

MEH



MEMORANDUM

City of Chicago
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To: [Redacted]

From: S. Brandzel
S. Brandzel
Chair
Chicago Board of Ethics

Re: *Company A*
Case No. 88156.A

Date: March 21, 1989

Pursuant to your department's request the Board considered the ethical issues involved in the ownership of the above captioned company, *Company A* by a City employee, *individual B*. The Board's opinion is based upon the following information provided by a City purchasing agent and *individual B's* spouse, co-owner of the *Company A*.

Company A, an Illinois corporation was incorporated in 1987 by *individual B* and spouse. *Company A* operates primarily as a temporary service company. At the time of incorporation *individual B*, a City employee in a City department, held 50 per cent of the stock in *Company A*. In 1987 *Company A* received \$31,268.38 from the Department where it works and \$152,711.89 from another City department.

As of late 1988 *Company A* had received \$277,556.47 from various City Departments, including *B's* department, Law, Human Services, Aviation and the Mayor's Office of Employment and Training. All of the company's bank accounts and lease agreements were in the name of *individual B's* spouse.

In 1988 *individual B's* spouse applied for minority certification with the Department of Purchases.

Later in 1988 *individual B* transferred his/her entire interest in *Company A* to *individual B's* spouse. Further, by special resolution of the



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Board, Individual B was removed from his/her position as a member of the Company A's Board of Directors. As a result the spouse of B now owns 100 per cent of the corporation's stock and is the sole officer and director of the corporation. The spouse of B alleges that his/her spouse presently maintains no management or control authority in the corporation. Individual C the Corporation's contact person in the department where B works in the same office with Individual B. Individual C and Individual B take lunches together on a periodic basis. However, Individual C stated that despite frequent contact with Individual B, they never discussed Company A generally, or Company A's City contracts.

Section 26.2-11 of the Governmental Ethics Ordinance, entitled "Interest in City Business," provides as follows: "No elected official or employee shall have a financial interest in his own name or in the name of any other person in any contract, work or business of the City or in the sale of any article, whenever the expense, price or consideration of the contract, work, business or sale is paid with funds belonging to or administered by the City, or is authorized by ordinance." This section prohibits an employee from maintaining a financial interest in City business. A financial interest is defined in Section 26.2-1(k) of the Ordinance to mean: "any interest as a result of which the owner currently receives or is entitled to receive or is entitled to receive in the future more than \$2,500 per year".

In light of the Ordinance provisions, and the facts as presented, the Board made the following findings. First, despite the admitted friendship between Individual B and Individual C, the Board found no evidence of any improper influence used by Individual B in the acquisition of Individual B's department work by the Company A. Secondly, Individual B's compensation as an officer of the Corporation exceeded the \$2,500.00 financial interest limit. Therefore, in 1987 and 1988, (despite the late 1988 transfer of interest) Individual B's interest in the Company A violated the interest in City business section of the Governmental Ethics Ordinance. The Board found Individual B's explanation, of lack of knowledge, regarding the Interest in City Business provisions of the Ethics Ordinance unpersuasive. Each City employee received a copy of the Ordinance provisions. His/Her alleged ignorance of the regulation fails to excuse a violation of the Ethics Ordinance.

The Board concluded that because Section 26.2-40(a) entitled Sanctions, provides for employment sanctions, including discharge for employees found in violation of the Ordinance this matter should be directed to the Personnel Department and

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to the Commissioner of the City department where B works for further action consistent with this section of the Ordinance.

Finally, the evidence demonstrates that Company A is now solely owned, managed and controlled by individual B's spouse. Company A now meets all requirements for an independent spousal exception to the definition of Financial Interest. The present service arrangement between Company A and the City does not violate the Ethics Code of Conduct. The Board concludes that Company A should be allowed to continue providing temporary service to departments of the City, except where B works. However, so long as individual B remains employed with the City department he/she is currently in, to avoid any appearance of impropriety or any possibility for improper influence by individual B, the Board suggests that Company A be prohibited from providing services to the department B is currently in.

cc: [REDACTED]

EC/tl [REDACTED]