



State of Illinois  
**EXECUTIVE  
ETHICS  
COMMISSION**

---

# FINANCIAL DISCLOSURES

August 2022

# Financial Disclosures

- Why must vendors complete disclosures?
- When do we require disclosures?
- What do vendors have to disclose?
- How do vendors complete disclosures?

## Why must vendors complete financial disclosures?

- Procurement Code section 50-35 (30 ILCS 500/50-35)
- “[T]o fully and publicly disclose any potential conflict [of interest] to the chief procurement officers, State purchasing officers, their designees, and executive officers so they may adequately discharge their duty to protect the State” (50-35(c))

# Why must vendors complete financial disclosures?

- To reveal potential and prohibited conflicts of interest (30 ILCS 500/50-35, 50-13)
- To inform the State about other potential issues (50-35(b-2)):
  - suspension or debarment
  - professional licensure discipline
  - bankruptcies
  - felony convictions

# Why must vendors complete financial disclosures?

- Successful bidders'/offerors' and their subcontractors' disclosures "shall be incorporated as a material term of the contract and shall become part of the publicly available contract or procurement file" (50-35(a))
- Code/Rule sections re: contract/procurement file:
  - 30 ILCS 500/20-80
  - 30 ILCS 500/20-155
  - 44 Ill. Admin. Code 4.2080

# What are “conflicts of interest”?

- Section 50-13: Prohibited Conflicts
- Section 50-35: Potential Conflicts
- Section 50-38: Lobbying Restrictions

# What are “conflicts of interest”?

- Section 50-13: Prohibited Conflicts
  - Dealbreakers unless an exception applies (50-13(f)) or EEC grants an exemption after a hearing (50-20)
  - Who?
    - Statewide elected officials, G.A. members, State appointees and employees making 60% of the Governor’s salary (>\$106,447.20/year), and their spouses and minor children (50-13(a))
  - What?
    - Cannot have a State contract paid for by appropriated funds, a CDB contract, or a Tollway contract
    - Or a “direct pecuniary interest” in such a contract (50-13(a))

# What are “conflicts of interest”?

- Section 50-13: Prohibited Conflicts
  - Applies to corporations, partnerships, associations, and firms in which one of those people has a 7.5+% ownership interest or entitlement to >the Governor’s salary (\$177,412) (50-13(b))
  - Applies to corps, partnerships, associations, and firms in which one of those people + a spouse or minor child together have a 15+% ownership interest or entitlement to 2x the Governor’s salary (\$354,824)(50-13(c))
  - That’s why 50-35(b) requests disclosures not only of certain owners’ percentage of ownership interest and the dollar amount of their distributive income, but also their (and family members’) State employment or elected office



# What are “conflicts of interest”?

- Section 50-35: Potential Conflicts
  - Most are not necessarily dealbreakers; reported to PPB
  - For people/entities with 5+%/ \$106,447.20 interest in vendor, vendor must disclose...
    - State employment for past 3 years
    - Elective and appointive office at any level of local, State, or federal government for past 3 years
    - Employment as a lobbyist
    - Family relationships with State employees, elected/appointed officials
- Section 50-35's disclosures should capture section 50-13's prohibited conflicts

# When do we require disclosures?

- Section 50-35(a)
- “All bids and offers from responsive bidders, offerors, vendors, or contractors with an annual value of more than \$50,000”
- “All submissions to a vendor portal” (i.e., the Illinois Procurement Gateway)
- “All subcontracts . . . with an annual value of more than \$50,000”

# When do we require disclosures?

- P.A. 102-721 (H.B. 2770) makes changes to 50-35(a)
- Effective 1/1/23
- Bids and offers >\$50,000 annual value → “All bids and offers . . . with an annual value that **exceeds the small purchase threshold** established under subsection (a) of Section 20-20 of this Code
- Subcontracts >\$50,000 annual value → “annual value **that exceeds the small purchase threshold** established under subsection (a) of Section 20-20 of this Code”
- “. . . and all submissions to a vendor portal” → same

# When do we require disclosures?

- P.A. 102-721 (H.B. 2770) makes changes to 50-35(a)
- Effective 1/1/23
- Small purchase thresholds
  - 30 ILCS 500/20-20
  - 44 Ill. Admin. Code 4.2020
    - Supplies & Services: ≤\$100,000
    - Construction: ≤\$100,000
    - Professional and Artistic Services: ≤ \$100,000 (term ≤ one year; may not be renewed)
    - Architect / Engineering / Land Surveying: <\$25,000
    - Real Property and Capital Improvement Leases: <\$100,000 per year; must also be <10,000 sf.

# When do we require disclosures?

- P.A. 102-721 (H.B. 2770) adds subsection 50-35(j)
- Effective 1/1/23
- (j) If a bid or offer is received from a responsive bidder, offeror, vendor, contractor, or subcontractor with an **annual value of more than \$100,000**
- **and** the bidder, offeror, vendor, contractor, or subcontractor **has an active contract with that same entity**
- **and** already has submitted their financial disclosures and potential conflicts of interest within the last 12 months,
- the bidder, offeror, vendor, contractor, or subcontractor may submit a **signed affidavit attesting that the original submission of its financial disclosures and potential conflicts of interests has not been altered or changed.**
- The form and content of the affidavit shall be prescribed by the applicable chief procurement officer.

# What do bidders/offerors have to disclose?

- Section 50-35(b)
- Info they must disclose = info we look for when we review
- Generally must disclose any person or entity entitled to...
  - Any ownership or distributive income share
  - In excess of 5%
  - Or an amount greater than 60% of the Governor's salary (\$106,447.20)
  - Whichever is less

# What do bidders/offerors have to disclose?

- Section 50-35(b)
- For each of those owners/beneficiaries, must disclose:
  - Name
  - Address
  - Dollar amount or proportionate share of ownership
  - Instrument of ownership or beneficial relationship
    - Stock ownership, beneficiary of trust, etc.

# What do bidders/offerors have to disclose?

- Section 50-35(b)
- For each of those owners/beneficiaries, must disclose:
  - State of Illinois employment, including contractual
  - Elective status at any level (local → federal)
  - Appointive office at any level (local → federal)
  - Employment by election or re-election committee (Illinois or federal)
  - Disclosed person: last three years
  - Their spouse, parent, or child: last two years
  - Employment as or by registered State lobbyist in last three years



# What do bidders/offerors have to disclose?

- Section 50-35(b-2)
- For each of those people or entities, must disclose within last ten years:
  - Suspension or debarment with *any* governmental entity
  - Professional licensure discipline
  - Bankruptcy
  - Adverse civil judgments
  - Adverse administrative findings
  - Criminal felony convictions (50-10 and 50-10.5)

# What do bidders/offerors have to disclose?

- Section 50-35(b-1)
- Disclose the name and address of “each lobbyist required to register under the Lobbyist Registration Act and other agent of the bidder . . . who is not identified under subsections (a) and (b) and who has communicated, is communicating, or may communicate with any State officer or employee concerning the bid or offer.”

# What do bidders/offerors have to disclose?

- Section 50-35(h)
- Disclose “any other current or pending contracts, bids, offers, proposals, subcontracts, leases, or other ongoing procurement relationships” with any unit of State government
- Identify the unit of government and the contract, bid, etc.

# What do bidders/offerors have to disclose?

- Section 50-35(i)
- Continuing obligation to supplement disclosure
  - Throughout bidding process
  - During the term of any contract
  - During IPG registration process

# What do bidders/offerors have to disclose?

- Parent Entities
- If bidder has a “parent entity,” it must disclose the same information for that entity as well (50-35(b))
- CPO-HE Rules: “parent entity” = 100% owner (4.5035)
- Need separate parent disclosure form for parent entity

# What do bidders/offerors have to disclose?

- Parent LLC owns 100% of Bidder Inc. Bidder Inc. wants to bid on a State contract. What does Bidder Inc. need to do?
- Bidder Inc. must fill out...
  - A disclosure form for itself listing Parent LLC as its 100% owner AND
  - A parent disclosure form for Parent LLC listing Parent LLC's 5+%/>\$106,447.20 owners
- What if Parent LLC owns 96% of Bidder Inc.?
  - Bidder Inc. must disclose Parent LLC's 96% ownership of Bidder Inc.
  - It does not have to disclose Parent LLC's owners, so it does not need to fill out a separate parent disclosure form for Parent LLC

# What do bidders/offerors have to disclose?

- What about parents of parents?
  - Parent LLC owns 100% of Bidder Inc. Meemaw Ltd. owns 100% of Parent LLC.
  - Does Bidder Inc. need to disclose Parent LLC's ownership?
  - Does Bidder Inc. need to disclose Meemaw Ltd's ownership?

# What do bidders/offerors have to disclose?

- Special cases
- Mentioned in Code:
  - Publicly traded entities subject to Federal 10K reporting
  - Privately held entities exempt from Federal 10K reporting with more than 100 shareholders
- Not mentioned in Code:
  - Publicly traded foreign entities (outside US)
  - Non-profit corporations



# What do bidders/offerors have to disclose?

- Special cases mentioned in Code
- Publicly traded entities subject to Federal 10K reporting
- Still have to fill out Forms A or Forms B, but can provide their 10K instead of figuring out which shareholders own >\$106,447.20 (50-35(b))
- SEC requires 10K to include info comparable to 50-35's requirements
  - 5+% ownership
  - Significant litigation and adverse administrative findings against the entity
  - Executive leadership
- Sometimes we need an annual report or proxy statement for specific ownership info

# What do bidders/offerors have to disclose?

- Special cases mentioned in Code
- Privately held entities exempt from Federal 10K reporting with more than 100 shareholders (50-35(b))
- May submit info 10K reporting companies report under 17 CFR 229.401 and list names of 5+% owners
- [17 CFR 229.401](#) requires disclosure of info about board members, exec leadership, etc.

# What do bidders/offerors have to disclose?

- Special cases not mentioned in Code
- Publicly traded foreign entities
- Case-by-case; we usually will accept...
  - SEC form 40F (Canadian companies trading on US exchanges)
  - SEC form 20F (non-Canadian foreign companies trading on US exchanges)
  - Another foreign equivalent to 10K if entity is not traded on US exchanges
  - Sometimes need annual report or equivalent as well
  - When in doubt, ask SPO, who might consult with EEC Procurement Legal

# What do bidders/offerors have to disclose?

- Special cases not mentioned in Code
- Non-profit organizations
- In addition to any beneficiaries, we ask them to list their boards of directors

# What do bidders/offerors have to disclose?

- No general exceptions from disclosure requirements
- SPO can waive requirements under extremely limited circumstances (4.5035(a)(4)) – consult CPO-HE
- Vendors have submitted some info as “confidential” before for FOIA purposes, but our ability to honor this if they win is unclear
  - 50-35(a) makes winners’ disclosures public; cf. 20-155
- When in doubt, ask SPO, who may consult EEC Procurement Legal as necessary

# What happens if a vendor fails to disclose?

- Inadvertent (50-35(f))
  - CPO may void contract, bid, etc.
  - CPO may suspend up to two years
- Intentional, willful, or material (50-35(g))
  - CPO may void contract, bid, etc.
  - CPO may suspend between 2 and 10 years
  - Reinstatement must have Governor or EEC approval

# How do vendors complete disclosures?

- Two ways: Forms A and Forms B
- Forms A
  - Vendor fills out disclosures every time it submits a bid or offer
  - Disclosures not vetted before bid/offer submission
  - Some corrections permitted after bids/offers opened and prior to award
- Forms B
  - Vendor fills out disclosures in the Illinois Procurement Gateway (IPG)
  - IPG reviewers pre-vet disclosures before accepting vendor's IPG registration
  - Vendor can use IPG disclosures every time it submits bid/offer for a year

# How do vendors complete disclosures?

- Forms A
  - <https://www2.illinois.gov/sites/cpo-he/Pages/Forms.aspx>
- Forms B
  - <https://www2.illinois.gov/sites/cpo-he/Pages/Forms.aspx>
  - <https://ipg.vendorreg.com/>
  - Questions as they look to vendors:  
<https://www2.illinois.gov/cpo/general/Pages/VendorResources.aspx>
- Vendor manual
  - <https://www2.illinois.gov/cpo/PathwayToProcurement/Pages/Guides-and-Manuals.aspx>
  - <https://www2.illinois.gov/cpo/PathwayToProcurement/Documents/IPG%20Documents/Disclosures%20and%20Conflicts%20of%20Interest%20Vendor%20Manual%20V.14.1.pdf>



Questions?