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**Fraud case targets grants awarded by Obama friend;**

**Whitaker: 'When I and my team were aware of problems, we acted swiftly'**

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Staff reporters

The indictment of a Chicago nurse accused of diverting hundreds of thousands of dollars in taxpayer funds for her personal use has turned a spotlight on an Illinois state agency that awarded her money while it was headed by one of President Barack Obama's closest friends, Dr. Eric E. Whitaker, records show.

Under Whitaker, the Illinois Department of Public Health awarded Margaret A. Davis - the former program director of the Chicago Chapter of the National Black Nurses Association - a no-bid contract and seven AIDS- and cancer-related grants that became part of her $500,000 cash-siphoning scheme, prosecutors say.

According to federal subpoenas and other records, Davis' June 9 indictment by a federal grand jury in Springfield is part of a larger criminal investigation involving the health department and other state agencies.

Whitaker - who's now a top executive at the University of Chicago Medical Center - has not been accused of any wrongdoing. He says he couldn't have known about the problems the Davis indictment describes and that he and his staff acted quickly when they became aware of problems with other contractors.

Since 2009 and as recently as March, federal authorities have sent the health department a total of four subpoenas seeking information on a broad range of "faith-based initiatives" and health-outreach programs that Whitaker oversaw. Those subpoenas name seven organizations - including Davis' National Black Nurses Association - which, in all, got more than $2 million under Whitaker.

The Illinois attorney general's office is suing to recover $523,546 in allegedly misspent money from one of those organizations: the Let's Talk, Let's Test Foundation, a now-defunct AIDS awareness group.

Whitaker - who was hired by then-Gov. Rod Blagojevich in 2003 on Obama’s recommendation - publicly surfaced in the federal investigation in May 2010, when the Chicago Sun-Times reported that he, former chief of staff Quinshaunta Golden and two other Blagojevich administration officials - Deputy Gov. Louanner Peters and Whitaker's successor at the health department, Dr. Damon Arnold - had been named in a subpoena seeking their state-government e-mails and other electronic records since January 2007. None has been charged with any crime.

Whitaker, 46, left state government in October 2007 to work alongside future first lady Michelle Obama at the University of Chicago Medical Center, where he's now executive vice president for strategic affiliations and associate dean for community-based research - a job that paid him $670,833 in 2009.

During the 2008 presidential campaign, Whitaker frequently traveled with Obama, and he remains part of the president's inner circle. He vacationed with the president in Martha's Vineyard late last month and attended three White House parties earlier this year.

After the Sun-Times reported last year that Whitaker's name had surfaced in the federal investigation, he told reporters: "The organizations the subpoenas were about - they received funding in the last month of my tenure at the Illinois Department of Public Health, and the Sun-Times framed it as if I was in the center of a lot of things. I would say that's inaccurate."

But Davis' indictment and other records show that Whitaker's department had given money to those groups long before then.

Now, asked about that discrepancy and about the Davis case, Whitaker e-mailed a statement acknowledging "confusion related to statements I have made in the past.

"Let me be clear: In the course of administering some 8,000 grants related to approximately 240 public health programs, there was a handful that fell short. When I and my team were aware of problems, we acted swiftly. . . . In some cases, we couldn't have known about transgressions - such as the alleged embezzlement related to a contract with the Chicago Chapter of the National Black Nurses Association."

Marj Halperin, a spokeswoman for Whitaker, said he hasn't been subpoenaed personally, nor has he hired a lawyer to represent him regarding the investigation because "there's been no reason for him to do so."

Davis, 60, is scheduled to go on trial in federal court in Springfield on Dec. 6 on a 16-count mail-fraud and money-laundering indictment. A co-defendant, Tonja Cook, 44, is charged with one count of mail fraud.

According to their indictment, Davis used her roles with the National Black Nurses Association and two other health-care groups to obtain 15 state grants and contracts totaling more than $1 million between December 2005 and March 2009. She allegedly siphoned off $500,000 of that for personal use.

Of the taxpayer money, $577,473 came from the health department under Whitaker and Arnold, and $460,000 came from the state Department of Commerce and Economic Opportunity, then headed by Jack Lavin, who's now Gov. Pat Quinn's chief of staff.

Davis once won praise from Whitaker, who called her "the ultimate advocate for health care and human services" when Blagojevich honored her with a governor's PATH (People Are Today's Heroes) Award in January 2007. "Her energy and commitment amaze me."

According to prosecutors, Davis got seven state grants totaling $195,000 between December 2005 and June 2007 while Whitaker headed the health department. In December 2007, two months after Whitaker left the department, Davis got another $150,000 through "Ticket for the Cure," a breast-cancer awareness program that Whitaker created.

Besides the grants, Whitaker's chief of staff, Golden, signed Whitaker's name to a June 2007 no-bid contract under which Davis hired college nursing students to "receive education, training and experience in the administrative process related to" a 2006 state law requiring health department staffers to perform criminal-background checks on residents of Illinois nursing homes.

That "contract was falsely represented as a 'professional and artistic service' contract when, in fact . . . the services performed by the students were clerical in nature," according to the indictment.

Prosecutors say that misrepresenting what the students would do meant that the contract wouldn't have to be awarded through competitive bidding.

According to the indictment, Davis diverted "in excess of $11,000" obtained under that contract. Unbeknownst to state officials, she also "hired her granddaughter and her granddaughter's half-sister to work" as nursing interns.

Golden, who is a niece of U.S. Rep. Danny Davis (D-Ill.), is now a top aide to Whitaker at the U. of C. Medical Center, where she made $311,407 in 2009. She declined to be interviewed, as did lawyers for Cook and Margaret Davis, who is no relation to Danny Davis.

Halperin, Whitaker's spokeswoman, said the nursing contract was part of a Blagojevich administration effort to ease a statewide nursing shortage, and that Davis' interns did bona fide work under the supervision of health department employees.

Halperin said prosecutors are interpreting the definition of "professional and artistic services" too narrowly. "Administrative work is part of work related to the nursing field," she said.

Whitaker said "the handful of problems that we addressed and continued to monitor right through to the end of our tenure" shouldn't define his time in state government.

"I'm proud of our success in many public health areas, including our programs to combat HIV in the African-American community, which accounted for more than half of new HIV/AIDS cases at the time I took office," he said.

"Thanks, in part, to the investment made through our community-based partnerships, we did see a drop in the number of reported HIV cases."