Illinois Ethics Matters

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Honesty, Integrity, Service

***A newsletter from the* Office of Executive Inspector General for the Agencies of the Illinois Governor**

Office of Executive Inspector General

Susan M. Haling
Executive Inspector General

Neil P. Olson
General Counsel

Fallon Opperman
Deputy Inspector General & Chief of Chicago Division

Erin K. Bonales
Director, Hiring & Employment Monitoring Division

Christine Benavente
Deputy Inspector General-Executive Projects

Angela Luning
Deputy Inspector General & Acting Chief of Springfield Division

Ogo Akpan
Chief Fiscal Officer & Chicago Operations Manager

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Announcements

- The OEIG is pleased to announce the hiring of **Grace Nudo** and **Calla Ziemba**. Both will work as Investigators in the OEIG's Chicago office.

The Cost of Conflict of Interest

Conflicts of interest laws and policies in government are critical to ensuring public integrity and maintaining trust in state officials and employees. The Illinois Department of Commerce and Economic Opportunity (DCEO) recognized this in its implementation of its own policy stating that employees have an obligation to avoid: "any activity, agreement, business investment or interest or other situation that might in fact or in appearance cause the [DCEO] employee to place his or her own interest, or those of another, above the employee's obligation to [DCEO]." A recently published OEIG investigation, however, revealed that DCEO and its now-former Deputy Director of the Tourism Office, Daniel Thomas, failed to ensure these conflict of interest policies were followed.

Mr. Thomas began at DCEO in July 2023 after being the owner and Chief Executive Officer of TimeZoneOne, a communications agency and DCEO vendor. The OEIG's investigation showed that when Mr. Thomas was hired, he did not reveal to DCEO he was still being paid by TimeZoneOne and DCEO made only a cursory inquiry about his previous ownership of the company. The OEIG's investigation determined, in part, that after his hire at DCEO Mr. Thomas violated conflict of interest policies by participating in contractual decisions involving TimeZoneOne's business with the state while he continued to be paid by TimeZoneOne.

The investigation revealed that when Mr. Thomas started working at DCEO, he continued to receive approximately $117,000 in earnout payments from his 2020 sale of TimeZoneOne, and was actively involved in negotiations of the earnout amount, expressing in an email to the new owner of TimeZoneOne, that he continued to be a "true champion" of TimeZoneOne. Meanwhile, TimeZoneOne's billing for subcontracted work for the state increased by over $600,000 during the fiscal year after Mr. Thomas began working at DCEO. For instance, in that fiscal year, he was involved in the decision to award TimeZoneOne a project under a subcontract, to produce 30 additional videos over the 15 videos it was contracted to produce in the previous year. In addition, the state's payments to TimeZoneOne under its contract directly with DCEO increased by about $1 million in the fiscal year after Mr. Thomas began working for DCEO.

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In addition to the increase in state funds going to TimeZoneOne, the OEIG also found that DCEO paid significant amounts of money to TimeZoneOne for years without supporting documentation or reconciliation of the expenses. TimeZoneOne submitted invoices to DCEO for the same amount each month, which listed only general categories of work without detailing the hours worked or expenses incurred; no supporting documentation was submitted for the invoices. Despite a requirement in the contract for TimeZoneOne to submit reconciliation reports at the end of each work plan term that set forth the time spent and expenses incurred, the evidence showed that TimeZoneOne had not submitted any reconciliation reports since at least FY 2021.

Furthermore, the investigation revealed that TimeZoneOne regularly paid for travel expenses incurred by Mr. Thomas as part of his state duties, as well as travel expenses for at least one other DCEO employee, even though this was not specified in TimeZoneOne's contract. At least some of the expenses raised red flags under the State travel rules, such as business or first class flights and alcoholic beverages, and there was no advance written approval for the payments by the Executive Director of the Executive Ethics Commission, as required by Executive Order 15-09.

The OEIG determined that DCEO committed mismanagement by placing Mr. Thomas in charge of the Tourism Office, despite knowing about his prior relationship with TimeZoneOne, but not taking reasonable steps to determine if there was an actual or perceived conflict, as well, allowing contractual payments to be made with state funds without ensuring reconciliations were performed to support such payments In addition, it was clear to DCEO management that TimeZoneOne was paying for at least some of Mr. Thomas's and his subordinates' travel, yet no action was taken to ensure such payments were appropriate and that the travel rules were followed.

As a result of the investigation, Mr. Thomas was discharged and another DCEO employee's contract was terminated. In addition, DCEO is conducting an audit of TimeZoneOne's billings and reconciliations, and is implementing new or updated policies and procedures for conflicts of interest, vendor billing, and travel expenses. The Office of the Governor also directed the Governor's Office of Management and Budget to develop training for agency fiscal offices relating to necessary documentation and reconciliation for vendor payments.

OEIG Case No. 24-00353 is available on the OEIG's website here.