



# the dispatch

members' update from the Illinois Government Finance Officers Association



## In this issue

In this issue, we meet the new IGFOA President and Board.

Find information on the new Rock River regional group, and its first seminar, to be held Nov. 18. Get details on the Downstate Chapter's Two-day Fall Conference on Nov. 13, and the Volunteer Recognition Breakfast & CPE credit volunteer training on Nov. 7.

Also inside: articles by financial analysts of IGFOA Partners Standard & Poor's and Sikich, website tips and how to get into the Speakers Bureau.

## Introducing IGFOA's new President

*Scott Anderson of Buffalo Grove takes the gavel at Annual Conference*



**Scott Anderson, Director of Finance/Treasurer at the Village of Buffalo Grove, was elected IGFOA President at the Annual Conference in September.**

Scott's path to government finance has been an unusual one: he was previously a police officer and spent five years as a detective specializing in financial crimes.

"While working in law enforcement and studying for my masters degree, I was reminded of how much I have always enjoyed numbers and accounting. It didn't take long to realize that

I wanted to work in finance," he recalls. "So one day I walked across the street to Village Hall, and said I'd like to talk with them if they ever had an opening."

As it happened, the Village was undergoing a staff analysis at that time, and recommendations included hiring an assistant finance director.

The timing was perfect: The Village gave Scott the opportunity he was looking for by appointing him to the post of Assistant Finance Director in 1999.

### Building a career in government finance

"I had such a non-traditional progression into this field," Scott explains. "Truly coming from the outside as I did, I relied on those early IGFOA relationships to help me through my learning curve. It was so helpful to meet other finance

professionals – that made all the difference in the world."

His career – and his involvement in IGFOA – blossomed, and in 2006, Buffalo Grove made Scott Finance Director/Treasurer. In addition to his IGFOA and GFOA memberships, Scott is on the Executive Board of the Illinois Metropolitan Investment Fund and is

the appointed Treasurer of Northwest Central Dispatch System.

### Scott's take on the benefits of IGFOA membership

"The association's outstanding quality of training and professional education opportunities are right at the top of the list of reasons to belong to IGFOA," Scott says.

*Continued on page 3*

## Tips from "an outsider"

Scott Anderson came into the field of government finance in a non-traditional way – so who would know better how new members can get up to steam and make the best use of their IGFOA membership? Here are some tips from Scott:

**Get involved early on.** Everything becomes so much more rewarding as you get more involved in the association.

**Give the time you have.** The time you give will benefit you as you build your career.

**Reach out** – don't be shy!

**Learning  
Connecting  
Progressing**

[www.igfoa.org](http://www.igfoa.org)

**ILLINOIS  
GFOA 2014  
CONFERENCE**  
*Staying the course*  
September 7-9, 2014  
Bloomington-Normal

## Seen at the Annual Conference



# Board goal highlights

*IGFOA's new president Scott Anderson gives highlights of the Board's goals for the year ahead*

The IGFOA Board has several goals for the year ahead," reports new IGFOA President Scott Anderson.

## **An increase in blended training opportunities**

"We'd like to combine the benefits of online and group training," he says. "This will allow members to jointly take part in an online training and then discuss the topic in person and share their experiences.

## **Training that addresses our changing roles**

"As our field evolves, it will be beneficial to offer training that addresses the new roles that finance directors are taking on. This would include public policy, economic development and communications, among other areas. We may seek out partnerships with other professional associations to develop curriculum to provide this cross training for our members," Scott continues. "I expect IGFOA would take a multi-year approach to this."

## **Getting members more involved in technology**

"The improved website will make the sharing of questions easier also, but the website is only as good as what our members put onto it," Scott says. "The Board plans to motivate members to be more involved with the new website, particularly by sharing their expertise through the knowledge exchange.

"The focus of the current year will be to capitalize on the benefits of the new website design. The layout is much more intuitive and members should have an easier time accessing resources. We would like to begin building performance metrics through Surveys. This will assist members in having have reliable data at their fingertips.

## **Recognizing and encouraging volunteers**

Recognizing the essential work of volunteers will be an important focus of our year. The Board members are excited about our Volunteer Recognition Breakfast on November 7 at the Morton Arboretum. *See back page for details.*

# Introducing IGFOA's new President

*Continued from front*

"The members also benefit from networking and sharing our experiences. Our people have such a rich base of knowledge, and that can be so helpful to fellow members when talking through challenges – both in formal training and informal networking."

## **Every direction you look, you'll see dedication**

"I so enjoy working with everyone on the IGFOA Board," Scott continues. "Every direction you look, you see people who are dedicated and committed to the profession and to the association. I so enjoy the energy and commitment of the members. I enjoy working with our staff as well – their commitment to the association is evident, and that makes such a difference.

Scott has a Bachelor of Science from Arizona State University and a Masters in Public Administration (Fiscal Administration) from Northern Illinois University.

## Get on Board the IGFOA Speakers Bureau

### **Share your knowledge and ideas!**

The online IGFOA Speakers Bureau contains both topics and speaker/panelists suggested by IGFOA members.

The Speakers Bureau is used by the IGFOA Professional Education Committee (including the Conference team), Chapters, Networks, Regional groups, volunteer leaders and staff to identify topics and speakers of interest to IGFOA members. In addition, from time to time IGFOA provides access to its Speakers Bureau to affiliated organizations.

Speaking opportunities include:

- ◆ Chapter, network and regional training
- ◆ Luncheon talks
- ◆ First Thursday webinars
- ◆ Extended online courses
- ◆ In-person seminars of varying lengths
- ◆ Conference keynote
- ◆ Conference workshops
- ◆ Conference hot topic sessions
- ◆ Conference subject focused sessions

Some topics, such as legal and audit topics, require specific expertise of reviewers, according to IGFOA's license by the National Association of State Boards of Accountancy (NASBA).

Visit <http://www.igfoa.org/about/igfoa-speakers-bureau> to propose topics and/or speakers.

### **Ingredients of a successful IGFOA program**

- ◆ Ensure that presentations to IGFOA are educational and informative without a marketing emphasis – no sales pitches
- ◆ Let your expertise shine through
- ◆ Tie the material to real-life local government situations
- ◆ Engage the audience with Q&A, group exercises, small group discussions, polls, etc.
- ◆ Provide materials before the deadlines
- ◆ Rehearse – even if you have done the presentation before
- ◆ Rehearse again!

# IGFOA headlines

## Q and A @ igfoa.org: How do we add more members on igfoa.org?

Whether yours is a government or Partner membership, here's how to add a new member.

1. First, the primary member should log in at [www.igfoa.org](http://www.igfoa.org).
2. At the profile page, click on **View your colleagues**

Profile - IGFOA, Illinois Government Finance Officers Association

Welcome Sue, Your profile Sign out

Illinois Government Finance Officers Association  
Learning • Connecting • Progressing

Home Membership Education & events Knowledge exchange News Jobline About

**Member Actions**  
Edit your profile | **View your colleagues** | View your CPE | Review your payments

**Susan Member**  
Jobline  
Government or Firm  
email@companyname  
123 Any Street, City, IL 60201  
(312) 555-5555  
web@address.com

**MEMBERSHIP**  
Your profile  
Member directory  
Public Sector Membership  
Partner Program Membership  
Retired Membership  
Professional Ethics  
Volunteer opportunities

**IGFOA profile**  
• IGFOA member since 1900  
View your IGFOA Knowledge Exchange activity >

**About IGFOA**  
COUNTRIES SERVED  
All Illinois counties

Type	Population	Budget (millions)	Home rule
N/A	1,000	\$0.430	No

3. From the next screen, choose **Add colleagues**

Welcome Sue, Your profile Sign out

Illinois Government Finance Officers Association  
Learning • Connecting • Progressing

Home Membership Education & events Knowledge exchange News Jobline About

**Edit Susan Member**

Membership  
Knowledge exchange  
Contact information  
Government entity profile  
**Colleagues**  
Background  
Profile picture  
Account settings  
My CPE hours  
Payment history

**Colleagues**  
**Add colleague**  
Susan Member (primary member)  
email@companyname  
01/1/06 Active  
To reactivate the membership of an inactive or Cancelled colleague please contact the IGFOA.

4. At this next screen **enter the colleague's contact information**
5. You can add multiple colleagues by choosing **add another colleague**. To add just one, hit **Save** and continue. The next screen will take you to a payment page where you may choose to pay by credit card or check.

Welcome Sue, Your profile Sign out

Illinois Government Finance Officers Association  
Learning • Connecting • Progressing

Home Membership Education & events Knowledge exchange News Jobline About

**Add additional colleagues**

1 Add colleagues 2 Review 3 Payment

The fee for each additional public sector member is \$100.00.

Remove

Member name\* First MI Last

Position

Email\*

Save and continue or add another colleague

Additional members from a government are \$100 each. An additional Associate Partner member is \$225, and an additional Sustaining Partner member is \$200.

Contact IGFOA at 630-942-6587 or [info@igfoa.org](mailto:info@igfoa.org) if you have any difficulty adding a colleague.

## IGFOA 2014 Associate Partners

Many thanks to the IGFOA Associate Partners for their continuing support and collaboration.

Alli Financial, Inc

Amalgamated Bank of Chicago

Crowe Horwath LLP

Ehlers and Associates, Inc.

First Midwest Bank

FirstMerit Bank

Foster and Foster

GovHR USA

GW & Associates, PC

Lauterbach & Amen, LLP

McGladrey LLP

Miller Cooper & Co., Ltd

New World Systems

PFM Asset Management LLC

Plante Moran

Robert W. Baird & Co., Inc.

Sebis Direct Inc.

Siemens

Speer Financial Inc.

Springbrook Software

Third Millennium Associates, Inc.

Tyler Technologies, Inc.

Wolf and Company LLP

Learn more about the Partners program at [http://www.igfoa.org/m\\_assocmem.html](http://www.igfoa.org/m_assocmem.html)

# IGFOA PARTNERS

RECOGNIZING THAT ASSOCIATE MEMBERS ARE TRULY PARTNERS.

2014 IGFOA Sustaining Partners supporting IGFOA and the Chapters

 Gallagher Benefit Services, Inc.	 BAKER TILLY	Chapman and Cutler LLP Attorneys at Law • Focused on Finance®
BMO  Harris Bank	 CliftonLarsonAllen	 AZAVAR AUDIT SOLUTIONS, INC.
 CapitalGains INCORPORATED	FHLB  Chicago Federal Home Loan Bank of Chicago	Graystone Consulting <sup>SM</sup>
 FIFTH THIRD BANK	 Illinois Metropolitan Investment Fund	J.P.Morgan
 mb financial bank	 Promontory Interfinancial Network <sup>SM</sup>	 PMA <sup>TM</sup> FINANCIAL NETWORK
 MWM Consulting Group Taking Measure of Tomorrow	 STANDARD & POOR'S RATINGS SERVICES McGRAW HILL FINANCIAL	 Sikich <sup>®</sup>
 SAWYER FALDUTO ASSET MANAGEMENT, LLC	Your organization could be here, too. See <a href="http://www.igfoa.org/membership">www.igfoa.org/membership</a> for details.	WINTRUST <sup>®</sup> GOVERNMENT FUNDS

Find full information on the Partner programs and benefits  
at [http://www.igfoa.org/m\\_assocmem.html](http://www.igfoa.org/m_assocmem.html)

Or contact IGFOA Executive Director Marianne Shank at [mshank@igfoa.org](mailto:mshank@igfoa.org) or 630-942-6587.



**Thursday  
and Friday,  
November 13  
and 14, 2014**

**Hyatt Place,  
Champaign**

**217 N. Neil  
Street,  
Champaign, IL  
61820**

**Designed to  
sharpen local  
government  
professionals'  
skills in identi-  
fying and  
analyzing  
revenue trends,  
understanding  
economic  
development  
challenges  
and financial  
opportunities,  
and sharpening  
management  
and leadership  
skills.**

**Earn apx.  
9.5 hours  
CPE credit.**

**Register  
Now at  
[www.igfoa.org](http://www.igfoa.org)**



# Two-day Downstate Chapter Fall Conference

## THURSDAY, NOVEMBER 15, 2014

**9:15 – 10:15 am Registration**

**10:15 – 10:45 am New IGFOA Website Features**

Get a behind the scenes look at the members-only features of the new, interactive IGFOA website and learn how to build your resources and network.

*Marianne Shank, Executive Director, IGFOA*

**10:45 – 11:00 am Downstate Chapter Meeting**

*Gloria Osborn, City of Galesburg, Chapter President*

**11:10 – 12:00 pm Revenue Challenges – Roundtable Discussion**

Engage in a lively discussion about sales taxes, CPPRT, income taxes and other local government revenue streams. Discuss how those revenue are trending in your community, assumptions for future forecasts and collections concerns.

*Downstate Chapter Board – Discussion Leaders*

**Noon – 1:00 pm Lunch**

**1:00 – 1:50 pm Tax Interruption Insurance**

Learn about tax interruption insurance and how it works in local government.

*Fred Danner, Old National Insurance*

**2:00 – 2:50 pm Economic Development – Where is it going?**

Listen to an economic development specialist's experience and expectations for the future and discuss economic development issues affecting your community.

*Craig Rost, Champaign County Economic Development Corp.*

Local, State & Federal Economic Development resources – using revolving loan funds, small business competitions, and other tools to help attract and maintain jobs and businesses in your community.

*Joel E. Youngs, Illinois Small Business Development Center, Director Black Hawk College*

**3:00 – 4:50 pm Managing & Leading in Today's World**

The workshop is intended to provide some new tools to use in today's world and workplace. It is designed to provide some new, engaging and effective ways to be a more effective leader AND a better manager of people. It is targeted for both managers and supervisors to key players on their teams.

This session is going to involve exploration and skills development in the following areas: Setting expectations & goals; the power of delegation done right for maximum effectiveness; effectively conducting feedback/coaching sessions; "Catch 'Em Doing Something Right" recognition. Attendees will need to come prepared to participate, engage and dive in. There will be both group and one-on-one exercises to help advance our learning during this session. All attending need to come prepared to take lots of notes and to have FUN!!

*Dave Goranson, President, Goranson Consulting, Inc.*

**5:30 – 7:00 pm**

**On-site: Learning from a Successful Building Reuse Project –**

SURFACE 51, 804 N Neil, Square 1, Champaign, IL 61820 – A short walk from the Hyatt Place, the reception at Surface 51, a marketing, branding, and ad company will highlight a successful building reuse of a Trolley Barn for commercial and residential use.

Explore destination locations throughout Surface 51 highlighting successful projects with the City of Champaign and a few more.

## FRIDAY, NOVEMBER 14, 2014

**8:30 – 10:00 am Managing the Generation Gap**

Participate in a lively workshop to sharpen your management tools.

*Cynthia Berry, Ph.D. of Berry Organizational & Leadership Development LLC*

**10:10 – 11:40 am Problem Resolution Process and How to Draft a Disciplinary Letter**

Successful strategy for employee, citizen and board-related issues. This training will focus on a successful problem resolution process for issues with employee performance. Designed to be followed by the supervisor, with information provided by the employee. This training will also go through the necessary steps to write an employee disciplinary letter.

*Cynthia Berry, Ph.D. of Berry Organizational & Leadership Development LLC*

**11:40 - Noon Final announcements – Open discussion**

*Gloria Osborn, City of Galesburg, Chapter President*

### Register by Oct. 31, 2014 for lowest rates

#### Downstate Chapter Fall Conference

	<b>Advanced Regis. through Oct. 31</b>	<b>Standard Regis. after Oct. 31</b>
IGFOA Member*	\$180	\$205
IGFOA Government non-member*	\$210	\$235
Non-Member	\$260	\$300

\* IGFOA Members are those Public Sector and Associate individuals specifically listed in the IGFOA Membership Application or Renewal. IGFOA Government non-member rate applies to staff, appointed officials, and elected officials of a government with a current IGFOA membership.

**Register at [www.igfoa.org](http://www.igfoa.org)**

## New Rock River regional group established

In May, the Downstate Chapter unanimously and enthusiastically agreed to establish a Rock River regional group to hold training and networking events.

Regional meetings are held the third Tuesday of each month at Giovanni's Restaurant, 610 N. Bell School Rd, Rockford, IL 61107.

Curtis Newport, Boone County Treasurer, and Carla Paschal, Sikich LLP, are the volunteer coordinators for that area.

"I'm in Boone County and deal with all units of local government," explains Mr. Newport. "My initial goal was to bring in folks from those smaller units of government to help fill a training gap – because often it's a volunteer who has the responsibility for adhering to strict statutory requirements. They can benefit from training and support in the areas of taxes, handling funds, filing financial reports, and more.

"At the same time, we wanted to give governments in the Rockford area the opportunity to meet and talk about issues facing governments in the region. There are so many opportunities for units of government to work together to benefit their mutual constituents.

"Carla Paschal of Sikich suggested the IGFOA would provide the ideal framework for this group. So far, most of our participants have been from larger units of government, but we are hoping that we will also be able to bring in smaller and rural governmental units. We are hoping to keep the momentum going by continuing to get together and bring in excellent speakers for fine quality training."

**The Rock River regional group's first training, *Internal Control and Tax Levy Seminar*, will be held Tuesday, November 18 in Rockford. See the columns to left for details, and register online at [www.igfoa.org](http://www.igfoa.org).**

**Send Curtis or Carla your ideas for training topics! Email [treasurer@boonecountyil.org](mailto:treasurer@boonecountyil.org) or [cpaschal@sikich.com](mailto:cpaschal@sikich.com).**

## Rock River Region Internal Control and Tax Levy Seminar *presented by the Downstate Chapter*

The morning session will focus on the key elements of the internal control framework and how to best implement a program in the public sector. The role of management, the governing body and external auditors will also be covered.

After lunch we will review PTELL, budgeting, and tips for putting the levy together. No prerequisites required.

**Learning Objectives:** Participants that complete this session should be able to:

- ▶ Prepare control documentation over significant transaction classes in preparation for the annual audit
- ▶ Understand the audit risk assessment process and how controls factor into that process
- ▶ Determine how IT affects internal control and the way control activities are implemented
- ▶ Identify common internal control deficiencies and opportunities to strengthen existing controls
- ▶ Explain factors limiting the property tax levy

### Speakers:

*Paula Meyer, City of Dixon*

*Mary O'Connor, ASA, Partner, Valuation & Dispute Advisory Services, Sikich LLP*

*Kenneth Terrinoni, County Administrator, Boone County*

### Register before November 18!

#### Rock River Region Internal Control and Tax Levy Seminar

IGFOA Member*	\$35
IGFOA Government non-member*	\$40
Non-Member	\$55

\* IGFOA Members are those Public Sector and Associate individuals specifically listed in the IGFOA Membership Application or Renewal. IGFOA Government non-member rate applies to staff, appointed officials, and elected officials of a government with a current IGFOA membership.

**Register at [www.igfoa.org](http://www.igfoa.org)**

**Tuesday,  
November 18,  
2014  
9:00 am – 2 pm  
Giovanni's  
Restaurant  
610 N Bell  
School Rd,  
Rockford, IL  
61107**

**In the first seminar for the Rock River regional group, City of Dixon Finance Director Paula Meyer will share her insights on implementing an internal control system.**

**Earn apx.  
4 hours  
CPE credit.**

**Register  
Now at  
[www.igfoa.org](http://www.igfoa.org)**



# Not all loans are equal: Some terms and conditions that make disclosure critical in evaluating credit risk

*by Malachy Fallon, Managing Director, and Jeffrey J. Previdi, Managing Director, Corporate & Government Services Group, Standard & Poor's*



**Standard & Poor's is an IGFOA Sustaining Partner for 2014. The opportunity to present this educational article is a benefit of the IGFOA Partner Program.**

**For information on the IGFOA Partners Program, contact [mshank@igfoa.org](mailto:mshank@igfoa.org)**

Standard & Poor's Ratings Services has commented on the need for U.S. public finance issuers that we rate to provide greater disclosure of their use of alternative financing products such as bank loans and direct-purchase debt. We have focused on our need to be made aware of these transactions so that we can analyze the potential credit risks inherent in them. In this article we highlight some of the actual terms and conditions that may be included in these transactions that, in our view, make disclosure to us essential for our evaluation of an obligor's credit rating.

With greater use of these products and a more diverse group of lenders, we find the terms and conditions less standardized and uniform, creating, in our view, potential for considerable credit risk exposure. In our opinion, this additional risk stems from potential acceleration of principal and interest payments, and the potential for cross-default provisions between alternative financing debt and capital market debt. The documentation under which the lender agrees to purchase the alternative financing often contains events of default or covenants with remedies that, in our view, increase the potential for triggering accelerated repayment of principal and interest. Combined with cross-default provisions, breached covenants and default events could accelerate not only payments under the alternative financing, but also capital market debt, which could create a liquidity crisis for the obligor and potentially have multi-notch negative rating implications.

Therefore, we regard as critical the incorporation of alternative financings into the analysis of an obligor's debt profile. Standard & Poor's typically reviews the events of default set forth in an obligor's debt issuance documents to determine if the remedies can pose stress to an obligor as outlined in our contingent liquidity criteria. If so, we then review the events for consistency with our criteria for analyzing automatic termination events for standby bond purchase agreements (those that permit termination without notice or funding). These typically include what we consider "major" events, e.g., the obligor fails to pay principal of or interest on or repudiates the debt issuance, the obligor fails to make payment on or repudiates any debt on parity with, or senior to, the debt issuance, or the issuer or obligor challenges the validity or enforceability of the debt documents. (For a complete list see USPF Criteria: "Standby Bond Purchase Agreement Automatic Termination Events".)

Our concerns with alternative financing agreements, and our focus from a credit perspective, is whether any "non-major" events, if triggered, could lead to a remedy such as rapid acceleration of debt repayment and in turn, liquidity stress for the obligor. "Non-major" events can cover the spectrum from very broad to very specific events, depending on the obligor.

Examples of "non-major" events we have seen in actual documents leading to immediate acceleration include:

- ▶ Failure to perform or observe any term, covenant, agreement, or condition contained in financing agreements related to a liability of more than \$1,000,000;
- ▶ False statements. Any warranty, representation, or statement made or furnished to lender by borrower or on borrower's behalf, or made by guarantor, or any other guarantor, endorser, surety, or this note or the related documents in connection with the obtaining of the loan evidenced by this note or any security document directly or indirectly securing repayment of this note is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter;
- ▶ An event occurs that could reasonably be expected to have a material adverse effect on the ability of the borrower to perform its obligations under the related documents to which it is a party;
- ▶ Failure to maintain specific debt service coverage ratios;
- ▶ Failure to maintain specific debt to capitalization; and
- ▶ Insecurity: Lender in good faith believes itself insecure.

Other events leading to acceleration from 30 to 60 days:

- ▶ Failure to provide as soon as available, but in any event not later than 120 days after the close of each fiscal year the annual report of the borrower;
- ▶ Failure to provide the annual operating budgets for the borrower within 30 days of adoption;

**continued next page**



- ▶ Failure to promptly give notice to the bank of the occurrence of the commencement of any litigation, proceeding, or dispute affecting the borrower which could give rise to a default;
- ▶ Failure to maintain primary banking accounts with the bank;
- ▶ Borrower is charged with any environmental violation that would likely have a material adverse effect on borrower; and
- ▶ Failure to receive unqualified audit opinion.

As these examples show, the financing documents may allow the obligor a specific cure period before an event of default leading to acceleration is triggered. The combination of the magnitude of potential accelerated debt relative to an obligor's liquidity, and the immediacy of such liquidity calls, will be key to our determining the impact on an obligor's outstanding rating.

### Related criteria and research

- USPF Criteria: Standby Bond Purchase Agreement Automatic Termination Events, April 11, 2008
- USPF Criteria: Contingent Liquidity Risks, March 5, 2012
- Alternative Financing: Disclosure Is Critical To Credit Analysis In Public Finance, Feb. 28, 2014
- Credit FAQ: How Standard & Poor's Considers U.S. Public Finance Alternative Financing In Its Rating Process, March 26, 2014



### About the authors:

**Jeffrey Previdi** is a Managing Director in the U.S. Public Finance Ratings Group at Standard & Poor's Ratings Services in New York. Since joining Standard & Poor's in 1994 as a member of the tax-exempt housing group, Jeffrey has been responsible for the ratings on an array of municipal obligors. Jeffrey currently serves as Lead Analytical Manager for the East and Midwest regions of the Local Government Group overseeing analytic staff in New York, Chicago, and Boston.

Jeffrey spent seven years at Standard & Poor's Chicago office where he led the rating agency's

housing and structured finance efforts in the Midwest region. He also works extensively on the development and expansion of Standard & Poor's rating criteria and is a member of the U.S. Public Finance Criteria Committee.

Jeffrey previously held positions in the fields of advertising and broadcasting and holds a master's in public policy from The College of William & Mary and a bachelor's degree in Economics from Connecticut College. He is a member of the Municipal Analysts Group of New York, the Municipal Forum, and the National Federation of Municipal Analysts.

**Malachy Fallon** is a Managing Director responsible for coordinating analytical outreach and communications, including investor relations for the US Public Finance Department.

Previously Mal was Lead Analytical Manager for the Municipal Enterprise Group consisting of healthcare, higher education, 501© (3) and public housing analytical teams within Standard & Poor's Ratings Services U.S. Public Finance Ratings.

From July 2009 to November 2010 Mal was Managing Director of Ratings Change Management. As the head of this initiative, Mal and the Change Management team worked closely with Standard & Poor's analytical practices on the prioritization, sequencing and design of operational, regulatory, strategic and analytical quality initiatives.

Earlier in his career, Mal was responsible for establishing the Standard & Poor's regional office in Dallas, Texas. The office opened in 1996 and Mal served as senior analyst there covering eight states: Alabama, Arkansas, Kansas, Louisiana, Mississippi, Oklahoma, Tennessee, and Texas. In 2000, Mal was named Managing Director and head of the region.

Mal started his career at Standard & Poor's in U.S. Public Finance in 1983 in the New York office. In this role, he focused on ratings for various sectors of Public Finance including healthcare, higher education, utilities, transportation, and general obligation bond issues. In addition, he has been involved in ratings of state and local governments and utilities in Argentina, Brazil, India, and Mexico.

Mal has a bachelor of science degree and master of business administration degree from Fordham University in New York.

# The risk of “stringing”

by Mary O'Connor, ASA, CFE, Partner at Sikich and James M. Sullivan, JD, CIG, Director at Sikich



**Sikich is an IGFOA Sustaining Partner for 2014. The opportunity to present this educational article is a benefit of the IGFOA Partner Program.**

**For information on the IGFOA Partners Program, contact [mshank@igfoa.org](mailto:mshank@igfoa.org)**

Vendor fraud comes in a variety of different packages. In most instances, effective controls and a lack of agency complicity can minimize the risk an agency faces from receiving inferior services or being over-billed.

The Illinois Compiled Statutes criminalizes unscrupulous conduct related to public contracting – from bid rigging and bid rotating to kickbacks and false statements. Little known among the array of crimes is stringing. The Illinois Criminal Code 720 ILCS 5/33E-2 (i-5) defines stringing as “knowingly structuring a contract or job order to avoid the contract or job order being subject to competitive bidding requirements.” A person (either a vendor or a public employee) can commit stringing and be charged with a Class 4 felony. (720 ILCS 5/33E-18)

Stringing occurs when a purchase of biddable items exceeding the applicable dollar amount requiring a sealed, competitive bid is broken up by spreading planned purchases over a period of time or dividing up the quantity of items purchased. For example, the purchase of machinery can be divided into purchases of the machine’s component parts, with the value of each part falling below the bidding threshold. Or, planned purchases of commodities can be divided up over time, again with the dollar amount of each purchase below the bidding requirement.

Some agencies have proclaimed stringing inappropriate even for contracts for professional services or other non-biddable procurements.

Inherent in a stringing scheme is the vendor’s wish to avoid the controls that accompany a bidding process – including analysis assessing responsibility and responsiveness – as well as the burdensome bidding process. The contracting agency may also want to avoid the cost of complying with state laws. In certain environments, the agency may also want to avoid the appearance of making a high-dollar purchase.

Rules, however, are enacted to protect those involved. The risks to an agency that engages in or condones stringing are substantial. Has there been competition? The bidding process – and even internal RFP-type procurements – invite competition. Competition allows the agency to pick a responsive and responsible bidder. When an agency decides to string a purchase, competition may have been avoided, exposing the agency to a vendor who may not be required to perform as long as the job costs less than bidding thresholds.

Will the vendor invoice to the stringing limit regardless of actual cost to the agency? When an agency engages in a stringing scheme with a vendor, it’s likely the agency’s seminal goal is to keep the cost below the bidding threshold and not the procurement of the best goods or services at the most reasonable price. If the goal is to stay under the radar, some vendors will fly just below. If a vendor knows he cannot exceed \$25,000, and the agency is complicit in the stringing scheme, the vendor will likely submit a bill for \$24,999. Likewise, the purchase of a \$40,000 piece of equipment, when subjected to competitive bidding, would likely yield consistent bid responses in that range. A “stringing” purchase of the machine’s two component parts could easily cost the agency \$50,000 if the vendor knows the key requirement is to stay under the \$25,000 per purchase competitive bid threshold.

Complicity in a stringing scheme also fosters a less-than-arms-length relationship between the vendor and agency representatives responsible for monitoring and paying the vendor. As always, a less-than-arms-length relationship fosters the circumvention of other necessary controls and exposes the agency to more risks at many levels.

Set the tone at the top by monitoring all purchases closely and invite competition for goods and services.



## About the authors:

**Mary O'Connor**, ASA, CFE, is Partner, Valuation and Dispute Advisory Services with Sikich. She has worked exclusively in the field of valuation and financial forensics since 1979. She specializes in business valuation and the appraisal of tangible and intangible assets for litigation with special focus in health care, intangible assets in property tax appeal, securities, subrogation and insurance matters. She also possesses extensive experience with fairness and solvency opinions. Mary has provided opinions to a wide variety of public and private clients in a range of industries including health care, governmental entities, agricultural businesses and food companies, senior living, technology, financial services, automotive, hospitality/gaming, manufacturing, natural resources,

**continued next page**

retail, utilities, waste management/recycling and real estate development. Mary has provided litigation consulting and expert witness testimony to federal, state and local jurisdictions (including U.S. Tax Court, Delaware Chancery and Property Tax Appeals Boards) nationally and internationally in cases related to business valuation, lost profits damage analysis, diminution of business value, fraudulent conveyance, shareholder dispute, intangible assets in property assessment, breach of contract, fraud, estate taxation, marital dissolution, sale/leaseback, subrogation, ability to pay, insurance defense, condemnation and bankruptcy matters for both Plaintiffs and Defendants. She is experienced in melding the skills of investigative accounting, valuation, economic analysis, fraud investigation and forensic technology in cases of all sizes. She has been called as an expert in large cases related to the 9/11 attack, and has provided business valuations for diverse assets including the Polish Stock Exchange and the Chicago Bears.

**James M. Sullivan**, JD, CIG, is a director in Sikich's dispute advisory service area. In this role, Jim conducts investigations of alleged fraud, evaluates systems and procedures for control weaknesses, and recommends appropriate controls to prevent fraud. He served for 12 years as the Inspector General for the Chicago Board of Education, the third-largest public education system in the country. During his tenure, Jim's office investigated and exposed multi-million dollar fraud schemes committed by vendors, resulting in criminal convictions and the civil recovery of funds from the unscrupulous contractors. Jim also conducted and led investigations that uncovered some of the largest employee orchestrated theft schemes in local government and successfully worked with prosecutors to secure criminal charges. Jim also served as a member of the Chicago Board of Education's Audit Committee. Before being appointed Inspector General, Jim was a Deputy Inspector General at the Chicago Board of Education and the City of Chicago. Jim began his legal career as a criminal prosecutor with the Cook County State's Attorney's Office, successfully handling hundreds of bench and jury trials and appellate arguments. Jim has been a long-time board member of the Association of Inspectors General (AIG). Jim has spoken at numerous AIG national training conferences and also presented on a paper he co-authored, *Search and Seizure Issues Raised in Investigations of Workplace Misconduct: O'Connor v. Ortega and Its Progeny*. Jim has trained other Inspectors General, executive level staff, investigators and auditors in the AIG's certification institutes.

# IGFOA's 2014-15 Board

## President

Scott Anderson  
*Director of Finance/Treasurer, Village of Buffalo Grove*

## Vice President

Rita Kruse  
*Director of Finance, Batavia Park District*

## Immediate Past President

Scott Bordui  
*Finance Director, Village of Flossmoor*

## Secretary

Stephanie Masson  
*Assistant Finance Director, Village of Park Forest*

## Treasurer

Chris Minick  
*Finance Director, City of St. Charles*

## Member at Large

Brian Caputo  
*Chief Financial Officer/City Treasurer, City of Aurora*

## Member at Large

Linda Dalton  
*Assistant Finance Director, Village of Woodridge*

## Member at large

Melissa Gallagher  
*Finance Director, City of Rolling Meadows*

## Chicago Metropolitan Chapter Representative

Bradley Wilson  
*Finance Director, City of Wood Dale*

## Downstate Chapter Representative

Gloria Osborn  
*Director of Finance & IS, City of Galesburg*

## South Metropolitan Chapter Representative

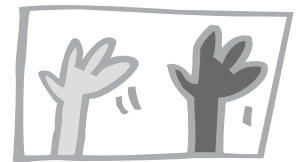
Barbara Maziarek  
*Finance Director, Village of Palos Park*

## GFOA State Representative

Mary Dankowski  
*Deputy Village Manager/Finance, Village of Park Forest*

## Associate Member Representative

Laura Allen  
*Executive Director, Illinois Metropolitan Investment Fund (IMET)*



## Get hands-on with the Illinois GFOA

Help us break the old 80/20 rule where 80% of the work routinely gets done by ONLY 20% of the people!

Volunteers are key to IGFOA's diverse programs and services. Members volunteering for committees or other assignments are accountable to fellow volunteers and are asked to attend scheduled committee and sub-committee meetings, if applicable and complete tasks/projects for which you volunteered. You may be asked to conduct research, follow-up and confirm planning details and complete special assignments outside of meetings to accomplish the goals of the committee and to show your support by attending your committee's programs on a regular basis.

For details, visit [www.igfoa.org/membership/volunteer-opportunities](http://www.igfoa.org/membership/volunteer-opportunities)



ILLINOIS

GOVERNMENT FINANCE  
OFFICERS ASSOCIATION

800 Roosevelt Road  
Building C Suite 312  
Glen Ellyn, Illinois 60137

# Volunteer Recognition Breakfast and volunteer training for CPE credit on November 7

All IGFOA Volunteers are invited to a **celebration of volunteer accomplishments with the IGFOA Executive Board**. In addition to the Recognition Breakfast, the morning includes **three volunteer training sessions for CPE credit**. Weather permitting, cap the morning with a tram tour of the Morton Arboretum!

There is no charge for current volunteers and Sustaining Partner invited guests to attend the program – **registration is required**.

## FRIDAY, NOVEMBER 7, 2014

### 8:00 – 9:30 am Volunteer recognition breakfast

Welcome and remarks by President Scott Anderson

Introduction of Volunteers

Introduction of Partner Firms

Short demo of IGFOA website features for members

### 9:50 – 10:40 am Tools & tips for planning and hosting an IGFOA program

Using the IGFOA Speakers Bureau and Building a CPE worthy event

Getting the Word Out – Marketing Your IGFOA Event

### 10:40 – 10:50 am Break

### 10:50 – 11:30 am Motivating and Managing Volunteers

Demonstrate committee tools on website

Discuss dealing with difficult situations

### 11:30 am – Noon Understanding IGFOA structure and resources

Review governance structure and 501(c) 3 status

Cover key policies

Review financial and staff resources

### Noon – 1:15 am Tour of Morton Arboretum

Grab a box lunch and board the Arboretum Tram right outside the Visitors Center for a one-hour narrated tour

**CPE credits: About 2.5 CPE hours**



Register  
Now at  
[www.igfoa.org](http://www.igfoa.org)

## Coming up

### Thursday, November 6 • 10:00 – 11:30 am

Webinar: Understanding The Freedom of Information Act and The Local Records Act and Electronic Records

### Friday, November 7 • 8:00 – 9:30 am

IGFOA Volunteer Recognition Breakfast, Lisle

### Thursday & Friday, November 13 & 14 • Begins at 10:15 am

Downstate Fall Conference, Champaign

### Friday, November 14 • 11:30 am – 1:00 pm

Chicago Metro Chapter Grab and Gab, Location TBA

### Tuesday, November 18 • 9:00 am – 2:00 pm

Downstate Chapter Rock River Region Internal Control and Tax Levy Seminar, Rockford

### Thursday, December 4 • 10:00 – 11:30 am

Webinar: Hot Topics in Illinois Government Finance

### Friday, December 5 • Time TBA

Chicago Metro and South Metro Chapters' Joint Holiday Luncheon, Mike Ditka's Oakbrook Terrace

### Tuesday, December 9 • Time TBA

Seminar & Webcast: IGFOA Payroll Seminar

### Tuesday, December 16 • Noon – 1:30 pm

Downstate Chapter Rock River Region networking luncheon, Rockford

# Learning Connecting Progressing