



**OFFICE OF INSPECTOR GENERAL**  
*City of Chicago*



***REPORT OF THE OFFICE OF INSPECTOR GENERAL:***

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***BOARD OF ETHICS  
LOBBYIST REGISTRATION AUDIT***

**MARCH 2016**

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March 16, 2016

To the Mayor, Members of the City Council, City Clerk, City Treasurer, and residents of the City of Chicago:

The City of Chicago Office of Inspector General (OIG) has completed an audit of the Board of Ethics's (BOE) lobbyist registration practices. This audit reviewed BOE's efforts to identify active lobbyists and to provide reasonable assurance as to the veracity of information in lobbyist disclosures. We also evaluated BOE's process for levying fines against late-registering lobbyists.

BOE is responsible for administering the Governmental Ethics Ordinance. One aspect of its responsibilities is ensuring that active lobbyists comply with the registration and reporting requirements in the Ethics Ordinance. Effective administration of lobbyist registration and reporting promotes transparency in City government by allowing the public to see which individuals and interests are attempting to influence public officials and policy. Reliable accounting for lobbyist activity is also critical to the enforcement of other ordinance sections, such as those that govern campaign contributions by lobbyists and lobbying by former City officials and employees.

Based on the audit results, OIG concludes that BOE can take small steps to make major gains in the areas of the completeness, accuracy, and integrity of lobbyist registration and disclosure. OIG recommends that BOE exercise its full authority to ensure compliance in this arena by implementing more robust quality assurance best practices. Where BOE believes it lacks necessary authority to fulfill the purposes of the Ethics Ordinance, OIG recommends it work with City Council as needed to receive such authority. We also recommend that BOE implement an electronic-only filing system, clarify its process for fining late-registering lobbyists, and levy the full amount of fines against those individuals.

To address the findings of this audit, BOE stated that it would pursue a number of improvements including an electronic-only filing system for lobbyist annual registration and quarterly reports, and changes to its rules and the Ethics Ordinance that will clarify the criteria for fining late-registering lobbyists. As it works with City Council to amend the Ethics Ordinance, we encourage both parties to consider the critical role of fines in deterring violations of the law, an observation made in 2012 by the Chicago Ethics Reform Task Force.

We thank BOE management and staff for their cooperation.

Respectfully,

A handwritten signature in blue ink, appearing to be "J. Ferguson", is written over a horizontal line.

Joseph M. Ferguson  
Inspector General  
City of Chicago

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## **I. EXECUTIVE SUMMARY**

The Office of Inspector General (OIG) conducted an audit of the Board of Ethics's (BOE) lobbyist regulation practices, including how well BOE monitored lobbyist activity and whether it levied fines against late-registering lobbyists. The ordinance pertaining to the regulation of lobbying activity is codified in the Municipal Code of Chicago (MCC) § 2-156—also known as the Governmental Ethics Ordinance (Ethics Ordinance). BOE is responsible for administering and enforcing the Ethics Ordinance.

The Ethics Ordinance defines a lobbyist, in part, as “any person who, on behalf of any person other than himself, or as any part of his duties as an employee of another, undertakes to influence any legislative or administrative action.”<sup>1</sup> Effective administration of lobbyist registration promotes transparency, accountability and integrity in City government by allowing the public to see which individuals and interests are attempting to influence City officials and policies. Reliable accounting for lobbyist activity is also critical to the enforcement of other legal prohibitions, such as the limitations on campaign contributions by lobbyists and the two-year restriction on lobbying by former City officials and employees. According to BOE, there were 583 lobbyists registered with the Board as of October 2015.

The objectives of the audit were to determine if BOE provided reasonable assurance<sup>2</sup> that all those required to register as a lobbyist had done so, maintained complete and accurate records of lobbyist activity, and identified late-registering lobbyists in accordance with the Ethics Ordinance.

OIG found that,

1. BOE did not attempt to ensure that everyone required to register as a lobbyist did so or to confirm the veracity of lobbyist disclosures. BOE explained that this was because the Ethics Ordinance did not require BOE to provide reasonable assurance as to the completeness and accuracy of lobbyist disclosures. Instead, BOE relied on public complaints to alert it to any lobbyists who did not comply with the Ethics Ordinance. Other jurisdictions use additional quality assurance practices that, if adopted in Chicago, could mitigate the risk of lobbyists failing to register at all or submitting inaccurate disclosures.
2. During the period audited, BOE accepted both electronic and hardcopy lobbyist filings. OIG identified process gaps and clerical errors that hindered BOE's ability to determine the timeliness of hardcopy filings. These problems did not exist in electronic filings.
3. A sample of lobbyists required to file annual registrations by January 20, 2014, revealed 45 late-registering lobbyists against whom BOE could have imposed fines totaling

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<sup>1</sup> There are exceptions for non-profits. See Appendix A for the complete MCC definition of “lobbyist.”

<sup>2</sup> It would be unreasonable to expect BOE to prevent or detect every instance of falsified data or unregistered lobbying. However, it can engage in practices to mitigate the risk of infractions and, in so doing, provide “reasonable assurance” that lobbyists comply with the Ethics Ordinance. Reasonable assurance in this context means that the City has taken adequate steps to mitigate the risks of unidentified or unregistered individuals seeking to influence public officials or policy.

\$197,000 but instead actually imposed fines against only two.<sup>3</sup> BOE cited confidentiality in declining OIG's request to disclose the names of or fines imposed on those two lobbyists. Overall in 2014, BOE fined a total of ten late-registering lobbyists (two in our sample and eight outside our sample) a total of \$58,000.<sup>4</sup> The Ethics Ordinance grants the Executive Director authority to impose an "appropriate fine" for violations, which it construes as conferring upon the Executive Director discretion to reduce or waive a fine where the lobbyist provides a "suitable explanation" for late filing. However, BOE has no established guidelines or criteria for waiving or reducing a fine. Lacking such guidelines and transparency regarding which lobbyists have fines reduced or waived and the basis for its actions (or non-actions), BOE risks and cannot dispel appearances of inconsistent or selective application of the Ethics Ordinance. In addition, without clear criteria to determine whether to reduce fines against lobbyists and by how much, the City may be foregoing revenue.

OIG concluded that small steps could lead to major gains in the completeness, accuracy, and integrity of lobbyist registration and disclosure. OIG recommends that BOE exercise its authority to implement more robust quality assurance best practices or, to the extent it deems necessary, to work with City Council to write such procedures into law. OIG also recommends that BOE implement an electronic-only filing system, clarify its process for fining late-registering lobbyists, and levy the full amount of fines against those individuals.

In response to our audit findings and recommendations, BOE stated that it would,

- give further consideration to the quality assurance practices that OIG identified in other jurisdictions;
- consult with the Department of Law about referencing the penalty for providing a false statement on lobbyist disclosures;
- pursue an electronic-only filing system for lobbyist annual registration and quarterly reports;
- propose an amendment to the MCC regarding the timing of the imposition of fines for late annual registrations; and
- amend its rules to clarify what constitutes a suitable explanation for lobbyists who file late annual registrations or quarterly reports.

The specific recommendations related to each finding, and BOE's response, are described in the "Audit Findings and Recommendations" section of this report.

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<sup>3</sup> At the time of audit testing, BOE considered the names of noncompliant lobbyists confidential (see Methodology section of this report for a discussion of why BOE considered the names confidential). Due to this, we had to conduct our analysis using a sample of publicly available lobbyist data. Our sample consisted of lobbyists who registered in both 2013 and 2014. Our sample is not intended to be, and cannot be, extrapolated to the entire population of lobbyists.

<sup>4</sup> BOE and OIG agreed that there were at least 45 late filers in 2014. Our calculation of potential fines was based on the \$1,000.00 per diem fine for every day these 45 lobbyists were in violation. Yet, because BOE would not share the names of late filers with OIG, we could not determine how much of the \$58,000 was levied against the 45 lobbyists in our sample.

## **II. BACKGROUND**

### **A. The Board of Ethics**

The Board of Ethics (BOE) was created in 1987 and is responsible for administering the Ethics Ordinance, MCC § 2-156. The Ethics Ordinance establishes the ethics code of conduct for City employees, officials, and contractors, among others, lobbyist registration requirements, and campaign finance rules. BOE has seven Board members, who are appointed to four-year terms by the Mayor with the consent of City Council. Board members render advisory opinions on the Ethics Ordinance upon request and receive no compensation for their duties.<sup>5</sup> BOE also has eight full-time staff members who work under the supervision of the Executive Director, a Mayoral appointee. Staff members perform the daily administrative functions of the office, including conducting ethics training and processing disclosures submitted by lobbyists and City employees. In 2015, BOE's budget was \$845,937.<sup>6</sup>

### **B. Lobbyist Annual Registration, Quarterly Activity Reports, and Fines**

The Ethics Ordinance defines a lobbyist, in part, as “any person who, on behalf of any person other than himself, or as any part of his duties as an employee of another, undertakes to influence any legislative or administrative action.”<sup>7</sup> Effective administration of lobbyist registration promotes transparency, accountability and integrity in City government by allowing the public to see which individuals and interests are attempting to influence City officials and policies. According to BOE, there were 583 lobbyists registered with the Board as of October 2015. The number of registered lobbyists reported by BOE has ranged from 525 to 693 since 2005, illustrated in the graph below.<sup>8</sup>

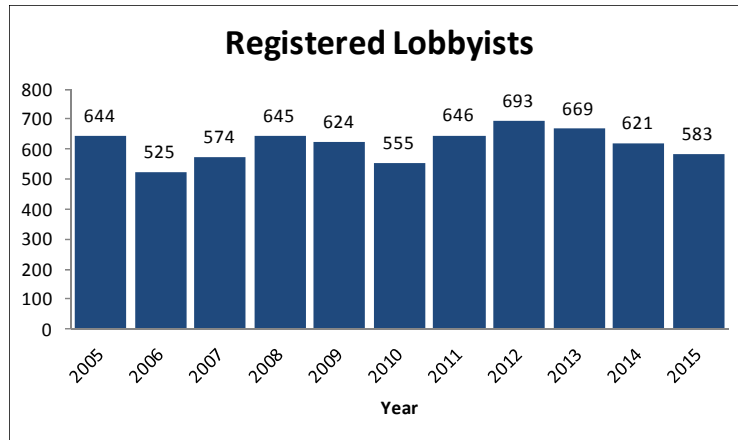
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<sup>5</sup> MCC § 2-156-350 and § 2-156-360 require that the Board meet every month, keep minutes of its meeting, and post the minutes “of any of its public meetings no more than 14 days after the date of such meeting.” The Board conducts two types of meetings, defined in its Rules and Regulations 2-7: “open session” during which the Board discusses non-confidential matters and “executive session” during which the Board discusses confidential matters. The Board posts its open session minutes on its website.

<sup>6</sup> City of Chicago, Office of Budget and Management, “2015 Annual Appropriations Ordinance,” 196, accessed October 20, 2015, [http://www.cityofchicago.org/content/dam/city/depts/obm/supp\\_info/2015Budget/2015\\_Ordinance.pdf](http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/2015Budget/2015_Ordinance.pdf).

<sup>7</sup> See Appendix A for the complete MCC definition of “lobbyist.”

<sup>8</sup> The Executive Director reports the number of registered lobbyists at BOE Board Meetings. The graph illustrates the figures reported at the December Board meeting each year, with two exceptions noted below the graph.



Source: BOE Meeting Minutes of December each year, with the exception of 2013 which uses the November meeting because there was no December meeting and 2015 which uses October's meeting as the most recent minutes available.

Individuals who are lobbyists as defined by the Ethics Ordinance must register with BOE every year and file quarterly activity reports.<sup>9</sup> Lobbyists must file their annual registrations “no later than January 20<sup>th</sup> of each year, or within five business days of engaging in any activity which requires such person to register.”<sup>10</sup> The annual registration form requires lobbyists to disclose their name, clients, and employer. The form also requires a “written statement certifying that all information contained therein is true and correct.”<sup>11</sup> Lobbyists must pay a \$350.00 registration fee plus “an annual fee of \$75.00 for each additional registered client after the first client.”<sup>12</sup> Lobbyists must also file quarterly activity reports “no later than January 20<sup>th</sup>, April 20<sup>th</sup>, July 20<sup>th</sup>, and October 20<sup>th</sup> of each year,” which must include a statement of compensation, a list of City departments contacted, and an itemized list of any gifts the lobbyist gave to City officials.<sup>13</sup>

Lobbyists can file their annual registrations and quarterly reports electronically or in hardcopy. According to BOE management, 80% of lobbyists choose to file electronically through BOE's Electronic Lobbyist Filing (ELF) system. For hardcopy submissions, BOE staff enter the information they receive into ELF manually. BOE reviews hardcopy and electronic disclosures for completeness, but not for the veracity of the information. Once BOE accepts a registration or report, it becomes available to the public through ELF.<sup>14</sup>

<sup>9</sup> See Appendix B for the annual registration form and Appendix C for the quarterly activity report form.

<sup>10</sup> MCC § 2-156-230.

<sup>11</sup> For a full list of information required on annual registrations, see MCC § 2-156-230. In addition, the City's Data Portal detailing information reported by lobbyists on their annual registrations (<https://data.cityofchicago.org/browse?q=lobbyists&sortBy=relevance&utf8=%E2%9C%93>).

<sup>12</sup> MCC § 2-156-230.

<sup>13</sup> For a full list of information required on quarterly activity reports, see MCC § 2-156-250.

<sup>14</sup> Users can access ELF through BOE's website, <http://www.cityofchicago.org/city/en/depts/ethics.html>. ELF offers two options for viewing lobbyist data: “Search Lobbyists” or “View Full Datasets.” The “Search Lobbyists” function allows a user to search by a lobbyist's name and view all the annual registrations and quarterly activity reports associated with that name since 2011. “View Full Datasets” takes the user to a section of the City's Data Portal related to lobbyist registrations and reports. At the time of the audit, the Data Portal did not display the registration amendment dates and recent quarterly report data available through the “Search Lobbyists” view. BOE stated the City's Department of Innovation and Technology had not yet been able to add that data to the Data Portal.

If a lobbyist fails to comply with the registration deadlines, then, according to the Ethics Ordinance, the lobbyist “shall be fined \$1,000.00” per diem and the fine accrues until the lobbyist submits a correct filing. If a lobbyist fails to register on time, BOE must notify the lobbyist that he or she is in violation. The Executive Director may impose the accumulated fine beginning on the seventh day after notification of the violation. During the seven-day notification period the lobbyist may contest the imposition of the fine by explaining the facts and justifying the late filing. According to BOE, the Executive Director has the authority to waive, reduce, or impose a fine based on the lobbyist’s explanation. BOE reported to OIG that in 2014, 67 lobbyists filed late annual registrations. Of the 67, BOE only imposed fines on 10 lobbyists for a total amount of \$58,000 in fines for that year.



### **III. OBJECTIVES, SCOPE, AND METHODOLOGY**

#### **A. Objectives**

The objectives of the audit were to determine if BOE,

1. provided reasonable assurance that all those required to register with BOE as a lobbyist had done so;
2. maintained complete and accurate records of lobbyist activity; and
3. identified late-registering lobbyists in accordance with the Ethics Ordinance.<sup>15</sup>

#### **B. Scope**

The scope of this audit included annual registrations and quarterly reports filed in 2013 and 2014. For the purpose of identifying late-filing lobbyists, we only reviewed annual registrations for reasons described in the Methodology section below. OIG did not review the process by which lobbyist fines are collected, because it falls under the purview of the Department of Law.

#### **C. Methodology**

To determine if BOE provided reasonable assurance that lobbyists complied with the registration and reporting requirement, we interviewed BOE staff and researched lobbyist regulation practices in other jurisdictions. We identified common practices that other jurisdictions used to mitigate the risk that unregistered lobbyists could go unidentified or that registered lobbyists could submit false information. We then compared BOE's practices to those practices in other jurisdictions.

To determine if BOE's records of lobbyist activity were complete, we first reviewed MCC § 2-156-230 and § 2-156-250 to identify the information the City required lobbyists to disclose in annual registrations and quarterly activity reports. We then reviewed BOE's electronic and hardcopy registration and reporting instruments to determine if they captured all such information. To assess the rules and processes that guide lobbyists as they prepare and submit electronic disclosures, we observed BOE staff use ELF to submit an annual registration and file a quarterly activity report under a pseudonym. We then compared the mandatory fields in ELF and the questions on hardcopy disclosures to the requirements laid out in the MCC.

In order to assess the reliability of publicly available ELF data, OIG interviewed BOE staff. Based on these interviews, OIG found ELF data to be sufficiently reliable for testing purposes.

To determine whether BOE identified late-registering lobbyists in accordance with the Ethics Ordinance, we compared a publicly available list of lobbyists who registered in 2013 to a list of lobbyists who registered in 2014. If a lobbyist appeared on both lists, we held that individual

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<sup>15</sup> MCC § 2-156-230 states that lobbyists must register "no later than January 20th of each year, *or within five business days of engaging in any activity which requires such person to register.*" While we reviewed compliance with the annual filing deadline, we did not review whether lobbyists completed registrations within five days of engaging in lobbying. Instead, we relied on our examination of BOE's practices related to the January 20 deadline to determine if BOE employed sufficient techniques to mitigate the risk of unregistered lobbyists.

accountable to the January 20, 2014, deadline.<sup>16</sup> We based our review on publicly available lobbyist information because at the time of audit testing, BOE considered the names of late-filing lobbyists confidential and would not provide them to OIG. BOE cited MCC § 2-156-400 and § 2-156-401, and Rule 3-9(1) of its Rules and Regulations as providing the authority to keep the names confidential. MCC § 2-156-400 states “complaints to the board and investigations and recommendations thereon shall be confidential,” while § 2-156-401 pertains to penalties for individuals who release confidential information. BOE Rule 3-9(1) pertains to individuals who request advisory opinions. While the sections cited by BOE do provide general provisions for confidentiality, they conflict with another provision of the Ethics Ordinance which states “if a settlement is reached, the full final settlement agreement, including the name of the subject of the investigation and the disciplinary measure imposed on him, shall be made publicly available to the extent allowable under applicable law” (MCC § 2-156-385 (4)). In addition, Rule 8 of BOE’s Rules and Regulations, which establishes the process for enforcement of lobbyist filing requirements, states, “the Executive Director shall report to the Board the status of all such determinations made pursuant to this Rule 8, and shall make public the names of all such persons in the manner that the Board directs” (BOE Rule 8(8)). In a June 2015 meeting, OIG recommended that BOE publish the names of non-compliant lobbyists and the fines levied against them. BOE stated that despite the language in the Ethics Ordinance and its rule, it believed it needed explicit authority in the MCC to release lobbyist names. BOE pursued this recommendation and on July 29, 2015 the City Council passed an amendment to MCC § 2-156-465. The amendment added the language “the board shall also make public, in a manner the board deems appropriate, the names of lobbyists who violate Section 2-156- 245 or 2-156-270 and fine assessed.”

OIG identified 131 lobbyists as potentially late filers based on their filing dates. We asked BOE to review the 131 names, confirm whether these lobbyists were indeed late filers, and, if so, provide documentation to support that BOE had identified them as late at the time. BOE provided documentation demonstrating that 45 of the 131 individuals were late and had been identified in January 2014.<sup>17</sup> We then calculated potential fine amounts based on the number of days past the filing deadline each late filer submitted his or her registration.

We did not calculate potential fine amounts for lobbyists who filed quarterly reports past the deadline for two reasons. First, BOE, citing confidentiality, would not disclose the names of lobbyists who filed quarterly reports late and redacted so much information from the quarterly reports we requested that we could not effectively analyze them. Second, and in contrast to the process for fining late annual registrants, the Ethics Ordinance provides a grace period for lobbyists who file quarterly reports late. According to MCC § 2-156-270,

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<sup>16</sup> The MCC states that lobbyists must complete an annual registration “no later than January 20th of each year.” However, January 20, 2014 was Martin Luther King, Jr. Day and not considered a City business day. Therefore, annual registrations in 2014 were due by January 21.

<sup>17</sup> When OIG asked BOE to provide evidence that it identified late filers, BOE provided a redacted spreadsheet. We then matched the non-redacted information in BOE’s spreadsheet to the same information in our list of 131 potentially late filers. This allowed us to confirm that BOE provided data on the individuals in question and identified them as late filers at the time. BOE also submitted information demonstrating that, although the remaining 86 lobbyists appeared to be late in publically available data, they had indeed submitted timely registrations. In most cases, the lobbyist had submitted a timely hardcopy registration but BOE had entered the information into ELF after the filing deadline so date of entry into ELF made the registration appear late.

if a registrant fails to file a report as required herein, the board of ethics shall, within 15 days of the due date, notify the registrant, in a manner prescribed by the board, of his failure to file by the required date. The registrant shall thereafter file his report within ten days of the issuance of the notice. Any registrant who fails to file within the ten days shall be subject to suspension of his lobbyist registration and the penalty or penalties, as applicable, provided in Article VII of this chapter.

Therefore, depending on when BOE sends out the notice, late filers of quarterly reports have between 11 and 26 days to submit a filing to avoid the \$1,000 per diem penalty. In a judgmental (non-random) sample of late quarterly filings, OIG found only three individuals whose filing times exceeded the 11 day minimum (two lobbyists filed within 12 days, one lobbyist filed after 13 days). Due to BOE's unwillingness to share the names of late filers, it was not clear when these individuals were notified of their lateness and, thus, if they were actually late. In the interest of producing a timely report of our other important findings, we did not pursue this issue further. Therefore, OIG makes no claim as to the accuracy of fines BOE imposed against lobbyists who filed quarterly reports late.

#### **D. Standards**

We conducted this audit in accordance with generally accepted Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

#### **E. Authority and Role**

The authority to perform this audit is established in the City of Chicago Municipal Code § 2-56-030 which states that OIG has the power and duty to review the programs of City government in order to identify any inefficiencies, waste, and potential for misconduct, and to promote economy, efficiency, effectiveness, and integrity in the administration of City programs and operations.

The role of OIG is to review City operations and make recommendations for improvement.

City management is responsible for establishing and maintaining processes to ensure that City programs operate economically, efficiently, effectively, and with integrity.

#### **IV. FINDINGS AND RECOMMENDATIONS**

##### **Finding 1: BOE did not provide reasonable assurance as to its identification of all active lobbyists or the veracity of information in lobbyist disclosures.**

OIG found that BOE did not attempt to confirm the veracity of lobbyist disclosures or to ensure that everyone required to register as a lobbyist in fact did so. BOE explained that this was because the Ethics Ordinance did not require BOE to provide reasonable assurance as to the completeness and accuracy of lobbyist disclosures. Instead, BOE relied on public complaints to alert it to any lobbyists who did not comply with the Ethics Ordinance. Other jurisdictions use quality assurance practices that, if adopted in Chicago, could mitigate the risk of lobbyists submitting inaccurate disclosures or failing to register at all.

Beyond ensuring that lobbyist disclosures were intelligible and signed, OIG found that BOE made no effort to proactively assess the information disclosed, instead using the passive mechanism of relying on the public and City employees to detect and report non-compliant lobbyists. The Ethics Ordinance requires BOE to make lobbyist registrations and reports available to the public, and requires City department heads and other policy-making employees to report to BOE anyone they believe has engaged in lobbying but is not registered.<sup>18</sup> BOE stated that it was not authorized by law to conduct investigations into potentially inaccurate or incomplete disclosures absent a complaint and subsequent finding of probable cause, and further noted that the current law is unclear as to whether such an investigation should be conducted by BOE or by an office of inspector general.

Although BOE relied on the public to review published lobbyist disclosures and report any concerns to BOE, at the time of the audit, it did not publicly report the names of non-compliant lobbyists, citing confidentiality. In a June 2015 meeting, OIG recommended that BOE publish the names of late filers and the fines levied against them. BOE pursued this recommendation and on July 29, 2015 the City Council passed an amendment to MCC § 2-156-465. The amendment added the language “the board shall also make public, in a manner the board deems appropriate, the names of lobbyists who violate Section 2-156- 245 or 2-156-270 and fine assessed.”

The Ethics Ordinance places the burden of providing accurate disclosure on lobbyists, requiring that a lobbyist’s registration “be accompanied by a written statement certifying that all information contained therein is true and correct.”<sup>19</sup> When a lobbyist signs a disclosure, he or she attests to the veracity of the information. However, OIG found that the disclosure forms did not state the penalty for submitting false information. The Ethics Ordinance does not currently stipulate a specific penalty for knowingly attesting to false information, but the MCC’s general provision regarding false statements includes a civil penalty for anyone knowingly making false statements of material facts to the City.<sup>20</sup>

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<sup>18</sup> MCC § 2-156-290 and MCC § 2-156-308, respectively.

<sup>19</sup> MCC § 2-156-230(d).

<sup>20</sup> MCC § 1-21-010(a) provides for a penalty of “not less than \$500.00 and not more than \$1,000.00, plus up to three times the amount of damages which the city sustains because of the person’s violation,” as well as the City’s collection costs and attorney’s fees.

OIG examined lobbyist regulation in other jurisdictions and identified some common practices used to mitigate the risk of lobbyists submitting inaccurate information or failing to register at all. The first three practices, summarized in the table below, serve two goals:

1. to improve a governing body's ability to identify all active lobbyists; and
2. to provide reasonable assurance as to the veracity of the information disclosed by lobbyists.

By leveraging information provided by other persons, employers, and governing entities, these practices boost the likelihood of identifying lobbyists who have failed to file or have provided inaccurate disclosures.

Lobbyist Registration Quality Assurance Practices	Governing Body
<ul style="list-style-type: none"> <li>Require both lobbyist <i>and</i> his/her employer to register</li> </ul>	City of Seattle County of Los Angeles State of California State of Connecticut State of Illinois
<ul style="list-style-type: none"> <li>Require public official disclosures (publishing his/her City calendar, filing quarterly activity reports of gifts, etc.)</li> </ul>	City of Portland
<ul style="list-style-type: none"> <li>Compare lobbyist disclosures to disclosures made to government entities of neighboring jurisdiction</li> </ul>	City of New York
<ul style="list-style-type: none"> <li>Audit lobbyist disclosures</li> </ul>	City of New York State of California State of Connecticut State of Montana Federal Government

Source: OIG research and interviews with the governing bodies.

The fourth practice, auditing lobbyist disclosures, does not assist in identifying unregistered lobbyists but it does identify inaccurate disclosures. For example, the City of New York's Lobbying Bureau conducts annual audits of lobbyist disclosures to determine if their filings were complete, accurate, and timely. The Bureau's 2014 audit of lobbyist disclosures resulted in 95 findings, including instances of incorrect reporting of compensation and expenses, missing information in a report, and a client registered in the wrong name.<sup>21</sup> The State of Connecticut Office of State Ethics has achieved similar quality assurance outcomes through auditing, such as

<sup>21</sup> City of New York, Office of the City Clerk, Lobbying Bureau, "Annual Report," March 1, 2014, accessed October 15, 2015, <http://www.cityclerk.nyc.gov/downloads/pdf/LobbyingAnnualReport2014.pdf>. OIG learned through a phone interview that the Bureau employs between five and six staff who are responsible for all the duties in the office, including conducting audits. In 2015, the Bureau reported that approximately 1,288 lobbyists had enrolled through its electronic filing system.

identifying lobbyists who did not submit timely registrations and lobbyists who did not appropriately disclose gifts to State officials.<sup>22</sup>

### **Recommendation:**

OIG recommends that BOE exercise its authority “to recommend policies, procedures and practices designed to ensure compliance with any federal, state or local law or regulation or any of the city’s compliance-related policies and internal controls”<sup>23</sup> to implement more robust quality assurance best practices. This may include the quality assurance best practices observed in other jurisdictions such as requiring both lobbyists and their employers to register with the City, requiring public officials to report having been lobbied, conducting routine audits of lobbyist disclosures, and/or comparing lobbyist disclosures to disclosures made to the government entities of neighboring jurisdictions. If BOE cannot unilaterally implement these quality assurance practices, OIG recommends that the Board collaborate with the City Council to do so.

In addition, we recommend that BOE include under the lobbyist registration signature line a reference to the penalty for providing false statements.

### **Management Response:**

*“The Board of Ethics (the ‘Board’) concludes that the recommendations in the OIG’s Audit Report (the ‘Report’) are not required, unless empirical research is performed into whether additional lobbyist or lobbyist-client/employer information that might be gathered from amending the Governmental Ethics Ordinance as described in the Report would provide significant added value.*

*“The Report does cite some interesting practices gleaned from a survey of a few other jurisdictions that regulate lobbyists. However, the Report does not identify ‘best practices’ with respect to providing ‘robust quality assurance’ that lobbyists’ disclosures are accurate, or with respect to identifying non-compliant lobbyists. There really are no commonly recognized ‘best practices’ in this field. The Board of Ethics has, for more than two decades, been an active member of the Council on Government Ethics Laws, or ‘COGEL,’ together with other major jurisdictions that regulate lobbyists in North America, and carefully keeps up with developments in the field of lobbyist regulation.*

*“Specifically, our responses to the Report’s recommendations are:*

*“1. The Report states that some other jurisdictions’ lobbying laws: (i) require government officials or employees to report having been lobbied (including the State of Illinois’s Lobbyist Registration Act); and (ii) require lobbyists’ employers or clients to register (these persons are*

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<sup>22</sup> State of Connecticut, Office of State Ethics, “Report on the Status of the Audit Program,” December 9, 2009, accessed October 15, 2015,

[http://www.ct.gov/ethics/lib/ethics/enforcement\\_audits/report\\_on\\_the\\_status\\_of\\_the\\_audit\\_program\\_12-8-09.pdf](http://www.ct.gov/ethics/lib/ethics/enforcement_audits/report_on_the_status_of_the_audit_program_12-8-09.pdf).

OIG learned through a phone interview that the Connecticut Office of State Ethics (COSE) is budgeted for approximately 12 employees. COSE’s Enforcement Division conducts routine audits of lobbyist disclosures with one staff member and one attorney. According to COSE, there are nearly 1,000 lobbyists registered with its office.

<sup>23</sup> MCC § 5-156-380 (o).

typically called ‘lobbyists’ principals’). And, the Report states that (as the Board’s educational materials and required annual trainings for employees and officials state), Chicago’s law does neither.

“As to (i), above, on May 17, 2011, the Board submitted to the Mayor’s Office and members of City Council a long list of suggested amendments to the Governmental Ethics Ordinance (many of them were then adopted by the Mayor’s Ethics Reform Task Force and ultimately made into law). Among these was amending the Ordinance to require lobbyists to disclose the names of City employees and officials whom they actually lobbied (this is not precisely what the OIG Report alludes to, but it goes to same kind of information sought). This proposed change was not adopted by the Task Force, and did not end up in the changes to the Ordinance based on the Task Force’s written Report. The Board continues to see some upside to **that** amendment, but it is a matter for lawmakers to consider. However, as the Board has learned through COGEL, it is not without its problems in implementing and enforcing. Requiring City employees and officials to file reports whenever they are lobbied (as contrasted with requiring lobbyists to report the names of personnel they have lobbied), as the OIG’S Report suggests, is a requirement of a different order. Recommending it presupposes conclusive research into its effectiveness. The Report does not provide that research.

“As to (ii) above, given the requirements imposed on lobbyists under current City law, an amendment that would require lobbyists’ clients or employers (‘principals’) to register is of questionable value, given that registered lobbyists must already identify their clients by name, address, and business interest, and disclose information about their lobbying activity on these clients’ behalf every quarter. The Board makes all of this information available quickly and accurately through the Board’s website and the City’s Socrata Data Portal. (The Report does not question the vitality or availability of this information.) Requiring nearly 5,000 additional persons to register with the Board (and pay registration fees, which the City Council would need to establish, and which must be tied to the actual cost of administering the lobbying registration program in the first place) might well provide more revenue to the City. But, it would also entail a significantly greater burden on registrants and the business and non-profit communities (known collectively as ‘the regulated community’). The Board does not allow entity registration; thus, the law would need to be amended to allow that, or, alternatively, each client/employer would be required to identify each of its employees or officers working on a particular matter. That is a disclosure requirement which, the Board predicts, would be perceived as, and actually would be, burdensome—particularly to non-profits, as personnel in these entities change frequently. Such added requirements would also increase the ‘transaction’ costs of entering into business with the City of Chicago, thereby fostering the perception that the City is mired in ‘red tape,’ while providing marginally more information. Moreover, given the Board staff’s size (8 full-time employees), we believe that it may well require hiring an additional staff member.

“In other words, recommending this change, and balancing its costs and benefits, is not a matter that the Board can address based on this audit report.

“As we stated above, the Board is an active member of COGEL, along with lobbying regulators from many U.S. states, Canadian provinces, large U.S. cities, and various branches of the U.S. and Canadian federal governments. One of COGEL’s program areas is interpreting,

*administering, and improving lobbying laws. While it is true that some jurisdictions' laws (such as the State of Illinois's) require government officials to make disclosures of when they are lobbied, or require lobbyists' principals to register, neither is recognized as a 'best practice.'*

*"Nonetheless, the Board will research these suggestions further, and then determine whether to propose amendments to the City Council that might address what the Report sketches out.*

*"2) As to the recommendation that the Board conduct 'routine audits' of lobbyists' disclosures, it is not clear what form such 'audits' would take. The Board would need to identify and analyze empirical research into whether those jurisdictions that the OIG believes have more 'robust' lobbying regulation structures themselves have concluded that such measures actually result in more meaningful information for the public and for those lobbied. This empirical research has not been provided.*

*"In any event, the Board's practice is to examine carefully every lobbyist's submitted filings (regardless whether filed electronically or on paper) to ascertain whether there are apparent, prima facie violations of the Ordinance or Mayoral Executive Order, specifically, the provisions: (i) banning excessive gifts (§2-156-142); (ii) limiting or banning political contributions (under §2-156-445(a), registered lobbyists are subject to annual contribution limitations, and under Mayoral Executive Order 2011-2, registered lobbyists are banned from making political contributions to the Mayor and/or his authorized political committee); and (iii) prohibiting contingency fee arrangements (§2-156-300). The Board takes appropriate follow-up action when apparent violations are detected; this could mean referring the matter to the appropriate investigative authority, such as the OIG. In fact, on February 18, 2015, the Board did detect an apparent violation of the Ordinance's campaign contribution law by a registered lobbyist, and did refer the apparent violation to the OIG (Board case 15007.CF) for investigation. As the Board explained to the OIG in its referral, Board staff detected the apparent violation while processing lobbyists' forms, and the Board filed the matter as a complaint with the OIG against both the lobbyist and the elected official (technically, that official's political committee). The OIG has not reported any information or results to the Board on any investigation it may have commenced.*

*"The Board believes that this kind of monitoring of lobbyists' filings is sufficient.*

*"The OIG may be suggesting that the Board audit the accuracy of lobbyists' disclosures. However, under current law, the Board of Ethics does not have authority to audit lobbyists' disclosures generally as to their accuracy. Aside from those instances in which the Board's prima facie examination indicates a possible contingency fee, excessive gifting, or political contribution violation (as described above), attempting to verify the accuracy of selected lobbyists' disclosures is, in the Board's judgment, an investigation, and of questionable value considering the Board's resources and considering that lobbyists already must, under current law, certify their disclosures, and are subject to penalties should they be determined to have made false declarations.*

*"Without an amendment to the Ordinance, such a practice could be challenged in court by a lobbyist as ultra vires—beyond the Board's authority—as it could reasonably held to constitute*



*an investigation, which the Board has no authority to conduct. Moreover, under the OIG's own enabling Ordinance, chapter 2-56 of the Municipal Code, the OIG itself has authority to commence an investigation into whether a lobbyist's disclosures are inaccurate.*

*"Instead, the Board concludes, it is of more vital importance that: (i) the City's workforce, the public, and media have access to this information quickly and accurately, so that, in the event there were a discrepancy between what a lobbyist has reported and what a City employee, official or member of the business community or media knows or believes, the lobbyist could become the subject of a complaint that is properly and thoroughly investigated; and (ii) as has been the case under long-standing Board practice, every filing be examined for potential violations of the Ordinance (but not for accuracy), and where appropriate, referred for investigation.*

*"Finally, the Report does not identify problems with the accuracy of the disclosures received and posted by the Board. We note that the Sunlight Foundation has recognized Chicago as 'hav[ing] among the strongest lobbying disclosure practices.' See <https://www.bostonglobe.com/metro/2016/01/09/walsh-pursue-municipal-lobbying-regulations/G0PijB7aMazUafLNMB3JQP/story.html> and see the website of Chicago Lobbyists, which even further analyzes data made available through disclosures filed with the Board of Ethics. <http://sunlightfoundation.com/api/community/#9>*

*"3) The Report also suggests that the Board compare lobbyists' disclosures filed with other neighboring jurisdictions, arguing that this would help provide 'reasonable assurance' as to the accuracy of the information reported to the Board by lobbyists and then made available to the public.*

*"In the Board's judgment, it is questionable that any benefit would be produced by having Board staff compare lobbying reports filed with neighboring jurisdictions. This is because jurisdictions across the U.S. and Canada define 'lobbyist' or 'lobbying' quite differently in their laws. Thus, for example, if a lobbyist is registered with the Secretary of State's Office in Springfield to 'lobby' the State Police, but is not registered with the City to lobby the Chicago Police Department, it is unclear whether this knowledge would be useful, or to whom, because activity that triggers the requirement to register as a lobbyist in one jurisdiction does not necessarily trigger it in another. Nor is it clear that this knowledge itself would provide reasonable cause to file a complaint or commence an investigation for unregistered lobbying.*

*"Instead, the Board has made and will continue to make concerted efforts to educate City employees, officials and the 'regulated community' at large (the latter with the assistance of and in coordination with the Departments of Procurement Services, Planning & Development, and Aviation) as to when lobbyist registration is required. City employees and aldermen report to the Board regarding attempts to lobby them by persons they do not recognize as already-registered lobbyists, and the Board then follows up with these person(s) by requiring lobbyist registration or a sufficient explanation as to why registration is not required.*

*"In fact, the very issue of who is a lobbyist, and who must register as a lobbyist, in any given jurisdiction, is the basis for a specialized body of professional legal practice. Attorneys (both in-*

*house and in private practice) are commonly retained to ensure that their clients register in each jurisdiction in which they might engage in activity that could be defined as ‘lobbying’ by that jurisdiction and then registering as duly required. See Trevor Potter and Matthew Sanderson, eds., Political Activity, Lobbying and Gift Rules Guide, 3d Edition 2015-2016; David Poisson, ed., Lobbying, PACs and Campaign Finance, 50 State Handbook (2015 Edition); <http://stateandfed.com/> (the website of State & Federal Communications, Inc., a leading provider of such services).*

*“Nonetheless, the Board recognizes that capturing all lobbying activity in City government is a continuing challenge. The Report, however, has given us no new suggestions that might aid us in identifying unregistered lobbyists.*

*“4) Finally, as to the suggestion that lobbyist registration statements include, under the signature line, a reference to the penalty for providing false statements, we note that current law (§2-156-230(d)) already provides that registration statements ‘shall be accompanied by a written statement certifying that all information contained therein is true and correct.’ Moreover, under §2-156-465(b)(7), lobbyists who violate §230(d) are subject to fines between \$500 and \$2,000 for each offense. Nonetheless, the Board appreciates this suggestion, and will seek the counsel of the Law Department with respect to adding an explicit reference to the false statements provisions in the Municipal Code (§1-21-010 et seq.). Lobbyists would appear to be subject to this false claims ordinance, given that §2-156-495 of the Governmental Ethics Ordinance provides that ‘nothing in this chapter is intended to repeal or is to be construed as repealing in any way the provisions of any other law or ordinance.’ The Board has made no representations otherwise.*

*“One last observation on this particular recommendation: it would have been better timed if it had been made earlier—perhaps, in the Spring or Summer of 2015—rather in mid-December, just before the 2016 lobbyist registrations forms are due, thus making its implementation unavailable for the January 20, 2016 registration deadline. Nonetheless, we commit to performing our due diligence and making any appropriate changes to lobbyists’ forms, for the 2017 registration year.*

**Finding 2: Process gaps and clerical errors related to hardcopy disclosures impeded BOE's ability to identify and levy fines against late filers.**

In our review of hardcopy annual registrations for 2014, OIG identified both process gaps and clerical errors that hindered BOE's ability to determine the timeliness of filings. These issues apply to all lobbyist disclosures, whether annual registrations or quarterly reports.

The Ethics Ordinance currently requires lobbyist disclosures to be on a form prescribed by BOE, and the section on quarterly reporting of lobbyist activities adds that this form "may include electronic submission."<sup>24</sup> At the time of our audit, BOE accepted both electronic and hardcopy disclosures. Lobbyists who chose to file electronic disclosures did so through BOE's ELF system. The online interface required ELF users to answer all questions before they could advance to the next screen—thereby ensuring each disclosure's completeness. The questions included in the online form corresponded to Ethics Ordinance requirements and each submission was accompanied by a date-stamp.

Because hardcopy registration submissions lack computerized controls, BOE staff reviewed them for completeness and timeliness. According to BOE, there were no documented guidelines for what constituted acceptable filing errors, rather the completeness of each disclosure was assessed on a "case-by-case" basis. When assessing the completeness of a registration, BOE designated each registration form as either a "non-filing" or a "registration that needs to be cured but BOE will accept." A "non-filing" was a registration deemed unacceptable and which would be returned to the lobbyist. A registration needing to be cured was treated as a timely filing.

According to BOE management, staff members were trained to assess the timeliness of a registration by observing the postmark date on the envelope containing the registration. However, BOE staff did not retain the envelopes that constituted the formal record of the date of submission. Rather, BOE staff, as directed, discard the envelope and place a "received" stamp on each form sometime after removing the form from the envelope. BOE acknowledged that the "received" stamp was placed on the form when the staff member opened the envelope, and not necessarily the date on which the submission was actually received by BOE. Because BOE used the envelopes to determine filing timeliness but did not retain them, it is at variance with the requirements of the Illinois Local Records Act. The Act requires government agencies to retain public records in accordance with retention schedules approved by their Local Records Commission, and includes in the definition of "public record" any document that serves as evidence of a decision made by the agency.<sup>25</sup>

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<sup>24</sup> MCC § 2-156-230 and § 2-156-250.

<sup>25</sup> 50 ILCS 205/3 defines "public record" as "any book, paper, map, photograph, digitized electronic material, or other official documentary material, regardless of physical form or characteristics, made produced, executed or received by any agency or officer pursuant to law or in connection with the transaction of public business and preserved or appropriate for preservation by such agency or officer, or any successor thereof, as evidence of the organization, function, policies, decisions, procedures, or other activities thereof, or because of the informational data contained therein."

OIG reviewed a sample of 61 hardcopy annual registrations and found that 6 or approximately 10% of them had some form of infirmity; specifically,<sup>26</sup>

- One did not have a “received” date;
- Two had incorrect date stamps;<sup>27</sup>
- Three were incomplete but were nevertheless accepted and treated by BOE as timely filings; and
- More generally, BOE did not always stamp disclosures on the day it received them, thus, the “received” stamp was not a reliable indicator of when BOE received the hardcopy disclosure.<sup>28</sup>

OIG concluded that the manner in which BOE documented the acceptance of hardcopy disclosures allowed for human error resulting in unreliable data related to when the submissions were received. In particular, the “received” stamp on hardcopy registrations did not reliably memorialize the timeliness of filing in light of BOE’s practice of basing timeliness on the envelope’s postmark date and then discarding the envelope. Without reliable data, BOE may not have been able to identify and levy and enforce fines against late filers in accordance with the Ethics Ordinance. Lobbyists who file late registrations and quarterly reports are subject to significant monetary sanctions which increase with the number of days registration remained unfiled.

Furthermore, without documented criteria for assessing the completeness of a filing (i.e. to differentiate between a unacceptable non-filing as compared to a registration that merely needs to be cured), BOE may accept as complete hardcopy filings that do not meet the standards of the Ethics Ordinance. This could lead to a perception of unfairness or favoritism by BOE towards certain lobbyists when determining compliance.

Electronic disclosures are more reliable than hardcopies and require fewer resources to review. In contrast to hardcopy filings, the ELF system provides automatic timestamps and ensures the completeness (although not the accuracy) of data by requiring all fields to be filled before a user can advance to the next screen. Other jurisdictions, including the City of New York and the federal government, have moved away from paper filing entirely and accept only electronic filings from lobbyists. Other filing systems within the City of Chicago have also moved entirely

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<sup>26</sup> This was a judgmental (non-random) sample based on 131 lobbyists that we identified as potential late filers. Sixty-one of the 131 filed hardcopy rather than electronic registrations in 2014. Our sample is not intended to be, and cannot be, extrapolated to the entire population of hardcopy disclosures.

<sup>27</sup> OIG identified these two records as potentially incorrect because BOE’s date stamp preceded the lobbyists’ signature date. While these records could have been postdated by the registrant, OIG maintained that these dates were incorrect per BOE’s explanation that its date stamp was incorrectly set. BOE provided OIG with redacted, photocopied hardcopy disclosures. In several cases, the received date stamp on the photocopy was illegible. Due to BOE’s assertion of confidentiality, we did not inspect the original hardcopies, and, thus, it is unclear if the date stamp on the original was legible. While we found two definitive cases of incorrect date stamps, this number could be higher if we had been able to decipher the illegible date stamps.

<sup>28</sup> We could not determine the length of time between when BOE received the disclosure and when it stamped the disclosure because we could not review the original envelopes, which had been discarded.

online. For example, the Department of Human Resources (DHR) accepts only electronic job applications. According to DHR staff, an electronic-only system has saved money, improved transparency, and made it easier to report on hiring statistics.

**Recommendation:**

OIG recommends that BOE stop accepting lobbyist disclosures via hardcopy submission. If BOE continues to accept hardcopy disclosures, OIG recommends that BOE address the recordkeeping issues identified to better fulfill its obligations under MCC § 2-156, Article IV. In particular, BOE should document criteria used to assess the completeness of a registration, formalize the reliance on postmarks as evidence of filing dates in its Rules and Regulations, and treat hardcopy submission envelopes as public records and maintain them in accordance with its records retention schedule.<sup>29</sup>

**Management Response:**

*“The Board knows and appreciates that other jurisdictions (including the State of Illinois) mandate electronic lobbyist registration and no longer accept paper filings, and appreciates that the audit found three (3) date-stamp errors made for the 2014 lobbyist registration year. The Board commits to requiring lobbyists to register, amend registrations, and file quarterly activity reports and termination statements on-line through the ELF (Electronic Lobbying Filing) system. There are lobbyists for whom this will cause consternation or frustration. However, upon the OIG’s recommendation, the Board concurs that the time has come to require on-line lobbyist filings. We appreciate this recommendation and will move to all-electronic filing.”*

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<sup>29</sup> A record retention schedule establishes time frames for how long an agency must maintain documents. BOE’s record retention schedule mandates that “filing compliance records (intake records, deficiencies, notifications, certified and returned mail)” and “lobbyist registration/termination statements” must be maintained for three years.

**Finding 3: While BOE properly identified late, electronically-filed registrations in 2014, it declined to levy the full fine allowable under the Ethics Ordinance.**

Based on a sample of lobbyists' annual registrations, which were required to be submitted by January 20, 2014, OIG determined that BOE could have imposed fines totaling \$197,000 against 45 late-registering lobbyists. However, BOE imposed fines against only two of those lobbyists.<sup>30</sup> OIG further found that in 2014, BOE fined a total of ten late-registering lobbyists (two in our sample and eight outside our sample) a total of \$58,000. Citing confidentiality, BOE would not disclose the names of those lobbyists or the amounts fined.

Among the annual registrations that OIG reviewed, 45, or 34%, out of 131 lobbyists filed their 2014 annual registration after the January 20 deadline set by the Ethics Ordinance.<sup>31</sup> BOE stated that it could not begin to toll a fine for late filers until seven days after the Executive Director notified the lobbyist of the violation.<sup>32</sup> In addition, BOE stated that it may waive or reduce a fine if a lobbyist offered a "suitable justification" for lateness. Based on this interpretation, BOE stated that 43 of the 45 late filers "properly filed prior to the date that BOE was authorized to impose a fine." BOE did impose a fine against the other two lobbyists. In total, BOE imposed \$58,000 in fines against 10 lobbyists (2 in our sample and 8 outside our sample) that filed late annual registrations in 2014.<sup>33</sup>

OIG found that BOE applies a grace period for late registration that does not exist in the Ethics Ordinance. The Ethics Ordinance states that any lobbyist who BOE finds violated the January 20 registration deadline "shall be fined \$1,000.00" every day the violation exists.<sup>34</sup> Based on this requirement, OIG tallied from the first day after the deadline and calculated that BOE could have fined \$197,000 against the 45 lobbyists who filed late. BOE, however, never assessed any fines on the late filers for violations that occurred up to seven days after notification, citing MCC § 2-156-505, which states that "the executive director is authorized to impose such fine starting on the seventh day after the executive director notified the person of the violation." BOE interprets "impose" in this section to mean that the fine cannot begin to toll until the seventh day after notification, effectively creating a grace period for late lobbyist registration. While OIG respects the province of an agency to construe legislation which it is responsible for executing, OIG believes the plain language interpretation of "impose" to mean that the fine cannot be demanded for payment until the lobbyist is allowed the seven-day response period as part of due process.

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<sup>30</sup> At the time of audit testing, BOE considered the names of noncompliant lobbyists confidential (see Methodology section of this report for a discussion of why BOE considered the names confidential). As a result, we had to conduct our analysis using a sample of publically available lobbyist data. Our sample consisted of lobbyists who registered in both 2013 and 2014. Our sample is not intended to be, and cannot be, extrapolated to the entire population of lobbyists.

<sup>31</sup> MCC § 2-156-230 states that annual registrations must be filed by January 20. In 2014, January 20 was a public holiday, and, thus, the filing deadline was moved to January 21.

<sup>32</sup> MCC § 2-156-505 states that "The executive director is authorized to impose such fine starting on the seventh day after the executive director notified the person of the violation."

<sup>33</sup> BOE and OIG agreed that there were at least 45 late filers in 2014. Our calculation of potential fines was based on the \$1,000.00 per diem fine for every day these 45 lobbyists were in violation. Yet, because BOE would not share the names of late filers with OIG, we could not determine how much of the \$58,000 was levied against the 45 lobbyists in our sample.

<sup>34</sup> MCC § 2-156-230 sets the filing deadline, § 2-156-245 describes what should happen when a lobbyist fails to register by the deadline, and § 2-156-465(b)(3) stipulates the \$1,000.00 penalty.

In contrast to the provision for lobbyist quarterly reports, where the Ethics Ordinance explicitly establishes a 15-day notification window and 10-day grace period for late filing,<sup>35</sup> the provision for annual registration contains no such grace period. Yet, BOE stated that it must grant late registrants a seven-day grace period as part of the lobbyist's due process before it can begin to toll a fine against the lobbyist. This interpretation conflicts with the language of Rule 8 of BOE's Rules and Regulations which addresses the seven-day response period that a lobbyist has after notice of a violation. Rule 8 provides that a noncompliant lobbyist's response to BOE's notice "shall be the sole method of contesting the imposition of sanctions."<sup>36</sup> If no sanctions could be levied at that point, there would be nothing for the late filing lobbyist to contest. Rule 8 also makes clear that when a lobbyist cures the violation by filing the late registration, this does not resolve the issue of sanctions. The rule requires that BOE's notice include "a statement that the person must cure the violation" but specifies that the "requirement shall be independent of other matters in the Executive Director's notice," namely the issue of fines. Under BOE's interpretation, the filing deadline could effectively be extended by an indefinite period dependent entirely on the date the Executive Director sent notice; furthermore, fines could be different for late-filing lobbyists who were equally late but to whom the Executive Director sent notice on different dates.<sup>37</sup>

BOE levied less fines, not only because it interprets the Ethics Ordinance to provide a grace period for late annual registrations, but also because the Ethics Ordinance provides the Executive Director the discretion to impose an "appropriate fine," allowing him to determine whether a fine should be reduced or waived. According to BOE, this determination depends on . . . BOE's Rules and Regulations provide for the Executive Director's discretion to decide whether a fine should be reduced or be waived. According to BOE, this decision depends on whether the lobbyist provides a "suitable explanation" for late filing. OIG found that BOE has no guidelines for deciding when to waive or reduce a fine.

A lack of consistent application of consequences for late filing undermines the integrity of the City's rules governing lobbyist registration. The Ethics Ordinance and BOE Rules provide the Executive Director with considerable discretion to decide who is fined and for how much money. Without a formalized definition of a "suitable explanation" and more transparency regarding which lobbyists have fines reduced or waived, BOE may give the appearance of inconsistent or selective application of the Ethics Ordinance. In addition, without a clearer definition of how to fine lobbyists, the City may be foregoing revenue and undermining the deterrent effect of the fines. As the Chicago Ethics Reform Task Force noted in its April 2012 report, "fines for ethics

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<sup>35</sup> MCC § 2-156-270, "If a registrant fails to file a [quarterly activity] report as required herein, the board of ethics shall, within 15 days of the due date, notify the registrant in a manner prescribed by the board, of his failure to file by the required date. The registrant shall thereafter file his report within 10 days of the issuance of the notice."

<sup>36</sup> This language is in BOE's Amended Rules and Regulations Effective October 23, 2014. BOE stated that the October 23, 2014 Rules and Regulations amendments formalized BOE's existing practice—they did not represent a procedural change. Therefore, the practice described in amended Rule 8 was in place during the January 2014 registration process.

<sup>37</sup> BOE Rules and Regulations Rule 8 states that the Executive Director must make a probable cause finding of a violation with three days of "receiving all necessary information regarding a failure to complete training by the specified deadline" but does not provide a probable cause deadline regarding late filings. If we interpret this as a typographical error and apply it to filings, it still does not provide a definitive date because it depends on the receipt of necessary information.

violations are rarely levied and collected. It is essential that fines serve as an appropriate deterrent and that the policy is administered strictly and consistently.”<sup>38</sup>

### **Recommendation:**

OIG recommends that BOE levy the full amount of fines allowable by the Ethics Ordinance against late filers beginning with the first day after the annual registration deadline. If BOE chooses to impose fines in a way that differs from the current language of the Ethics Ordinance, OIG recommends that BOE work with City Council to ensure that its calculation of fines aligns with the City ordinance and its own rules. OIG also recommends that BOE formalize in its Rules and Regulations its guidelines for what constitutes a “suitable explanation” for late filing.

### **Management Response:**

*“The Board has considered the OIG’s reading of the Ordinance, but respectfully rejects it, for the reasons that follow. The Board levies the full amount of fines allowable under the relevant provisions of Ordinance.*

*“1. As an initial matter, the Board points out that, under the Municipal Code of Chicago, the Board of Ethics itself authoritatively interprets and administers the Governmental Ethics Ordinance, chapter 2-156 of the City’s Municipal Code. For the 28 years of the Board’s existence, others, including lobbyists, City employees, officials, contractors, their attorneys, and other City departments, such as the Law Department, Mayor’s Office, City Council, and even the OIG itself, have proffered their own interpretations of various provisions of the Ordinance. The Board has always considered these proffers, which have occurred in the context of requests for advisory opinions, or in the course of defenses asserted by investigative subjects during the Board’s investigative and enforcement process. (The Board’s investigative authority expired in 2013, but now, however, the Board sees proffered interpretations of the Ordinance in its current role as adjudicator of ethics investigations).*

*“2. Thus, we note that the OIG could simply have requested that the Board issue an advisory opinion in which the OIG’s interpretation of the Ordinance provisions that cover assessing fees against late-registering lobbyists would have been considered.*

*“3. The OIG’s Report states that it:*

*‘found that BOE applies a grace period for late registration that does not exist in the Ethics Ordinance’ ... a sample of lobbyists required to file annual registrations by January 20, 2014 revealed 45 lobbyists against whom BOE could have imposed fines totaling \$197,000 but instead imposed against only two ... Overall in 2014, BOE fined a total of ten late-registering lobbyists ... a total of \$58,000.’*

***“The OIG’s figure is incorrect.***

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<sup>38</sup> Cynthia Canary, Segio Acosta, Ald. Will Burns, and Dawn Clark Netsch, “Report of the Chicago Ethics Reform Task Force: Part I,” April 30, 2012, 48, accessed November 27, 2015, [http://www.ccachicago.org/wp-content/uploads/2015/08/Ethics-Reform-Task-Force-Report-Part-I\\_1.pdf](http://www.ccachicago.org/wp-content/uploads/2015/08/Ethics-Reform-Task-Force-Report-Part-I_1.pdf).



*“4. It is a basic tenet of administrative law that courts grant significant deference to administrative agencies’ interpretations of the statutes they administer, largely because these agencies deal with these statutes on a daily basis and have developed sophistication about them (mutatis mutandis: the Board is an administrative agency, as is the OIG). Chevron, U.S.A., Inc. v. NRDC, 467 U.S. 837 (U.S. Supreme Court, 1984).*

*“5. The relevant provisions of the Ordinance provide [emphasis in red added]:*

***“§2-156-230, Information Required of [Lobbyist] Registrants: ‘No later than January 20<sup>th</sup> of each year, or within five business days of engaging in any activity which requires such person to register, every person required to register shall file with the board of ethics a certified written statement on a form prescribed by the board ...’***

***“§2-156-245, Failure to Register: ‘When the board of ethics determines that any person has failed to register as required in this Article, the board of ethics shall notify such person in a manner prescribed by the board of his failure to register. Such person shall be subject to the penalty or penalties, as applicable, provided in Article VII of this Chapter. The board of ethics shall suspend the registration of and not accept a lobbyist registration statement from any person who owes a fine pursuant to this chapter until the fine has been paid in full.’***

***“§2-156-270. Failure to file reports. ‘If a registrant fails to file a report as required herein, the board of ethics shall, within 15 days of the due date, notify the registrant in a manner prescribed by the board, of his failure to file by the required date. The registrant shall thereafter file his report within 10 days of the issuance of the notice. Any registrant who fails to file within the 10 days is subject to suspension of his lobbyist registration and the penalty or penalties, as applicable, provided in Article VII of this chapter. Failure to file within the 10 days shall constitute a violation of this chapter.***

*“Any registrant who is required to file a report hereunder may effect one 30-day extension of time for filing the report by filing with the board of ethics, not less than 10 days before the date on which the statement is due, a declaration of his intention to defer the filing of the report. The filing of such declaration shall suspend application of the penalty provisions contained herein for the duration of the extension. Failure to file by the extended date shall constitute a violation of this chapter and shall subject the registrant to suspension of his lobbyist registration and the penalty or penalties, as applicable, provided in Article VII of this chapter.*

*“The board of ethics shall not accept a lobbyist registration statement from any person who owes a fine pursuant to this section until the fine has been paid in full. The registration of any person who fails to file a timely report for three or more reporting periods may be suspended by the board for a 1 year period.*

***“§2-156-465(b)(3), Sanctions, Failure to register or file reports by lobbyists: ‘Any lobbyist who violates section 2-156-245 or section 2-156-270 shall be fined \$1,000 for each such violation. Each day that a violation continues shall constitute a separate and distinct offense to which a***

***‘separate fine shall apply ... The Board shall also make public, in a manner the board deems appropriate, the names of lobbyists who violate Section 2-156-245 or 2-156-270.’***

*“The Board notes here that this last sentence, requiring the Board to make public names of late-filing lobbyists, was added to the Ordinance effective July 30, 2015. The OIG’s Report claims that this was done at the OIG’s recommendation, made to Board staff in a June 2015 meeting. However, the Board wishes to correct the record: the Board had been pushing for such an amendment since Spring 2012, during the work of the Mayor’s Ethics Reform Task Force, and pushed it again once the Ordinance was amended to require the Board to make public the names of late-training and late-filing City personnel, but not of late lobbyists. Regardless of its origin, however, this amendment provides greater transparency: the public and the regulated community benefit by knowing the names of lobbyists who have violated the lobbying laws for filing or training late.*

***“§2-156-505, Training and filing violations – Executive director’s authority.***

***Upon determining that a person has violated Section 2-156-145, 2-156-146, 2-156-190, 2-156-245, or 2-156-270, the executive director of the board is authorized to impose upon such person an appropriate fine as provided in Section 2-156-465. The executive director is authorized to impose such fine starting on the seventh day after the executive director notified the person of the violation. The person may contest the imposition of such fine as provided by rule... [Emphasis added].***

*“6. As the Board has administered and interpreted the plain language of these provisions, it notifies registered lobbyists in writing in December that their annual re-registrations are due by close of business on January 20<sup>th</sup>, and that the fines for late filing are \$1,000 per day if they are determined to be in violation of the law.*

*“7. §2-156-245 of the Ordinance is clear that, when the Board determines that a person has failed to register as required, the Board shall notify the person of his failure to register—not notify the person that he has already violated the Ordinance. That is because there has not yet been, and there cannot have yet been, a Board determination that the person has already violated the Ordinance. This is a critical point that the OIG’s interpretation misses. §2-156-505 is clear that, ‘upon **determining** that a person has violated’ the law—and not before that—the Board’s Executive Director ‘is **authorized to impose**’ an ‘**appropriate fine**,’ and further that ‘the Executive Director is **authorized to impose such fine starting on the seventh day after the executive director notified the person of the violation.**’*

*“8. Thus, **notifications of lateness or failure to file by January 20<sup>th</sup>—not notifications of a violation—are sent (via email or via certified mail) on January 21<sup>st</sup>**, or (as provided in the Board’s Rules & Regulations) within three days thereafter. These notices explain that the filers are late, and that the Board (technically, under the Ordinance, the Executive Director), has, by that lateness, found ‘probable cause’ to conclude that the lobbyist is in violation of the Ordinance by being late. This is not a determination of a violation.*

*“9. It is also a basic tenet of statutory construction that courts (or administrative agencies, like the Board of Ethics) will construe legislation to ascertain and give effect to the intent of the*

legislature, bearing in mind that the best evidence of this intent is the plain language of a statute—and will not impose interpretations contrary to the plain language. *People of State of Illinois v. Ettinger*, 2013 IL 114121 (Illinois Supreme Court, 2013); *People v. Lloyd*, 2013 IL 113510 (Illinois Supreme Court, 2013); *People v. McChriston*, 2014 IL 115310 (Illinois Supreme Court, 2014).

“10. The Ordinance nowhere states that a lobbyist is automatically in violation of the Ordinance at 12:00:00 am on January 21<sup>st</sup>. Nor does it provide that fines automatically begin running (or ‘tolling,’ in the language of the OIG’s Report) at 12:00:00 am on January 21<sup>st</sup>. Instead, §2-156-245 provides that a late-filing lobbyist **‘shall be subject to the penalty ... provided in Article VII.’** The words ‘subject to’ imply discretion, not an automatic fine. Lobbyists may have a valid justification for lateness (the Board accepts illness of the lobbyist or a family member as a valid justification). If a lobbyist is able to produce a credible justification, then the Executive Director may find him or her not in violation of the Ordinance. This is why Article VII, specifically, §2-156-505, employs the language ‘upon determining that a person has violated the law.’

“11. Were the intention of these provisions that both the violation and the fine begin at 12:00:00 am on January 21<sup>st</sup> (the OIG’s argument), then why use words like ‘upon determining,’ ‘subject to,’ ‘provide notice of the failure to file?’ Why provide, as the Ordinance does, in §2-156-505, that the ‘Executive Director is authorized to impose such fine starting on the seventh day after the Executive Director notified the person of the violation?’ The OIG argues that ‘the plain meaning of ‘impose’ ... [is] that the fine cannot be demanded for payment until the lobbyists is allowed the seven-day response period as part of due process.’ The Board disagrees, as this reading is inconsistent with the scheme set out in the Ordinance for the assessment, or imposition, of fines against late-registering lobbyists. The word ‘impose’ is **not** synonymous with ‘demand for payment’ for a debt that is already seven days’ old. Rather, ‘impose’ means ‘to levy or exact as by authority; to lay as a burden, tax, duty or charge.’ *BLACK’S LAW DICTIONARY*, 5<sup>th</sup> Ed. If the drafters meant that the Executive Director could begin ‘tolling’ or exacting the penalty of \$1,000 per day on January 21<sup>st</sup>, but not begin to ‘demand for payment’ until seven days after making the determination that a person violated the Ordinance, they would have used different words. What would be the rationale for waiting seven days before actually allowing the Executive Director to ‘demand payment’ of a fine that, as the OIG argues, began running seven days before? Why wait seven days? Why not on the first day? The OIG’s interpretation is inconsistent with due process, and with the plain language of the statute. The law should not be construed to lead to absurd results: *Lex nil frustra facit*.

“12. The Board is sensitive to the City’s financial situation. However, we will not misread and misapply the law that we are charged with interpreting and administering in order to extract more revenue from lobbyists (nor from City employees or officials who file their annual Ethics forms or fail to complete their annual ethics training by the relevant deadline, as Article VII applies to them as well).

“13. Rather, we conclude that the structure laid out in these Ordinance provisions is that the law requires that lobbyists who are late in registering receive notice of their lateness, and receive a notice that the Executive Director has found probable cause to conclude that they are in violation, but that they then have a statutory period to refute that probable cause finding. If they

*are unable to refute it, the Board will then determine them to be in violation of the law, but the law provides that the fines can be imposed or begin no earlier than the seventh day after the date of the notice of the probable cause finding. Accordingly, they have been allowed to contest the imposition of that fine pursuant to the procedures laid forth in Rule 8(3) through 8(7). There is, by law, no violation until the Executive Director acts as authorized pursuant to §2-156-505.*

*“For these reasons, the Board respectfully rejects the interpretation of the Governmental Ethics Ordinance as proffered in its Audit Report.*

*“14. The Board will, however, consider suggesting an amendment to the Ordinance that would have the effect of beginning the levying, the imposition, of fines at 12:00:00 on January 20 (and possibly other relevant dates, such as January 1 and June 1). However, enacting such an amendment to the law would be the decision of the City Council.*

*“15. Moreover, the Board will make its rules clearer as to what constitutes a suitable justification for lateness. For example, in Mississippi, at the discretion of the Mississippi Secretary of State, a fine for late lobbyist filing may be waived, in whole or in part, if ‘unforeseeable mitigating circumstances, such as the health of the lobbyist,’ interfered with the timely filing of a required report. See Miss. Code Ann. §5-8-17.”*

**V. APPENDIX A: DEFINITION OF “LOBBYIST”**

MCC § 2-156-010, defines “lobbying” and “lobbyist” as,

- (o-1) “Lobby” or “lobbying” means the conduct described in subsection (p) of this Section 2-156-010.
- (p) “Lobbyist” means any person who, on behalf of any person other than himself, or as any part of his duties as an employee of another, undertakes to influence any legislative or administrative action, including but not limited to: (1) a bond inducement ordinance; (2) a zoning matter; (3) a concession agreement; (4) the creation of a tax increment financing district; (5) the establishment of a Class 6(b) Cook County property tax classification; (6) the introduction, passage or other action to be taken on an ordinance, resolution, motion, order, appointment or other matter before the City Council; (7) the preparation of contract specifications; (8) the solicitation, award or administration of a contract; (9) the award or administration of a grant, loan, or other agreement involving the disbursement of public monies; or (10) any other determination made by an elected or appointed City official or employee of the City with respect to the procurement of goods, services or construction; provided, however, that a person shall not be deemed to have undertaken to influence any legislative or administrative action solely by submitting an application for a City permit or license or by responding to a City request for proposals or qualifications.

The term “lobbyist” shall include, but is not limited to, any attorney, accountant, or consultant engaged in the above-described activities; provided, however, that an attorney shall not be considered a lobbyist while representing clients in a formal adversarial hearing. The term “lobbyist” shall not include any volunteer, employee, officer or director of a not-for-profit entity who seeks to influence legislative or administrative action solely on behalf of that entity. Provided further, that if (1) any person is paid or otherwise compensated to influence legislative or administrative action on behalf of a not-for-profit entity; and (2) such not-for-profit entity lobbies on behalf of for-profit entities or individuals engaged in a for-profit enterprise, such person shall be deemed to be a lobbyist within the meaning of this chapter.

MCC Chapter 2-156 Article IV, “Lobbyist Registration,” specifies who is and who is not required to register with the Board of Ethics as a lobbyist:

**2-156-210. Persons required to register.** Each lobbyist shall register and file reports with the board of ethics as provided in this Article. This section shall extend to any person who undertakes to influence any legislative or administrative action as any part of his duties as an employee of another, regardless of whether such person is formally designated as a lobbyist by his employer.

**2-156-220. Persons or entities not required to register.**

This article is not intended and shall not be construed to apply to the following:

- (a) Persons who own, publish, or are employed by a newspaper or other regularly published periodical, or who own or are employed by a radio station, television station, or other news medium which, in the ordinary course of business, disseminates to the general public news, editorial or other comment, or paid advertisements which directly urge the passage or defeat of, action upon, any legislative or administrative matter. This exemption shall not be applicable to such persons insofar as they receive additional compensation or expenses from any other source for undertaking to influence legislative or administrative action;
- (b) Officials and employees of the City of Chicago, or of any other unit of government, who appear in their official capacities before any city agency for the purpose of explaining the effect of any legislative or administrative matter pending before such body;
- (c) Persons who participate in drafting Municipal Code or other ordinance revisions at the request of the city; or
- (d) Persons who testify publicly before the city council, a committee or other subdivision of the city council, or any city agency, department, board or commission. This exemption (d) shall apply only to the extent that such persons appear in the foregoing capacity. If such persons also engage in activities for which this article otherwise requires them to register, they shall so register for those activities.

**VI. APPENDIX B: EXAMPLE OF ANNUAL REGISTRATION HARDCOPY DISCLOSURE**



City of Chicago Board of Ethics  
740 N. Sedgwick St., Suite 500  
Chicago, IL 60654-8488  
Phone: (312) 744-9660 Fax: (312) 744-2793  
[www.cityofchicago.org/Ethics](http://www.cityofchicago.org/Ethics)

**Form A**  
**Part 1 of 2**

**2014 LOBBYIST STATEMENT OF REGISTRATION**

This Statement of Registration, Form A, consists of Parts 1 & 2. You must complete both parts; only Part 1, A.2 may be left blank. An amendment to this Statement of Registration, Form B, must be filed within 14 days of any substantial change in the information contained in this Registration Statement. NOTE: Pursuant to Section 2-156-290 of the City's Municipal Code, information you provide shall be made available to the public, which may include posting by the City on the Internet.

**A. REGISTRATION INFORMATION**

1. Salutation: \_\_\_\_\_ First Name: \_\_\_\_\_ M.I.: \_\_\_\_\_ Last Name: \_\_\_\_\_ Suffix: \_\_\_\_\_  
Address: \_\_\_\_\_ City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_  
E-Mail: \_\_\_\_\_ Phone: \_\_\_\_\_ Fax: \_\_\_\_\_

2. Name and contact information to which you want mail or correspondence sent if different from above:

Salutation: \_\_\_\_\_ First Name: \_\_\_\_\_ M.I.: \_\_\_\_\_ Last Name: \_\_\_\_\_  
Address: \_\_\_\_\_ City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_  
E-Mail: \_\_\_\_\_ Phone: \_\_\_\_\_ Fax: \_\_\_\_\_

3. Self Employed: ☐ **OR**

Employer Name: \_\_\_\_\_  
Address: \_\_\_\_\_ City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_  
Phone: \_\_\_\_\_ Fax: \_\_\_\_\_

4. This Statement is accompanied by a registration fee of \$350.00 and \$75.00 for each client after the first client, paid in the form of:

Company Check: ☐ Certified Check: ☐ Cashier's Check: ☐ Money Order: ☐

Check or Money Order Number: \_\_\_\_\_

**B. VERIFICATION**

I, \_\_\_\_\_, (or designated representative) as Registrant, declare, affirm and represent that I have verified all the information in this Statement of Registration, which consists of Parts 1 & 2, including any attachments, and that to the best of my knowledge, information and belief, the information is true, accurate and complete.

\_\_\_\_\_  
Signature of Registrant or Designated Representative

\_\_\_\_\_  
Date

Source: BOE

## 2014 LOBBYIST STATEMENT OF REGISTRATION

Form A  
Part 2 of 2

Part 2, C-F must be completed for each client on whose behalf the registrant expects to lobby the City or any City agency.

REGISTRANT NAME: \_\_\_\_\_

Self Employed: ☐ OR EMPLOYER NAME: \_\_\_\_\_

### C. CLIENT INFORMATION

Name: \_\_\_\_\_

Address: \_\_\_\_\_ City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

**D. NATURE OF CLIENT'S BUSINESS:** Check the category that best describes the nature of your client's business.

- |  |   |   |
|--|---|---|
| <input type="checkbox"/> Arts / Entertainment            | <input type="checkbox"/> Insurance                      | <input type="checkbox"/> Retail                             |
| <input type="checkbox"/> Distribution & Leasing          | <input type="checkbox"/> Labor                          | <input type="checkbox"/> Social Services                    |
| <input type="checkbox"/> Education                       | <input type="checkbox"/> Manufacturing                  | <input type="checkbox"/> Technology                         |
| <input type="checkbox"/> Engineering                     | <input type="checkbox"/> Marketing & Sales              | <input type="checkbox"/> Telecommunications                 |
| <input type="checkbox"/> Environment                     | <input type="checkbox"/> Media                          | <input type="checkbox"/> Tourism & Travel                   |
| <input type="checkbox"/> Financial Institution / Banking | <input type="checkbox"/> Public Interest                | <input type="checkbox"/> Trade and Professional Association |
| <input type="checkbox"/> Governmental Unit               | <input type="checkbox"/> Public Relations & Advertising | <input type="checkbox"/> Transportation                     |
| <input type="checkbox"/> Health                          | <input type="checkbox"/> Public Utilities               | <input type="checkbox"/> Waste Management                   |
| <input type="checkbox"/> Hospitality / Restaurant        | <input type="checkbox"/> Racing & Wagering              |   |
| <input type="checkbox"/> Individual                      | <input type="checkbox"/> Real Estate and Construction   | <input type="checkbox"/> Other _____                        |
| <input type="checkbox"/> Information Technology          | <input type="checkbox"/> Religious Organization         |   |

### E. CONTRACTS / AUTHORIZATIONS

CONTRACT DATE: \_\_\_\_\_

1. Have you received or do you anticipate receiving compensation for lobbying for this client?  
Yes ☐ No ☐
2. Have you incurred or do you anticipate incurring expenses on behalf of this client, whether or not you are reimbursed?  
Yes ☐ No ☐
3. The Registrant lobbies on behalf of this client pursuant to (check one): Written Agreement ☐ Oral Agreement ☐

Oral Agreement

**READ THIS!** If the agreement is in writing, you must attach a copy of the agreement. If the agreement is oral, you must provide a written statement above reciting (i) whether you are authorized to incur expenditures on behalf of this client, (ii) whether expenditures you incur will be reimbursed by the client, and (iii) how your lobbying-related compensation, if any, is determined (e.g. salary, monthly retainer, hourly fee, etc...)

### F. LOBBYING INFORMATION:

Identify each City agency that the Registrant expects to lobby on behalf of this client. Use additional sheets if necessary.

Source: BOE



**VII. APPENDIX C: EXAMPLE OF QUARTERLY ACTIVITY REPORT HARDCOPY DISCLOSURE**



City of Chicago Board of Ethics  
740 N. Sedgwick St., Suite 500  
Chicago, IL 60654-8488  
Phone: (312) 744-9660 Fax: (312) 744-2793  
www.cityofchicago.org/Ethics

Form C  
Part 1 of 3

**LOBBYING ACTIVITY REPORT**

\_\_\_ January through March 20\_\_\_      \_\_\_ April through June 20\_\_\_  
\_\_\_ July through September 20\_\_\_      \_\_\_ October through December 20\_\_\_

This Activity Report, Form C, consists of **Parts 1, 2 & 3**. **Parts 1 and 2** must be completed by each Registrant. **Part 3** must be completed as indicated below in Section D, "Other Information". NOTE: Pursuant to Section 2-156-290 of the City's Municipal Code, information you provide shall be made available to the public, which may include posting by the City on the Internet.

**A. REGISTRANT INFORMATION**

1. Salutation: \_\_\_ First Name: \_\_\_ M.I.: \_\_\_ Last Name: \_\_\_ Suffix: \_\_\_  
Address: \_\_\_ City: \_\_\_ State: \_\_\_ Zip: \_\_\_  
E-Mail: \_\_\_ Phone: \_\_\_ Fax: \_\_\_
2. \_\_\_ Self Employed **OR** Employer name: \_\_\_\_\_
3. Is this Activity Report being filed with a Termination Notice?      \_\_\_ Yes      \_\_\_ No

**B. VERIFICATION**

I, \_\_\_\_\_, (or designated representative) as Registrant, declare, affirm and represent that I have verified all the information in this Activity Report, which consists of Parts 1 & 2, and (check if applicable) \_\_\_ Part 3, including any attachments, and that to the best of my knowledge, information and belief, the information is true, accurate and complete.

Signature of Registrant or Designated Representative

Date

FOR OFFICIAL USE ONLY

Rev 11/12

LOBBYING ACTIVITY REPORT

Form C  
Part 2 of 3

\_\_\_ January through March 20 \_\_\_ April through June 20 \_\_\_  
\_\_\_ July through September 20 \_\_\_ October through December 20 \_\_\_

REGISTRANT NAME: \_\_\_\_\_

\_\_\_ Self Employed OR EMPLOYER NAME: \_\_\_\_\_

**C. ITEMIZED LIST OF GIFTS:**

Registrant must report every gift made during the reporting period to an official or employee of the City by the Registrant. Gifts are anything of value including, but not limited to, food, beverage, travel, lodging, recreation and entertainment expenses.

For each gift given to an official or employee of the City, state recipient's name, title or position, City department, a description of the gift and its approximate value. Use additional sheets if necessary.

Recipient Name	Recipient Title	Recipient Department	Gift	Approximate Value

**D. ITEMIZED LIST OF POLITICAL CONTRIBUTIONS:**

Registrant must report every political contribution made to any candidate for City office, any elected official of the government of the City and any official or employee of the City seeking election to an office other than a City office during the reporting period. Use additional sheets if necessary.

Recipient Name (Individual or entity)	Amount of Contribution	Date of Contribution

**E. OTHER INFORMATION:**

Did the Registrant (i) lobby; or (ii) incur lobbying-related expenditures; or (iii) receive lobbyist-related compensation on behalf of/from ANY client during this reporting period? \_\_\_Yes \_\_\_No

If you answered "No," you do not need to complete Part 3 of this form.

If you answered, "Yes," you must complete a Part 3 for EACH client on whose behalf lobbying was performed, or on whose behalf lobbying-related expenditures were made, or from whom lobbying related compensation was received.

**NOTE:** If you submit a Part 3 for some but not all of your registered clients, you are presumed to be representing that you did not lobby, incur expenditures or receive compensation on behalf of/from those clients for whom you have not submitted a Part 3.

## LOBBYING ACTIVITY REPORT

Form C  
Part 3 of 3  
Page 1 of 2

\_\_\_\_ January through March 20 \_\_\_\_ April through June 20 \_\_\_\_  
\_\_\_\_ July through September 20 \_\_\_\_ October through December 20 \_\_\_\_

Part 3, E-H must be completed for each client on whose behalf lobbying was performed, on whose behalf expenditures were made, or from whom compensation was received during the reporting period.

REGISTRANT NAME: \_\_\_\_\_

\_\_\_\_ Self Employed OR EMPLOYER NAME: \_\_\_\_\_

### F. CLIENT INFORMATION:

1. Client Name: \_\_\_\_\_

Business Address: \_\_\_\_\_ City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

State the nature of your client's business: \_\_\_\_\_

3. Has this client retained, employed, or designated you to lobby on behalf of another person or entity with respect to the lobbying activity covered by this report? \_\_\_\_ Yes \_\_\_\_ No

IF YES, state the name of that other person/entity, its address, and the nature of its business:

### G. LOBBYING ACTIVITIES:

Below, please (1) state the name of each City agency lobbied; (2) circle whether lobbying involved legislative or administrative action or both; and (3) give a brief description of the legislative or administrative action promoted or opposed. Be specific. For example, for real estate or zoning matters, provide the address of the property. For licensing matters, indicate the type of license. Include the formal designation of any proposed action or project, if known. ATTACH ADDITIONAL SHEETS IF NECESSARY.

CITY AGENCY	ADMIN. / LEGIS ACTION		ACTION SOUGHT (state formal designation, if known)
	A	L	
	A	L	
	A	L	
	A	L	
	A	L	
	A	L	
	A	L	

Source: BOE

REGISTRANT NAME: \_\_\_\_\_

Client Name: \_\_\_\_\_

Form C  
Part 3 of 3  
Page 2 of 2

**H. COMPENSATION:**

Was lobbying related compensation received during this reporting period from this client? ☐ Yes ☐ No

IF YES, state the amount of lobbying-related compensation received from this client during the reporting period.

\$ \_\_\_\_\_

*If your client is your employer and lobbying accounts for only a portion of your compensation, then prorate the amount, as the percentage of time spent on lobbying compared to the time spent on all other employment duties.*

**I. EXPENDITURES:**

1. During this reporting period has any single expenditure paid by you or charged to your client totaled \$250 or more? ☐ Yes ☐ No

2. If you answered "Yes", for each single expenditure of \$250 or more provide the following information. Attach additional sheets if necessary.

DATE	AMOUNT	PURPOSE OF THE EXPENDITURE	NAME, ADDRESS AND NATURE OF BUSINESS OF THE RECIPIENT OF THE EXPENDITURE	LEGISLATIVE OR ADMINISTRATIVE ACTION, IF ANY, IN CONNECTION WITH WHICH EXPENDITURE WAS MADE

3. State the total amount of lobbying-related expenditures paid by you or charged to your client in each category. Enter an amount in all blanks, even if that amount is "0".

- a. Office expenses (even if 0) ..... \$ \_\_\_\_\_
- b. Compensation to others (even if 0) ..... \$ \_\_\_\_\_
- c. Public education, advertising and publications (even if 0) ..... \$ \_\_\_\_\_
- d. Personal sustenance, travel and lodging (even if 0) ..... \$ \_\_\_\_\_
- e. Other expenses, not reported above (even if 0) ..... \$ \_\_\_\_\_

Total amount of expenditures (even if 0) ..... \$ \_\_\_\_\_

Rev. 11/12

Source: BOE

## CITY OF CHICAGO OFFICE OF INSPECTOR GENERAL

<b>Public Inquiries</b>	Rachel Leven (773) 478-0534 <a href="mailto:rleven@chicagoinspectorgeneral.org">rleven@chicagoinspectorgeneral.org</a>
<b>To Suggest Ways to Improve City Government</b>	Visit our website: <a href="https://chicagoinspectorgeneral.org/get-involved/help-improve-city-government/">https://chicagoinspectorgeneral.org/get-involved/help-improve-city-government/</a>
<b>To Report Fraud, Waste, and Abuse in City Programs</b>	Call OIG's toll-free hotline 866-IG-TIPLINE (866-448-4754). Talk to an investigator from 8:30 a.m. to 5:00 p.m. Monday-Friday. Or visit our website: <a href="http://chicagoinspectorgeneral.org/get-involved/fight-waste-fraud-and-abuse/">http://chicagoinspectorgeneral.org/get-involved/fight-waste-fraud-and-abuse/</a>

### MISSION

The City of Chicago Office of Inspector General (OIG) is an independent, nonpartisan oversight agency whose mission is to promote economy, efficiency, effectiveness, and integrity in the administration of programs and operations of City government. OIG achieves this mission through,

- administrative and criminal investigations;
- audits of City programs and operations; and
- reviews of City programs, operations, and policies.

From these activities, OIG issues reports of findings, disciplinary, and other recommendations to assure that City officials, employees, and vendors are held accountable for the provision of efficient, cost-effective government operations and further to prevent, detect, identify, expose, and eliminate waste, inefficiency, misconduct, fraud, corruption, and abuse of public authority and resources.

### AUTHORITY

The authority to produce reports and recommendations on ways to improve City operations is established in the City of Chicago Municipal Code § 2-56-030(c), which confers upon the Inspector General the following power and duty:

*To promote economy, efficiency, effectiveness and integrity in the administration of the programs and operations of the city government by reviewing programs, identifying any inefficiencies, waste and potential for misconduct therein, and recommending to the mayor and the city council policies and methods for the elimination of inefficiencies and waste, and the prevention of misconduct.*