

**TONI PRECKWINKLE**

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September 26, 2012

Honorable Toni Preckwinkle  
and Members of the Board of Commissioners  
118 North Clark Street  
Chicago, Illinois 60602

Re: OIIG Summary Report No. IIG12-0059 (Contingency Fund Reconciliations)

Dear President Preckwinkle and Members of the Board of Commissioners:

This letter is written in accordance with Section 2-289(c) of the Independent Inspector General Ordinance ("OIIG Ordinance"), Cook County Code ch. 2, art. IV, sec. 2-289(c) (2007), in connection with a compliance review of Cook County contingency funds. This statement is made to apprise you of the completion and results of this compliance review.

### **Background and Methodology**

In March 2012, the Office of the Independent Inspector General ("OIIG") initiated a review of contingency funds disbursed by Cook County government. The use of contingency funds is authorized by Section 34-40 of the Cook County Finance Code, Cook County Code ch. 34, art. II, sec. 34-40 (the "Contingency Fund Ordinance"). Contingency funds may be provided to assist commissioners in the execution of official duties. Commissioners who use these funds have an obligation to file contingency account expense reports within 30 days of the end of each quarter of the County's fiscal year. The expense reports contain numerous categories that identify different types of expenses. The expense reports are required to be submitted with receipts or other forms of supporting documentation evidencing valid allowable expenses.

The Contingency Fund Ordinance was amended effective June 1, 2012. Among the changes to the ordinance is a new requirement that documentation of expenses be submitted prior to receiving contingency funds. Prior to the amendment, contingency funds were disbursed in advance and then were to be accounted for later. This inquiry was focused upon the use of contingency funds prior to the amendment and, therefore, we have applied the reporting rules in place at that time. We have attached the prior and amended versions of the Contingency Fund Ordinance.

In conducting our compliance review, we contacted the Cook County Bureau of Finance and requested account information related to all contingency accounts provided to Cook County government departments and officials for the period beginning May 1, 2009 to the present. According to the Comptroller's Office, there is one Contingency Account with sub-accounts that



are designated to different departments. The Board of Commissioners and the Public Administrator are the only Cook County departments that have been assigned sub-accounts for the use of contingency funds.<sup>1</sup> We received detailed transactional data from the Comptroller's Office related to the contingency accounts for the commissioners. The transactional data consisted of monthly contingency account disbursements made directly to commissioners during the time period of May 1, 2009 through May 31, 2012. Importantly, the transactional data did not include information reflecting commissioner expenditures or descriptions of the expenses incurred by the commissioners.

Pursuant Section 34-40(b)(6) of the Contingency Fund Ordinance, the Secretary of the Board of Commissioners (the "Secretary") is required to post the expense reports to a publicly accessible webpage within 15 days of receipt. On June 29, 2012, the Secretary provided our office with expense reports submitted by commissioners. These expense reports covered those expenses reported by commissioners from May 1, 2009 through May 31, 2012. Additionally, the Secretary provided us with the receipts and supporting documentation submitted by commissioners with their expense reports. The expense reports do not state the amount of contingency funds disbursed to commissioners. The transactional data obtained from the Comptroller's Office was not required to be filed with the Secretary.

We used the transactional data from the Comptroller's Office and compared it to the expense reports from the Secretary to prepare contingency fund reconciliations beginning May 1, 2009 through May 31, 2012 (the "Contingency Fund Reconciliations"). This form of reconciliation of contingency fund disbursements and expenditures had not been conducted during the subject time period. Additionally, we conducted interviews and reviewed the receipts and supporting documentation for those expenses listed in the expense reports to verify compliance with the Contingency Fund Ordinance.

### **OIIG Findings and Conclusions**

As stated above, the Board of Commissioners recently amended the Contingency Fund Ordinance to address and correct certain issues with the use of contingency funds that arose under the prior version of the ordinance. This report addresses certain outstanding issues that remain from prior periods and addresses issues that could arise under the new version of the ordinance if not monitored. It should be noted that our findings relate only to those commissioners who use contingency funds. Some commissioners do not accept contingency funds, and some commissioners utilize the funds without encountering the problems noted below.

Our compliance review revealed numerous instances in which commissioners failed to comply with the Contingency Fund Ordinance in effect during the period beginning May 1, 2009 through May 31, 2012.

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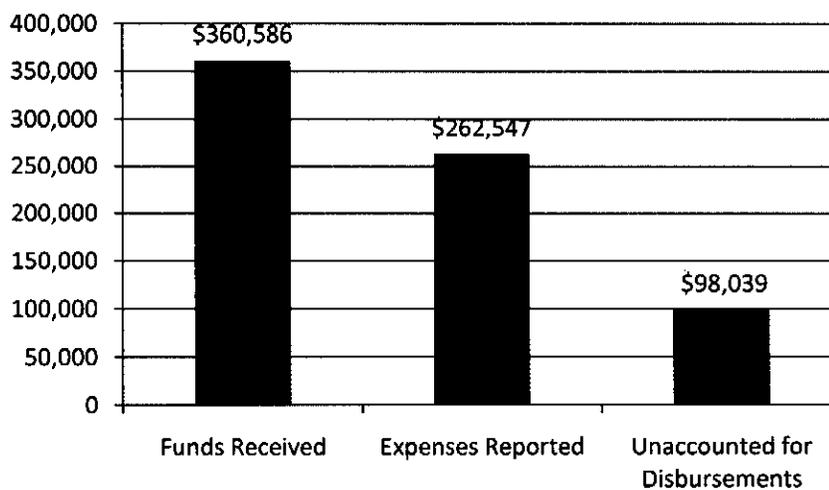
<sup>1</sup> The OIIG has opened a separate review for the Public Administrator.

- We identified circumstances in which several commissioners failed to report the use of the contingency funds that were distributed to them and failed to return the disbursed funds to the County.
- In other instances, we found that the expenses were reported, but the required receipts and other supporting documentation were not submitted.
- We learned that contingency funds were used to purchase assets to be used, in part, for personal use and, in part, for County related purposes.
- We found that commissioners were permitted to transfer funds into their contingency accounts from other accounts in their budgets.
- We discovered incidents in which receipts for meals with third parties were submitted without an indication as to the business purpose of the meeting or individuals attending.

Each of these issues is discussed in more detail below.

#### *Failure to Report Expenses*

During the three-year period analyzed, the Comptroller's Office disbursed \$360,586 in contingency funds to various commissioners. We found that some of these commissioners failed to submit expense reports or supporting documentation to account for \$98,039 or 27% of the funds. The OIIG analysis revealed that 18 expense reports were not filed for contingency funds received by several commissioners during the period covered by this review.



Contingency Funds Disbursed May 1, 2009 to May 31, 2012

This remains a significant issue even with the amendments to the Contingency Fund Ordinance as nearly \$100,000 is still unaccounted for at present. Several commissioners are responsible for the missing expense reports reflected in the chart above to varying degrees. Other commissioners reported their contingency fund expenses in substantial compliance with the Ordinance requirements while other commissioners have elected to not accept contingency funds during the subject period.

#### *Lack of Proper Documentation*

In addition to instances in which commissioners failed to report all expenses paid for with contingency funds, we also found instances in which expenses were reported but the receipts for such expenses were not submitted. For example, we found that in one case a commissioner failed to provide receipts, documentation or a description for \$1,029 in expenses during a single quarter. The Contingency Fund Ordinance specifically requires all expenses to be supported by receipts or other supporting documentation.

#### *Assets Used for Combined Personal and County Use*

During our review, we learned that several commissioners had used contingency funds to purchase assets to be used in part for County purposes and in part for personal purposes. On the surface, the handling of these funds would not necessarily present a problem. However, in at least one instance, a commissioner left employment with the County without any documentation as to what happened with the asset at issue, which was purchased in part with County funds. In another instance, a commissioner utilized contingency funds to partially finance a vehicle for ownership (as opposed to lease financing). We have identified no rules or policies to account for the County's ownership interest in the assets purchased for mixed use when a commissioner leaves County employment.

#### *Funds Transferred to Contingency Fund from Other Accounts*

We also found during our compliance review that a commissioner increased his contingency fund by more than \$16,000 by transferring funds from another account within the commissioner's budget. This transfer represents more than double the amount of contingency funds generally available to commissioners during a year. The transfer was approved by the Board of Commissioners without any explanation as to why the contingency account was being increased.

#### *Lack of Detail for Expenses Involving Third Parties*

In reviewing the expense reports, we discovered numerous instances in which receipts for meals with multiple guests were submitted without an indication as to who the people were or the purpose of the meeting. For example, one restaurant receipt submitted for more than \$250

included 8 guests although there was no indication of the purpose of the meeting or identities of those attending. We believe this lack of transparency in the process should be addressed.

### **OIG Recommendations**

By amending the Contingency Fund Ordinance, the Board of Commissioners has corrected many of the problems we encountered with the use of contingency funds. However, even with these positive changes, we believe that certain corrective action is required to assist the Board of Commissioners, Ethics Department and Comptroller's Office in addressing the reporting deficiencies identified from the compliance review.

First, there is nearly \$100,000 in contingency funds that have not been properly accounted for as expenses by certain commissioners. The Contingency Fund Ordinance requires contingency fund recipients to list expenses, describe the service or good, and provide receipts for the expenses incurred in performing their duties or attending to constituent services. Under Section 34-40(7) of the Contingency Fund Ordinance, commissioners are required to return funds expended from the Contingency Fund that are found not to be in compliance with the guidelines in the Ordinance. Several commissioners remain in noncompliance with the reporting requirements of the Contingency Fund Ordinance and should be required to submit the requisite documentation or return the funds at issue to the County. The OIG will initiate separate inquiries involving these deficiencies.

Second, Cook County government should improve current internal controls to assist the members of the Board in their reporting obligations. In many organizations, accounting personnel and compliance specialists design policies and procedures to facilitate expense and reimbursement reporting. Accordingly, we recommend that the Bureau of Finance create a more effective expense tracking and reporting financial tool to assist the commissioners with expense reporting.

Third, the County should consider whether to discontinue the practice of allowing commissioners to purchase assets for both personal and County use and limit the use of Contingency Funds to only those asset purchases that are entirely County property. Alternatively, the County should consider enacting a policy that enables a commissioner to purchase the County's equity interest in such mixed use property upon departure from County service. Whichever course the County chooses to take, it should create a written policy to address the issue of using contingency funds to purchase assets for both personal and County use.

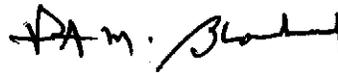
Fourth, the County should consider putting limits on the transfer of funds into contingency accounts from other accounts within a commissioner's budget. It should also consider adopting rules establishing when such transfers are appropriate.

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Finally, the County should create a policy for expenses involving meals or other activities with outside parties that requires commissioners to provide the names of the guests and the purpose of the meeting when they submit their receipts and expense reports. Such a policy will promote greater transparency in the use of contingency funds.

Thank you for your consideration to these issues. Should you have any questions regarding this or any other matter, please do not hesitate to contact me.

Very truly yours,



Patrick M. Blanchard  
Inspector General

cc: Mr. Kurt Summers, Jr., Chief of Staff  
Ms. Laura Lechowicz Felicione, Special Legal Counsel  
Ms. MaryNic Foster, Executive Director, Ethics Department  
Mr. Tariq Malhance, Chief Financial Officer  
Ms. Reshma Soni, Acting Comptroller  
Mr. Matthew DeLeon, Secretary to the Board of Commissioners

**Sec. 34-40. - Use of contingency funds by Commissioners (018-890).**

- (a) Contingency funds may be provided to assist Commissioners in the execution of official duties.
- (b) The following guidelines shall apply to the expenditure and reimbursement of contingency funds by each Commissioner:
  - (1) Contingency funds shall be expended for:
    - a. Costs relating to attendance at meetings and events, including meals, in the performance of official duties;
    - b. Travel and transportation expenses for county functions, meetings and duties. Such expenses may include reimbursement for automobile usage;
    - c. Educational programs related to government, finance, or other topics generally associated with the functions of county government;
    - d. Newspapers, journals, magazines, or books related to official duties;
    - e. Membership fees for community, or civic organizations;
    - f. Attendance at civic, social, fraternal, and other events sponsored by community groups and associations, including religious and charitable events, as long as such expenses for attendance are for attendance at such events and not for the general promotion of any particular religious, philanthropic, or charitable mission or objective;
    - g. Costs directly related to the provision of constituent services.
  - (2) Funds shall not be utilized for political activities, including, but not limited to:
    - a. Travel or transportation expenses to political or fundraising events;
    - b. The printing, publishing, or mailing of materials for political or fundraising events;
    - c. Donations to campaign funds.
  - (3) Contingency funds shall not be expended for or accepted as additional income.
  - (4) Within 30 days of the end of each quarter of the County's fiscal year, each Commissioner shall submit an expenditure report detailing the expenses incurred by his or her office during that quarter to the Secretary to the Board of Commissioners, supported by:
    - a. Mileage logs, fuel receipts, and proof of payment for financing costs associated with a vehicle used in the performance of official duties;
    - b. Copies of travel documents;
    - c. Copies of cancelled checks;

- d. Course descriptions for qualified educational programs;
  - e. Receipts for or any other records related to expenses specified in this section.
- (5) The Director of the Cook County Board of Ethics shall determine compliance with this section.
- (6) The Secretary to the Board of Commissioners shall post the expenditure reports described in Subsection (b)(4) to a publicly accessible web page within 15 days of receipt.
- (7) Monies expended from the contingency fund found not to be in compliance with the above guidelines shall be returned to Cook County.

(Ord. No. 09-O-32, 5-5-2009.)

**Sec. 34-40. - Use of contingency funds by Commissioners (018-890).**

- (a) Contingency funds may be provided to assist Commissioners in the execution of their official duties and responsibilities as Cook County Board Commissioners for their respective districts.
- (b) These funds must be allocated or provided in each Commissioner's annual budget request.
- (c) The following shall apply to the expenditure and reimbursement of contingency funds by each Commissioner:
  - (1) Contingency funds shall be expended for the following:
    - a. Costs relating to attendance at meetings and events, including such items as lodging, airfare, and meals, excluding alcoholic beverages in the performance of official duties;
    - b. Travel and transportation expenses for County functions, meetings and duties. Such expenses may include reimbursement for gas and rental car usage for business and travel. All out of County travel-related expenditures will conform to the IRS guidelines whenever possible and IRS guidelines will be provided by the Board of Ethics on a yearly basis. Where compliance with IRS guidelines cannot be met, a letter must be submitted to the Director of the Board of Ethics with an explanation;  
  
Lease or rental payments for a motor vehicle used by Commissioners in connection with their official duties is covered. If vehicle usage is less than 100 percent for County business then the percentage of vehicle usage attributable to County business must be specified. Commissioners shall provide a mileage log that documents date, location of County activity, and roundtrip miles for the day as a substantiation of the daily portion of County business use being claimed. Mileage logs will be presented to the County Commissioners.  
  
Commissioners shall be reimbursed for gas or mileage, but not both. If Commissioners elect to be reimbursed by mileage then the IRS reimbursement rate applies.
    - c. Educational programs related to government, finance, or other topics generally associated with the functions of County government that have been completed prior to the passage of this amendment.  
  
Commencing from passage of this amendment, pre-approved educational expenses, including courses of study, workshops, seminars, informational programs, and training programs, provided that the subject matter is directly related to a Commissioner's official duties. Reimbursement shall not be made until course completion, verification of attendance, and passage of the course is provided to the Director of Ethics when applicable. Courses begun after the passage of this ordinance used in conjunction with an undergraduate, graduate, or post-graduate degree may not be reimbursed with contingency funds.
    - d. Newspapers, journals, magazines, books, or other printed materials related to official duties;
    - e. Membership fees for community or civic organizations;
    - f.

Attendance at civic, social, fraternal, and other events sponsored by community groups and associations, including religious and charitable events, as long as such expenses for attendance are for attendance at such events and not for the general promotion of any particular religious, philanthropic, or charitable mission or objective;

- g. Any miscellaneous costs directly related to the provision of constituent services must be specifically identified as such and related to duties and responsibilities as County Commissioners.
- (2) Contingency Funds shall not be utilized for political activities, including, but not limited to:
    - a. Travel or transportation expenses to political or fundraising events;
    - b. The printing, publishing, or mailing of materials for political or fundraising events;
    - c. Donations to campaign funds.
  - (3) Contingency funds shall not be expended for or accepted as additional income.
  - (4) Use of contingency funds must be approved by the Executive Director of the Cook County Board of Ethics for compliance with the aforementioned use criteria prior to submission and payment by the Office of the Comptroller. The Director will promptly notify Commissioners of approval, denial, or the need for clarification or further documentation.

Within 30 days of the end of each quarter of the County's fiscal year, or within each month of said quarter at the option of each Commissioner, Commissioners shall submit an expenditure report and supporting documentation detailing the expenses incurred by his or her office during that defined period to the Secretary to the Board of Commissioners, supported by:

- a. Mileage logs, fuel receipts, parking receipts, toll charges, routine repair and maintenance receipts, and proof of payment for financing costs associated with a vehicle used in the performance of official duties;
  - b. Copies of travel documents, itineraries, accommodation, or travel confirmations;
  - c. Copies of cancelled checks, appropriately redacted bank or credit card statements;
  - d. Course descriptions, proof of payment, and general detail of relevance to official duties for qualified educational programs;
  - e. Legible receipts for, or any other records related to, expenses specified in this section.
- (5) The Director of the Cook County Board of Ethics will determine compliance with usage criteria set forth herein, and approve prior to payment, requests for expenditures made in accordance with this ordinance. The Director shall promptly notify Commissioners requesting approval in writing of the determination.
  - (6) The Secretary to the Board of Commissioners shall post the quarterly expenditure reports described in Subsection (b)(4) to a publicly accessible web page within 15 days of receipt as well as a report from the Board of Ethics or the Director indicating compliance.
  - (7) Requests for reimbursement shall be denied by the Comptroller and future contingency funds may be forfeited, should a Commissioner fail to adhere to the provisions of Subsection (4) providing for approval prior to payment, or failure to

provide timely submissions of report or documentation, or failure to respond to compliance requests from the Director.

- (8) No Commissioner may transfer any portion of his or her contingency fund to another Commissioner or to another Commissioner's contingency fund. Any portion of a Commissioner's contingency fund may be transferred to another budgetary item in the Commissioner's budget pursuant to procedures defined by the Board or may be deposited in the County General Revenue Fund.
- (9) Reimbursement of Commissioner's expenses shall be done on a monthly or quarterly basis dependent on the reporting period chosen by each Commissioner.

*(Ord. No. 09-O-32, 5-5-2009; Ord. No. 12-O-20, 5-1-2012.)*