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FOR IMMEDIATE RELEASE AUGUST 13, 2014

FORMER REDFLEX CEO, LIAISON, AND CHICAGO OFFICIAL INDICTED FOR ALLEGED CORRUPTION IN CITY'S RED LIGHT CAMERA CONTRACTS

CHICAGO — A former chief executive officer of Chicago's first red light camera vendor, Redflex Traffic Systems, Inc., and the company's customer liaison with the city, were indicted today on federal corruption charges together with a retired city official who managed the red light camera program for nearly a decade, after he alone was charged initially in May.

A federal grand jury returned a 23-count indictment alleging that Redflex officials, including KAREN FINLEY, its former CEO, provided the retired city official, JOHN BILLS, with approximately $570,000 cash and other personal benefits in exchange for Bills' providing inside information and assisting Redflex in obtaining, keeping, and expanding its Chicago contracts that grew to $124 million. Finley and other officials of Phoenix-based Redflex arranged to funnel the cash and benefits to Bills through his friend, MARTIN O'MALLEY, by hiring O'Malley as an independent contractor who passed much of his $2 million compensation on to Bills, the indictment alleges.

Finley, 54, of Cave Creek, Ariz., who was Redflex's chief executive from late 2005 through February 2013 and its vice president of operations from 2001 until she became CEO, was charged with nine counts of mail fraud, three counts of wire fraud, three counts of federal program bribery, and one count of conspiracy to commit federal program bribery. O'Malley, 73, of south suburban Worth, who was an independent contractor for Redflex between 2003 and 2012, was charged with one count of conspiracy to commit federal program bribery.

Bills, 53, of Chicago, who was arrested in May on a criminal complaint and released on his own recognizance, was indicted on nine counts of mail fraud, three counts of wire fraud, three counts of federal program bribery, three counts of filing a false federal income tax return, and one count each of extortion and conspiracy to commit federal program bribery. A city employee for 32 years, Bills served as a member of the red light camera contract evaluation committee and retired as managing deputy commissioner of the city's transportation department on June 30, 2011.

All three will be arraigned on a date yet to be determined in U.S. District Court in Chicago.

The indictment also seeks forfeiture from all three defendants of approximately $613,400 as well as the proceeds from the sale of a condominium in Gilbert, Ariz.

Between late 2002 and late 2012, Bills and Finley allegedly schemed to defraud the city of money and Bills' honest services by providing Bills with cash, checks, and other personal benefits directly and indirectly, including meals, hotel stays, rental cars, and golf outings. In May 2008, O'Malley purchased the condominium for Bills, which Bills visited nearly two dozen times with friends and family until the fall of 2012.

"When public officials peddle influence for profit, the consequences are severe, and when corporate executives enable that corruption, the same rule applies. We will attack alleged public corruption from every angle," said Zachary T. Fardon, United States Attorney for the Northern District of Illinois.

"Rooting out public corruption remains one of the FBI's highest priorities," said Robert J. Holley, Special Agent-in-Charge of the Chicago Office of the Federal Bureau of Investigation. "Today's indictment underscores our commitment to work in a collaborative effort to promote honest and ethical government at all levels and to prosecute those who allegedly violated the public's trust," he added.

"IRS Criminal Investigation ensures that all Americans, including public officials, are held to the same standard and that everyone pays their fair share of taxes," said James C. Lee, Special Agent-in-Charge of the Internal Revenue Service Criminal Investigation Division in Chicago.

"The alleged confluence of corrupt local officials and corrupt corporate officers demands a counterweight of local and federal agencies working to redeem the frayed confidence of the public," said Joseph Ferguson Inspector General for the City of Chicago. "The Office of Inspector General is therefore grateful for the continuing leadership, dedication and collaboration of our federal partners in this matter."

The investigation is continuing, the officials said.

According to the indictment and the complaint affidavit against Bills, in October 2003, the city awarded a contract to Redflex for the installation, maintenance and operation of the city's first Digital Automated Red Light Enforcement Program (DARLEP), which used cameras to automatically record and ticket drivers who ran red lights. Between 2004 and 2008, the city paid Redflex approximately $25 million under this contract, and Redflex installed and maintained more than 100 red light cameras in Chicago intersections, and assisted in reviewing and processing violations. Bills, then assistant transportation commissioner, was a voting member of the city's request for proposal (RFP) evaluation committee that recommended awarding the contract to Redflex after a one-month trial run of competing systems by Redflex and another finalist. In February 2008, the city awarded a new, non-competitive contract to Redflex to operate and maintain the previously installed camera systems, and paid Redflex approximately $33 million under that contract.

Also in February 2008, following the competitive RFP process, the city awarded a new DARLEP contract to Redflex that was similar to the first. Bills was an advisory member of this RFP evaluation committee. The city paid Redflex approximately $66 million under this contract, resulting in the installation of nearly 250 additional red light cameras.

By 2010, Chicago had the largest red light camera program in the United States, representing approximately 20 percent of the total camera systems that Redflex, a subsidiary of Australian-based Redflex Holdings Ltd., operated nationwide.

According to the indictment, Individual A, Redflex's former vice president of sales and marketing, made a presentation to Bills regarding Redflex's red light cameras in late 2002. Shortly after a Jan. 3, 2003, pre-bid meeting that Individual A attended with other vendors, Bills asked Individual A to get him a hotel room in Los Angeles. Individual A paid for the room and sought and received reimbursement from Redflex.

In February 2003, after Redflex and a competitor were selected for a pilot phase, Finley, Individual A, and others from Redflex met Bills at the John Hancock Center and Bills provided information in an effort to give Redflex an advantage over its competitor, the charges allege. Before the pilot phase, Bills recommended that Redflex hire Company A as a subcontractor. In May 2003, before the city contract was awarded, Bills, Individual A and, at times, Individual B, who was then Redflex's CEO, allegedly strategized to ensure a favorable result for Redflex. On May 27, 2003, the evaluation committee and city transportation commissioner recommended that Redflex be awarded the DARLEP contract, effective in October 2003.

At a celebratory dinner in June 2003 in Los Angeles, Bills allegedly told Individual A words to the effect of, "It's time to make good," which Individual A understood to mean that Bills wanted and expected to be paid for helping Redflex win and maintain the Chicago contract. Bills allegedly discussed how much money he wanted based on the size of the contract, and suggested to Individual A alternative ways to funnel benefits to him, including paying him through the newly created Chicago customer liaison position.

Individual A relayed Bills' demand to Finley and Individual B. In May 2003, Finley allegedly directed placing an advertisement in a Chicago newspaper for an account manager for Redflex's Chicago contract, and Bills allegedly told O'Malley to look for and respond to the ad. O'Malley interviewed with Finley and Individual B and was hired in the summer of 2003. Bills allegedly indicated to O'Malley that he was working with Redflex on O'Malley's employment contract and that O'Malley would give him a portion of the commissions that O'Malley received.

The indictment alleges that from 2003 through November 2012, O'Malley and Bills used several different methods, at Bills' direction, to transfer funds to Bills, including: from 2004 through 2012, O'Malley withdrew more than $600,000 in cash and O'Malley gave Bills approximately $570,000 in cash; from 2008 to 2010, O'Malley wrote Bills checks totaling approximately $17,900, which Bills used to pay personal debts and expenses; and from 2007 to 2011, O'Malley wrote checks totaling approximately $5,500 to a political organization.

Also at Bills' request, the indictment alleges that Redflex agents, including Individual A and O'Malley, paid for at least $20,000 worth of personal expenses for Bills, including hotels rooms, meals, golf games, and computers, with the approval of Finley and Individual B, and expensed these purchases through Redflex from 2003 through 2011. Neither Finley nor Bills reported the flow of benefits on financial disclosure or economic interest forms they each submitted in connection with the contracts and Bill's employment, the charges allege.

Before Bills retired, he allegedly made it known to Individual A and other Redflex employees that he wanted a job with Redflex. Instead, Finley, Individual A and others arranged for Bills to get a job with Nonprofit Corporation A, and Redflex increased its monthly funding to Nonprofit Corporation A to help pay for Bills' salary. That job lasted through the early spring of 2012.

The tax charges against Bills allege that he failed to report the income he received from O'Malley on his federal income tax returns for 2008, 2009 and 2011.

Each count of mail and wire fraud and extortion carries a maximum sentence of 20 years in prison; federal program bribery carries a maximum of 10 years in prison; and conspiracy carries a maximum of five years in prison, and each count carries a $250,000 maximum fine, while the mail and wire fraud counts also carry an alternate maximum fine of twice the gain, or twice the loss, whichever is greater. The tax counts against Bills each carry a maximum of three years in prison and a $250,000 fine. Defendants convicted of tax offenses must pay the costs of prosecution and remain civilly liable for any back taxes, as well as a potential civil fraud penalty of up to 75 percent of the underpayment plus interest. Restitution is mandatory. If convicted, the court must impose a reasonable sentence under federal sentencing statutes and the advisory United States Sentencing Guidelines.

The public is reminded that an indictment contains only charges and is not evidence of guilt. The defendants are presumed innocent and are entitled to a fair trial at which the government has the burden of proving guilt beyond a reasonable doubt.

The government is being represented by Assistant U.S. Attorneys Carrie Hamilton and Laurie Barsella.

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