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Inspector General

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September 13, 2016

Rahm Emanuel
Mayor
City of Chicago
121 N. LaSalle, Suite 500
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Re: Significant Activity Report

Mayor Emanuel:

September 12, 2016, United States District Court Judge Virginia Kendall sentenced Martin O'Malley to a six month term of imprisonment for his role as a middleman in a multi-year kickback scheme perpetrated in connection with the City's red-light camera program. United States v. Martin O'Malley 14-CR-315-2 (U.S.D.C. ND IL). As part of the sentence, Judge Kendall also entered an order of restitution for against O'Malley in the amount of \$2,032,959.50 for which he is jointly and severally liable with his co-defendants, and which O'Malley must make an initial lump sum payment of \$20,000 upon his release from prison. In addition, the court entered judgment of forfeiture of \$98,837.84 against O'Malley individually.

O'Malley pleaded guilty in December 2014 to conspiracy to commit federal program bribery (18 U.S.C. § 371). O'Malley's plea and sentencing were the result of a joint investigation by the City of Chicago Office of Inspector General (OIG), the Federal Bureau of Investigation, and the Internal Revenue Service into procurement fraud in one of the nation's largest red-light camera programs. The United States Attorney for the Northern District of Illinois prosecuted the case.

In approximately 2003, John Bills, a former assistant transportation commissioner for the City of Chicago, and friend of O'Malley, directed O'Malley to a job opportunity with Redflex Traffic Systems Inc. In his guilty plea, O'Malley stated that, after being hired he came to understand that parts of his compensation from Redflex would not be legitimate and that compensation would be given to Bills in exchange for Bills helping Redflex get contracts with the City. From 2003 to 2011, O'Malley received over \$2 million from Redflex Traffic Systems Inc., most of which was funneled to Bills in the form of cash and personal benefits, including a condo in Arizona, meals, golf outings, rental cars, airline tickets, hotel rooms, and other entertainment. Bills used his position as a senior City official to influence the procurement process that awarded Redflex lucrative contracts to supply and service cameras for the City's red-light camera program. Redflex's fraudulently procured contracts resulted in revenues to the company of well in excess of \$100 million.

O'Malley's sentencing follows his extensive testimony in the trial of Bills in January 2016, which resulted in his conviction on nine counts of mail fraud (18 U.S.C. § 1341), three counts of wire fraud (18 U.S.C. § 1343), one count of extortion under color of official right (18 U.S.C. § 1951), one count of conspiracy to commit bribery (18 U.S.C. § 371), three counts of bribery (18 U.S.C. § 666), and three counts of filing false tax returns (26 U.S.C. § 7206(1)), for which Bills was sentenced to term of imprisonment of ten years on August 29, 2016.

The sentencing of the remaining co-defendant, former Redflex CEO Karen Finley, is scheduled for November 10, 2016. Finley faces a maximum sentence of 5 years in prison, a maximum fine of \$250,000 or twice the gross gain or gross loss from the offense, and mandatory restitution, following her plea in August 2015 to one count of conspiracy to commit federal program bribery (18 U.S.C. § 371).

In 2014, OIG's Audit and Program Review section conducted a separate review of the City's historical management of the red-light camera program under Redflex. OIG found this management to be fundamentally deficient, warranting operational changes, many of which had been and continued to be incorporated into the program and contract management of a new program vendor which assumed sole responsibility for the operation of the City's camera systems in February 2014.

Please do not hesitate to direct any questions or requests for additional information to me or Rachel Leven, OIG Public Communications Coordinator, at (773) 478-0534.

Respectfully,



Joseph M. Ferguson
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City of Chicago