loan forgiveness by the federal government. Ms. Rudd also failed to report her purported secondary employment to IDVA. Based on the evidence, there is reasonable cause to believe that Ms. Rudd violated IDVA and State of Illinois policies on employee conduct.

V. [REDACTED] AND RECOMMENDATIONS

Based on the evidence detailed above, the OEIG has determined that there is **REASONABLE CAUSE TO BELIEVE THE FOLLOWING**:

- **[REDACTED]** – Arnita Rudd obtained a federal PPP loan based on falsified information in violation of IDVA and State of Illinois policies on employee conduct.

- **[REDACTED]** – Arnita Rudd failed to report secondary employment in violation of IDVA 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 IDVA terminate Ms. Rudd.

Additionally, the OEIG recommends that IDVA consider clarifying its outside/secondary employment policy or offering further training or guidance with regard to filing secondary employment forms to ensure that employees are aware that all outside employment, including self-

[10] IDVA Employee Handbook, Rules of Conduct; IDVA Policy PER-022, Secondary Employment.
[11] The IDVA Employee Handbook states "Employees are expected to meet all personal financial obligations including tax and other obligations to federal, State and local governments."

employment, should be vetted and approved by IDVA prior to the commencement of the secondary employment.

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

DATE: December 9, 2022

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December 27, 2022

Via Electronic Mail

Office of Executive Inspector General for the Agencies of the Illinois Governor
69 West Washington Street, Suite 3400, Chicago, IL
Attn: Fallon Opperman
Via: E-mail to Senior Paralegal Sherry Bult: [redacted]@illinois.gov

Re: OEIG Complaints No. 22-02157, [redacted], and [redacted]

Dear Ms. Opperman,

This letter is in response to OEIG Complaint No.s 22-02157, [redacted], and [redacted]. We have received your investigation [redacted] for the three above named OEIG complaints. Upon our review, we are in complete agreement with your [redacted]. We have begun the disciplinary process for the individuals named in each of the three complaints and as recommended, are pursuing discharge in each disciplinary matter. The status of each of these is below:

- 22-02157 (Arnita Rudd): The employee resigned from IDVA. The employee was served her pre-d packet, but they did not conduct the pre-d before she left her final shift. The pre-d packet will still be part of her permanent personnel record.
- [redacted]
- [redacted]

We have also begun work on a new secondary employment policy and procedure for the agency. An update to the OEIG on all three matters will be provided when the disciplinary action has finalized, and our policy and procedures have been formally updated.

Please let us know if you seek any additional information or documents in connection with the subject investigations.

Sincerely,

[redacted]

Terry Prince
Director

STATE OF ILLINOIS

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Office of Executive Inspector General
for the Agencies of the Illinois Governor
Fallon Opperman
VIA EMAIL

Date: 01/20/2023

Re: OEIG Complaint No. 22-02157

Dear Ms. Opperman,

This letter is a follow up to our previous response letter, dated December 27, 2022, for matter 22-02157. The employee named in the complaint [redacted] (Arnita Rudd) has resigned as of December 16, 2022. IDVA was unable to conduct a pre-disciplinary meeting prior to her departure, but a copy of the pre-disciplinary packet has been placed in her personnel file.

Please let us know if you seek any additional information or documents.

Sincerely,

s/Matt Eddington

Matt Eddington
Deputy General Counsel
Illinois Department of Veterans' Affairs