



BOARD OF ETHICS
CITY OF CHICAGO

In the Matter of:

Karen Rittorno
Respondent

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Case No. 18018.IG

SETTLEMENT AGREEMENT

This Settlement Agreement (“Agreement”) is made and entered into between the Chicago Board of Ethics (“Board”) and Karen Rittorno (“Respondent”), a City employee, pursuant to §2-156-385(4) of the City of Chicago Governmental Ethics Ordinance (“Ordinance”). On October 19, 2018, after meeting with the Respondent, the Board sustained its finding that there was probable cause to conclude that the Respondent violated the Ethics Ordinance, and that evidence, including the results of an investigation conducted by the Office of the Inspector General (“OIG”), shows that the subject violated §2-156-110(a) of the Ordinance. The parties agree to the following terms to resolve this matter.

RECITATION OF RELEVANT FACTS

- (1) At all times relevant to this matter, Respondent was an employee of the City of Chicago.
- (2) Respondent was the sole owner, president and manager of Majestic Protective Services (“Majestic”), which operated from 1997 through 2016. Majestic was a private security business that was a City-certified Minority/Women-Owned Business Enterprise (“M/WBE”). Respondent disclosed that she was a City employee throughout the M/WBE process with the City.
- (3) A “Master Contractor” had a 5-year \$31 million Depends Upon Requirements (“DUR”) master contract with the City from June 1, 2007 to May 31, 2012 that allowed for five (5) one-year extensions. The value of the Master Contractor’s contract through May 31, 2018 was more than \$70 million.
- (4) Respondent relied on statements made to her by the Master Contractor’s President that she would not be in violation of any City ethics rules or laws by virtue of her City employment if Majestic served as a subcontractor on a City contract; however, Respondent also failed to contact either the Board or the City’s Department of Procurement Services for confidential guidance to confirm whether these statements were accurate.

- (5) Majestic served as an M/WBE subcontractor every year from January 2011 through December 2016 for the Master Contractor on its contract with the City.
- (6) From January 2011 through December 2016, the Master Contractor paid Majestic approximately \$1,642,330.00 for Majestic's subcontractor services.
- (7) Respondent completed her annual ethics trainings every year, and in 2012 and 2015, the Board's training covered the topic of "Interest in City business." Respondent also signed an ethics rule statement in October 2001, which summarized the law.

STATEMENT OF RELEVANT LAW

- (8) The specific issue in this case is whether Respondent had a financial interest in City business, by virtue of her ownership interest in Majestic and its subcontract with the Master Contractor, which would give her an ownership interest in that subcontract valued in excess of the Ordinance's limit of \$1,000 per year (or \$2,500 in 2010 and 2011).

Section 2-156-110 of the Ordinance, entitled *Interest in City Business*, prohibits a City employee from having a "[F]inancial interest in City business in his own name or in the name of any other person in any contract ... with the city ... whenever the contract is paid with funds belonging to or administered by the City, or is authorized by ordinance."

The Ordinance defines "financial interest," in relevant part as, *[A]n interest held by an official or employee that is valued or capable of valuation in monetary terms with a current value of more than \$1,000.00.*" §2-156-010(1).

- (9) The Board has consistently determined that the prohibition on employees and officials having a financial interest in City business also extends to *subcontracts*, because the relevant issue is not whether the employee had an ownership interest in a direct contract with the City, but rather whether the company the employee owns was being "*paid by with funds belonging to or administered by the City.*" See Board Case Nos.: 13041.A, 12065.A, 12042.A, 08030.A, and 04049.A.

BOARD CONCLUSIONS AND DETERMINATIONS

- (10) At its October 19, 2018 meeting, based on the evidence adduced in the record of this matter, including the investigative report issued by the OIG and the corroborating evidence supplied by the OIG therewith, and a meeting held with the Respondent and her attorney, pursuant to §2-156-385 of the Ordinance, the Board reached the following factual conclusions:
 - a) Respondent is an employee of the City of Chicago.
 - b) Respondent was the sole owner, president and manager of Majestic, which operated from 1997 through 2016.

- c) Majestic was a City-certified M/WBE.
 - d) Respondent disclosed that she was a City employee throughout the M/WBE process with the City.
 - e) Respondent relied on statements from the Master Contractor that she would not be in violation of any City rule by virtue of her City employment if Majestic served as a subcontractor on a City contract.
 - f) Majestic was an M/WBE subcontractor every year from January 2011 through December 2016 for the Master Contractor on its contract with the City.
 - g) Respondent submitted all of Majestic's billing to the Master Contractor and never submitted anything directly to the City.
 - h) From January 2011 through December 2016, the Master Contractor paid Majestic approximately \$1,642,330.00 for Majestic's subcontractor services, and therefore Respondent, as Majestic's sole owner, had a "financial interest" in City business in each of those years, as that term is defined in the Ethics Ordinance. Under Board case law, to ascertain a City employee's ownership interest in a City contract or subcontract, the gross amount to which a non-publicly-owned business entity owned by the employee is entitled to under the contract or subcontract is multiplied by the percentage of ownership the City employee has in the entity. If the product is greater than \$1,000 in a year, there is a violation. *See* Board Cases 90077.A; 04049.A.
 - i) The record before the Board showed that Respondent did not knowingly make any false statements or provide misleading information to the City, and the Board did not make such a finding.
 - j) Respondent never contacted the Board of Ethics or the Department of Procurement Services to seek an advisory opinion addressing whether Majestic could serve as a subcontractor on this or any other City contract.
- (11) At its October 19, 2018 meeting, the Board sustained its preliminary determination, made at its July 23, 2018 meeting, that there is probable cause to conclude that the Respondent violated Ordinance §2-156-110(a).

TERMS OF THE SETTLEMENT AGREEMENT

The above fact recitation, statement of law and Board conclusions and determinations are incorporated into and made a part of this Agreement.

- (12) The parties agree to enter into this Agreement to resolve all factual and legal issues that arose in this matter and to reach a final disposition without the necessity of an evidentiary hearing, pursuant to §2-156-392 of the Ordinance, to determine whether the Respondent violated the Ordinance.


- (13) Respondent acknowledges that, from the record before it, the Board has determined that there is probable cause to conclude that she had a financial interest in City business, in violation of §2-156-110, by virtue of her 100% ownership in Majestic, which had a subcontract on a City contract, and that her ownership interest in that subcontract exceeded \$1,000 (or \$2,500 in 2010 and 2011) per year from 2011 through 2016, and that, were the matter to proceed to an evidentiary hearing, pursuant to §2-156-392 of the Ordinance, the Board would make a final determination that she violated the Ordinance on these facts.
- (14) Respondent maintains that, at all times pertinent to this matter, she acted in a manner that she believed, in good faith, was in compliance with the requirements of the Governmental Ethics Ordinance, and the Board has not made a final determination otherwise.
- (15) Pursuant to §2-156-385(4)(i), the Board may seek to settle the matter by fine.
- (16) Pursuant to §2-156-465(b)(7), the Board has the authority to impose a fine between \$500 and \$2,000 for any single violation of §2-156-110. In this case, the Board may assess a fine that ranges from \$3,000 to \$12,000, because Majestic was paid in excess of the allowable amounts under this section in 2011, 2012, 2013, 2014, 2015 and 2016. The Board determined that it would be appropriate to seek to settle this matter by assessing an \$8,000 fine against the Respondent.
- (17) In recognition of the foregoing, Respondent agrees that the evidence adduced in the matter shows that she violated the Ordinance by having a prohibited financial interest in a City contract in 2011, 2012, 2013, 2014, 2015 and 2016, and to pay a fine of EIGHT THOUSAND AND 00/100 DOLLARS (\$8,000.00) to the Board within thirty (30) days of this Disposition, by money order, cashier's, or certified check, made payable to the "Board of Ethics," and that, if the Board has not received such amount by that date, Respondent shall pay interest of nine percent (9%) per annum on the unpaid balance until paid-in-full; provided, however, that no interest shall be due and owing that is greater than provided for in 815 ILCS 205/4.
- (18) Respondent acknowledges that this Agreement is a public and final resolution of the potential violations and recommendations made by the OIG in its investigative report as presented to the Board of Ethics in this matter. Respondent also acknowledges that the Board shall make this Agreement public, pursuant to §2-156-385(4), and, except as may be provided by applicable law, all writings or records with respect to the settlement agreement or its negotiations in the Board's possession will remain confidential.
- (19) Respondent acknowledges that §2-156-485 of the Ordinance, entitled "Other remedies," provides that nothing in the Ordinance shall preclude the City from maintaining an action for an accounting for any pecuniary benefit she received in violation of the Ordinance, or to recover damages for violation of the Ordinance, and whether the City decides to pursue such an action is in the sole discretion of the City's Law Department and not the Board.

- (20) Respondent confirms that she has entered into this Agreement freely, knowingly and intentionally, without coercion or duress; and, after having had the opportunity to be represented by an attorney of her choice, accepts all the terms and conditions contained herein without reliance on any other promises or offers previously made or tendered by any past or present representative of the Board. Respondent confirms that she fully understands all the terms of this Agreement. The terms of this Agreement are contractual and not mere recitals. If any of the provisions of this Agreement shall be found invalid or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.
- (21) Respondent understands and voluntarily waives and assigns, on her and her successors' behalf, any and all: (i) procedural rights under the City's Municipal Code, including a merits hearing pursuant to §2-156-392 of the Ethics Ordinance, or to subpoena witnesses to testify, confront and cross-examine all witnesses; and (ii) rights to commence any judicial or administrative proceeding or appeal before any court of competent jurisdiction, administrative tribunal, political subdivision or office of the State of Illinois or the United States, arising out of the Respondent's prohibited Interest in City Business through Majestic's subcontract in a City contract between 2011 through 2016.
- (22) Respondent releases and holds harmless the Board and its staff from any potential claims, liabilities, and causes of action arising from the Board's enforcement and settlement of the violation described in the Agreement, and agrees not to contest the lawfulness, authority, jurisdiction, or power of the Board in imposing the sanction which is embodied in this Agreement, and the right to make any legal or equitable claim or to initiate legal proceedings of any kind against the Board, or any members or employees thereof, relating to or arising out of this Agreement or the matters recited herein.
- (23) Once executed by Respondent, the Board staff shall submit this Agreement to the Board at its next regularly scheduled meeting. The Board must determine by a majority vote that it approves the Agreement and the Board must execute and date the Agreement before the Agreement becomes effective.
- (24) The parties agree that this Agreement shall become invalid in the event that the Board refuses to approve it. Respondent acknowledges that if the Agreement is not approved or executed by the Board that the Board may seek to proceed to a hearing on the merits, pursuant to §2-156-392 of the Ethics Ordinance. Respondent further agrees that no member of the Board or its staff shall be disqualified from participating in any subsequent proceedings in this matter held pursuant to §2-156-392 of the Ethics Ordinance. If this Agreement is not approved by the Board, the parties agree that no statements or representations of any kind made in the course of negotiating this agreement will be used by either party for the purpose of establishing liability at any future hearing or proceeding.
- (25) Respondent agrees that failure to comply with the terms of this Agreement constitutes a breach of the Agreement and that the Board can proceed to a hearing on the merits or take any other action as permitted by law.

- (26) In consideration of Respondent's full compliance with all of the terms pursuant to this Agreement, the Board waives any further penalties or fines against Respondent for any further proceedings arising out of the investigation and/or recommendations described in this Agreement.
- (27) The Agreement contains the entire agreement between the Board and the Respondent and it may not be modified unless the modified Agreement is re-executed and re-dated by both parties. This Agreement is entered into in the State of Illinois and shall be construed and interpreted in accordance with its laws.
- (28) This Agreement shall not be effective until all parties have affixed their signature below.

Dated as written above and executed below:


FOR THE CITY OF CHICAGO BOARD OF ETHICS



Steven I. Berlin, Executive Director

12-6-18

Date

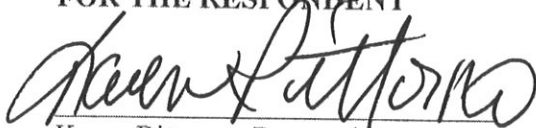


William Conlon, Board Chair

12-14-17

Date

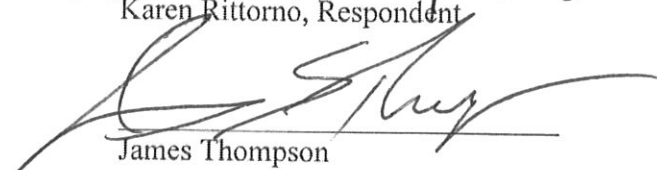
FOR THE RESPONDENT



Karen Rittorno, Respondent

05 Dec 18

Date



James Thompson
Counsel for the Respondent

12/5/18

Date