

THE BOARD OF COMMISSIONERS

TONI PRECKWINKLE
PRESIDENT



OFFICE OF THE INDEPENDENT INSPECTOR GENERAL

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December 15, 2015

Honorable Toni Preckwinkle
and Members of the Board of Commissioners
of Cook County
118 North Clark Street
Room 567
Chicago, IL 60602

Re: OIIG-14-0438 (Campaign Contributions – Bond Vendors)

Dear President Preckwinkle and members of the Board of Commissioners:

This letter is written in accordance with Sections 2-288 and 2-289(c)(2) of the Office of the Independent Inspector General Ordinance, Code of Ordinances, Cook County, Illinois, ch. 2, art. IV, div. 5 (2007) (the “OIIG Ordinance”) in connection with a review initiated to assess and evaluate the level of compliance related to campaign contributions made by bond vendors. This statement is made to apprise you of the results of our review.

Background

The County has imposed certain restrictions and limitations on campaign contributions for those vendors that provide certain professional services in connection with bonds. Specifically, Section 2-585(i) of the Ethics Ordinance states:

Any firm, or its officers, directors or partners, contracted by the County to act as financial counsel, bond counsel, underwriter’s counsel, legal counsel, or financial manager for the issuance of any bond is prohibited from making campaign contributions to any County official or candidate for County office.

We conducted this review to determine whether any bond vendors acted in violation of this provision of the Ethics Ordinance. We set our scope for this review to cover bond vendors that assisted Cook County Government with issuing bonds during the 2009-2013 timeframe.¹ The bonds within our scope collectively totaled \$2,690,515,000. (See Attachment A for specific

¹ The bonds can be found on the County’s website under the Bureau of Finance. Each Bond contains an Official Statement which lists bond vendors. According to the Securities and Exchange Commission, an Official Statement is a disclosure document similar to a prospectus. The Official Statement also contains the names of bond vendors such as underwriters, financial advisers and legal counsel.

bond issues subject to our scope.) Furthermore, we reviewed campaign contributions from 2009 through July, 2015.

We obtained information regarding the bond vendors' campaign contributions for bond vendors doing business with the County from the Illinois State Board of Elections' database. We applied the Cook County Ethics Ordinance to the list of bond vendors to determine whether there was *prima facie* evidence of non-compliance with campaign contribution limits and restrictions. We also gathered additional information from interviewing certain individuals associated with bonds. This pool of individuals included Cook County employees and a bond vendor.

OIG Findings and Conclusions

During our review, we identified eight law firms that served as bond counsel or underwriter's counsel which also made campaign contributions to Cook County public officials. The campaign contributions made by these law firms totaled \$19,520.

We identified 18 attorneys employed by the County's bond counsel or underwriter's counsel who made campaign contributions to Cook County public officials totaling \$42,116.66. In the data submitted to the Illinois State Board of Elections (D2 data), these attorneys did not identify their positions at the firm so we were unable to determine whether they are officers, directors or partners of bond counsel or underwriter's counsel.

We also found that two financial advisors made campaign contributions to County public officials totaling \$500. Additionally, two employees of a financial advisor contributed \$14,500 to Cook County public officials. However, financial advisers and underwriters that provide financial services for bonds are not included in Section 2-585(i) of the Ethics Ordinance.

Recommendations

Our recommendations are intended to provide the basis for corrective action that should lead to greater improvements in transparency, accountability, and compliance related to bond vendors. Specifically, we recommend the following:

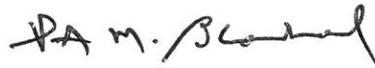
- As a threshold matter, Section 2-585(i) of the Ethics Ordinance should be amended so that it includes the terms "financial advisers," "underwriters," and "any vendor offering professional services related to bonds." This will ensure that all bond vendors are subject to the same campaign contribution restrictions and limitations. This measure prevents any conflicts of interest in fact or in appearance related to Cook County Government's procurement of bond services.
- The County should implement internal controls that will prevent bond vendors from failing to comply with campaign contribution restrictions pursuant to Section 2-585(i). For example, the County could assign the duty to routinely monitor campaign

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contributions from bond vendors to ensure compliance with the Ethics Ordinance. These monitoring activities should include obtaining omitted information in D2 data that would determine whether an attorney is a director, partner, or officer and therefore prohibited from making campaign contributions.

Finally, in accordance with Section 2-285(e) of the OIIG Ordinance, this Office respectfully requests notification within 30 days of any action taken in response to the foregoing recommendations. Thank you for your cooperation and assistance with this matter. Please do not hesitate to contact me if you have questions.

Very truly yours,



Patrick M. Blanchard
Inspector General

cc: Ms. Tasha Green Cruzat, Chief of Staff, Office of the President
Ms. Anel Ruiz, Deputy Chief of Staff, Office of the President
Ms. Laura Lechowicz Felicione, Special Assistant to the President
Mr. Ranjit Hakim, Executive Director, Ethics Department
Mr. Ivan Samstein, Chief Financial Officer, Bureau of Finance

ATTACHMENT A

We identified the following bonds pursuant to our scope:

- “Series 2009” are comprised of multiple bonds totaling \$671,690,000. The net proceeds were designated for bond refinancing, construction projects, and equipment;
- “Series 2010”² are comprised of multiple bonds totaling \$809,700,000. The net proceeds were designated for bond refinancing, pension liabilities, and construction projects;
- “Series 2011” are comprised of multiple bonds totaling \$612,420,000. The net proceeds were designated for bond refinancing, and Corporate Purpose Notes;
- “Series 2012” are comprised of multiple bonds totaling \$499,940,000. The net proceeds were designated for bond refinancing, transportation and highway improvements; and
- “Series 2013” are comprised of multiple bonds totaling \$96,765,000. The net proceeds were designated for bond refinancing, construction projects, equipment and repairs.

² Cook County government issued bonds totaling \$90,000,000 for the Recovery Zone Facility. The County is the guarantor; however, Navistar International Corporation controls the bonds. Since the Budget Office informed us that these bonds do not appear in Cook County’s Bond Reports, we did not include these bonds in our scope.