Report of the Independent Investigative Counsel Regarding the Office of Ohio Treasurer of State Kevin L. Boyce and Deputy Treasurer Amer Ahmad 2009 – 2010

BakerHostetler

February 5, 2016

"I can't believe the utter gall of this man to operate with the impunity that he operated. I can't believe that there weren't others in the State Treasurer's office who would have had red flags going off all over the place that would have blown the whistle on this activity – that should have blown the whistle on this activity."

United States District Court Judge Michael H. Watson (sentencing Amer Ahmad *in absentia*)

"No man was ever so much deceived by another, as by himself."

Lord Greville

TABLE OF CONTENTS

BakerHostetler

I. Executive Summary

On August 15, 2013, a federal grand jury indicted former Ohio Deputy Treasurer Amer Ahmad for conspiracy to commit offenses against the United States in violation of 18 U.S.C. § 371, federal programs bribery in violation of 18 U.S.C. § 666, mail and wire fraud in violation of 18 U.S.C. §§ 1343 and 1346, money laundering in violation of 18 U.S.C. § 1957, money laundering conspiracy in violation of 18 U.S.C. § 1956(h), and false statements in violation of 18 U.S.C. § 1001. The charges arose from Ahmad's abuse of his position of trust as Deputy Treasurer. Specifically, the indictment charged that Ahmad solicited and accepted bribes from a securities broker, Douglas Hampton, in exchange for awarding "lucrative" brokerage business to Hampton's firm. The indictment further outlined how commissions paid by the State of Ohio to Hampton were then kicked back in part to Ahmad through transactions designed to disguise the unlawful source of the payments. When questioned by the Federal Bureau of Investigation regarding the scheme, Ahmad allegedly made materially false statements concerning his ownership and control of an entity used to launder the bribery payments.

Following the return of the indictment, the State of Ohio retained Baker & Hostetler LLP ("BakerHostetler") to conduct an independent investigation of the activities of the Ohio Treasurer of State's office ("Treasurer of State's office") from 2009 to 2010. This investigation had three objectives: (1) to determine the full scope of wrongful conduct and participants; (2) to identify weaknesses that make the Treasurer of State's office vulnerable to the abuses of insiders; and (3) to recommend controls or actions to mitigate any future risk.

As to the first objective, this investigation identified other wrongful conduct by Ahmad in addition to that charged in the indictment. We did not, however, develop proof of modes of defrauding the State other than by awarding State business in exchange for corrupt payments. Addressing the question raised by the Sentencing Judge as to why no one "blew the whistle" on Ahmad, we did develop evidence that other Treasurer of State's office employees knew or should have known that Ahmad abused his position of trust. To be clear, we did not develop proof that the other individuals personally profited or that they necessarily knew that Ahmad personally profited. But they did nothing when there were clear signs that something was rotten.

As to the second objective, this investigation identified a series of weaknesses that make the Treasurer of State's office vulnerable to corruption and internal theft. At a high level, Ahmad could defraud the office because there was no real check on his authority and he operated in a culture already accepting of undue political influence. More specifically, the weaknesses included: (1) insufficient subject-matter expertise among office personnel; (2) need for transparency in transaction costs; (3) understaffed internal audit; (4) lack of process safeguards to insure selection of business partners based on merit and not simply "pay to play;" and (5) need for improvement in wire transfer controls.

In part V below, we recommend certain changes to mitigate these weaknesses.

II. Scope of Investigation and Methodology

The initial phase of the investigation involved interviews with current employees concerning the functions and organization of the Treasurer of State's office. In addition to gaining this general overview, these interviews helped to identify vulnerabilities to the security of public assets, as well as persons who may have knowledge of misconduct during the 2009-2010 timeframe.

With this background, we identified custodians whose documents should be reviewed and categories of documents of interest. Those categories included broker/dealer selection, custodial bank selection, underwriter and financial advisor selection, securities trading, procurement, wire transfers, personnel records, campaign contributions, and court records. The identification of documents of interest was further assisted by the work already completed by the Treasurer of State's office in complying with federal criminal subpoenas. These efforts collected some 20,000 pages of documents from the Treasurer of State's office and publicly available sources for additional analysis. The documents reviewed included electronic mail, other documents stored in electronic format, and hard copy documents.

It should be noted in this section that we received reports of a concerted effort to destroy documents before the transfer of the office from former Treasurer Kevin Boyce to current Treasurer Josh Mandel. This information is corroborated by the lack of certain types of documents remaining in the office when it changed hands. It is further corroborated by a December 21, 2010 email in which Walaa Waeda, Amer Ahmad's executive assistant, asks Communications Director Simone Wilkinson: "Do you need help shredding papers?? lol I am bored!"[1] Other employees from this era claim to be unaware of an effort to destroy documents. In addition to the potential destruction of documents, certain emails show the potential use of unofficial Bloomberg or personal email accounts to conduct official business. Without subpoena power we could not determine the scope of Bloomberg or personal email use by Ahmad, Investments Department Director Bob Newman, or others. We note this issue in this context simply to acknowledge that certain pertinent communications may have gone offline or been destroyed. Whatever the impact of these issues on the availability of documents, we were able to review thousands of documents pertinent to this investigation.

As a part of this effort, we also engaged the support of a forensic accounting team from KPMG LLP. KPMG employed analytic tools to identify suspect transactions recorded in the electronic data of the Treasurer of State's office. For certain highlighted transactions, we pulled additional underlying data and further researched the transactions for evidence of fraud and theft.

With the benefit of the initial interviews of current employees and the review of documents, we identified a list of additional individuals to be interviewed. This list included current Treasurer of State's office employees, former Treasurer of State's office employees and individuals employed by other entities with relevant knowledge concerning the factual issues.

[1] We reason that any concerted effort to destroy documents should have ended on January 3, 2011, when the federal government served the Treasurer of State's office with a subpoena for the production of documents. After that point, the office should have appreciated the compelling legal obligation to preserve documents within the scope of the subpoena. Josh Mandel took office as Treasurer on January 10, 2011.

In total, we interviewed twenty-four individuals as a part of this investigation. The names of the persons interviewed are listed in Exhibit A. We are grateful to these people for the time afforded to this effort.[2] Almost all of the individuals interviewed presented as honest and cooperative. Of particular note, Amer Ahmad agreed to be interviewed and to share his insights about the events described in this report.

In addition to witness interviews, we met with the Assistant United States Attorney for the Southern District of Ohio and the Special Agent of the Federal Bureau of Investigation responsible for the investigation and prosecution of Amer Ahmad and his co-conspirators. While constrained by the grand jury secrecy provisions of Rule 6(e) of the Federal Rules of Criminal Procedure, they provided some background information and leads to other sources of information.

III. Independence of the Investigation

This report is the final product of an independent investigation. The State of Ohio engaged BakerHostetler to conduct this investigation as an independent and unbiased third party. We have conducted this investigation steadfast in the belief that the integrity of our effort depends on maintaining our independence.

This investigation has been led by attorneys experienced in conducting investigations for governmental entities and private corporations. We came to this investigation with no prior history with the participants and no prejudgment of the facts.

We did consult the Treasurer of State's office on an ongoing basis during this investigation. We did so for several reasons. First, the Treasurer of State's office had knowledge and understanding that we lacked at the outset of the investigation. In particular, the office provided us with an overview of its functions and organization.[3]

[2] Others refused to cooperate. In some cases, this refusal remains difficult to understand. Chris Glaros, for example, is employed by the State of Ohio as the Assistant Vice President of Compliance Operations and Investigations for Ohio State University, yet refused to respond to repeated requests for his cooperation.

[3] To assist this learning, Treasurer of State's office personnel reviewed certain memos we prepared of interviews regarding the basic functions of the office. Other than these two introductory interviews, the Treasurer of State's office did not ask for and was never provided access to any of our reports of interviews prepared during the investigation.

Second, in complying with the subpoenas served in the federal investigation, the Treasurer of State's office developed knowledge of key documents and information that assisted us in efficient fact development. We did not, however, rely upon anyone's characterization of evidence; we considered critically all information received regardless of the source. Third, the Treasurer of State's office provided access to certain documents and witnesses that would otherwise be difficult or impossible to obtain. Without subpoena power, we relied in some cases upon assistance from current State employees and other contacts to gain access to information and witnesses.

While reliance upon assistance from the Treasurer of State's office impacted the timing of certain interviews, it did not to our knowledge prevent us from interviewing any person. BakerHostetler selected the persons to be interviewed and the questions asked. In almost all cases, the interviewees answered our questions with integrity and candor. We also conducted the witness interviews with only BakerHostetler team members present. The only exception to this practice was our meeting with the federal prosecutor and the FBI special agent. For this meeting, we were joined by two representatives of the Treasurer of State's office. Their presence did not restrict our ability to ask questions.

We were also never denied access to any document that we requested from the State of Ohio. We maintained all of our documents, reports of interviews, and other work product at the offices of BakerHostetler and no outside parties were given access to our files and work product.

This final report is the product of the effort of BakerHostetler with the forensic services assistance of KPMG. No other person influenced or changed the factual findings or recommendations set forth herein. We submit this report without bias for or against any person or entity referenced herein.

IV. Factual Summary

A. The Functions of the Treasurer of State's Office

The Treasurer of State's office collects revenue and manages public funds. The Treasurer acts as the State's banker and chief investment officer. The functions of the Treasurer of State's office include developing and executing strategies for managing the State's investment portfolios, issuing and administering State debt offerings, and safekeeping the assets of State pension funds. To carry out these functions, the Treasurer of State's office evaluates and selects applicants to serve as the State's broker/dealers, custodial banks, underwriters, and financial advisors. It also develops and offers public programs that promote financial literacy, small business growth, farming, homeownership, and personal savings. Descriptions of Treasurer of State's office departments and their functions are attached as Exhibit B.

B. Amer Ahmad's Tenure

Amer Ahmad joined the Treasurer of State's office in May 2008. Ahmad had worked in investment banking for roughly eight years. He held an undergraduate degree from Columbia University and a Master's in Business Administration from Harvard Business School. In interviews with BakerHostetler, a number of individuals questioned why Ahmad would take the pay cut to go into government at this point in his career. Ahmad explains that by 2007 he was exhausted from the birth of his severely premature daughter and ready to leave investment banking at William Blair. He had substantial savings and wanted to return to Ohio. He connected with a high school and college friend, Chris Glaros, who was also from Ohio. Glaros, who was politically connected from working for Bill Clinton's 1992 and 1996 presidential campaigns, introduced Ahmad to Ohio Governor Ted Strickland, Strickland's budget director Peri Sabety, and Ohio Treasurer Richard Cordray at an event in Chicago. According to Ahmad, Strickland recognized the need to bring financial expertise to Ohio government. At the time, the nation was experiencing what many economists consider the worst financial crisis since the Great Depression. It resulted in the failure of a number of longstanding financial institutions, the bailout of major banks by the federal government, and massive losses in public markets. This was the environment when Ahmad entered Ohio government.

The initial plan was for Ahmad to work as a special advisor to both the Governor and the Treasurer of State. In recognition of his experience in finance, Cordray gave Ahmad the title of Chief Financial Officer. His friend Glaros served as General Counsel to Treasurer Cordray. While Ahmad respects Cordray and Glaros as intelligent people, he describes a troubling "lack of sophistication" in finance for an office managing $250 billion. Ahmad saw himself as bringing that sophistication and "Wall Street perspective." But Ahmad had never worked in a public treasury and he had never traded debt while in the private sector. He worked hard to learn how the Treasurer of State's office operated.

In 2008, Ohio Attorney General Marc Dann resigned under pressure. Cordray won a special election to serve as the next Attorney General, a position more suited to his legal background. Current and former employees describe a mass exodus from the Treasurer of State's office over to the Attorney General's office. A number of witnesses see the departures as depleting the Treasurer of State's office of competent personnel.

Ahmad did not go to the Attorney General's office with Cordray. Ahmad says that Cordray invited him to go, but that it did not make sense for a former investment banker and non-lawyer to work in an office charged with legal matters. Ahmad also saw it as "career suicide" to work for Cordray, who vowed to go after major financial institutions responsible for the financial crisis. He remained at the Treasurer of State's office but started looking for other opportunities, such as buying a Dunkin Donuts or Gymboree franchise. He ultimately settled on buying into a landscaping business that would later play a role in his criminal conduct. Ahmad assumed that he would leave government, but felt unhurried to find another job because he had money saved from his career in investment banking.

Governor Strickland had the right and the obligation to appoint the next Treasurer. Kevin Boyce sent the message that he wanted the appointment. Boyce, age 37 at the time, had served two terms as a City of Columbus councilman. He chaired the Finance and Zoning Committees for the City of Columbus.

According to Ahmad, Sabety told Ahmad in advance that Strickland wanted to appoint Boyce. Ahmad concluded that Strickland felt secure appointing Boyce, but only if Ahmad remained to assist him. Boyce agrees that Sabety encouraged him to retain Ahmad for his financial expertise. The Governor's office introduced the two men and they met in secret on weekends. Ahmad concluded that Boyce had experience in revenue collection but lacked experience in investments. While acknowledging his need for Ahmad's financial expertise, Boyce says that he (Boyce) did understand debt issuance and had some knowledge of portfolio management from his service at a foundation called KnowledgeWorks. Boyce says that he contacted other state treasurers who encouraged him to appoint a financial professional as his Deputy Treasurer. After a number of meetings and positive recommendations from Cordray and Sabety, Boyce asked Ahmad to be his Deputy Treasurer. Ahmad accepted.

Boyce initially divided responsibility between Ahmad and Michael Culp, Boyce's Chief of Staff. Culp previously served as Executive Director of the Ohio Democratic Party. Ahmad had control of the "technical" functions of the office such as revenue, investment, debt, custody, and information technology. Culp had control of the non-technical areas such as human resources and community outreach. Boyce later hired Floria Washington, an experienced human relations executive for a number of well-known corporations, to serve as Chief Operating Officer. Washington, who would later succeed Culp as Chief of Staff, focused on the worsening human resources issues in the Treasurer of State's office.

Boyce acknowledges that he inherited an office depleted of talent by the exodus over to the Attorney General's office. Ahmad says that Boyce and Culp controlled the hiring of employees to replace this void. Boyce says that he hired Ahmad, Culp, and Washington and then delegated the hiring below these senior staff positions to Culp and Washington. Everyone agrees that there were many positions to fill.

A number of current and former employees agree that this effort resulted in the hiring of a significant number of inexperienced and unqualified individuals. Those interviewed often attribute the problem to elevating political favors and nepotism above merit, pointing to the number of hires from political connections or Boyce's church. Boyce disagrees. He says that he did not respond to pressure to hire those politically connected. He says that he directed Culp and Washington to fill the vacancies based on credentials, experience, and the need for diversity, and that some of the hires who met these criteria "happened to have connections."

Whatever the cause of the bad hires, there is general recognition of significant problems with poor attendance, disruptive behavior, and a basic lack of the required skills for the job. Washington tried to address the personnel issues, but the resolution was often to retain the problem employees and simply limit their ability to cause problems. According to Ahmad and Washington, Boyce did not want to fire the people he had hired. Boyce says that he did take action. He required the submission of action plans to improve performance for trouble employees. He identifies two employees that he encouraged to resign to avoid formal termination. Ahmad and Washington describe a broader problem than two individuals.

Ahmad says that he became frustrated with an office staffed by people unqualified to do their jobs. At one point Bob Newman, Director of the Investments Department, came to Ahmad to complain about the need to retain Boyce hires who could not do their jobs. Ahmad recalls Newman telling him, "this is not a state treasury; this is a joke." Hiring, according to Ahmad, was the "main" area where political considerations "often yielded the wrong decisions" in the Treasurer of State's office. While Boyce denies this political influence, he acknowledges deferring to Culp. As Ahmad points out, Culp previously served as Executive Director of the Ohio Democratic Party.

Ahmad responded to the perceived problem by developing a core group of people who could be trusted to perform. He says that they worked long hours to develop the needed expertise to run the technical side of the office. A number of Boyce hires corroborate Ahmad's consolidation of the office into a small closed-door group. Some lament, however, that they were prejudged and never given the opportunity to prove themselves. Assistant Director of Investments LeShel Hutchings, who was a Boyce hire, recalls that Newman was dismissive of her investment ideas. When Hutchings would make suggestions, Newman would promise that hers would be "the next idea" to be considered but would not follow through. Hutchings got the message that she was not in the trusted "inner circle."[4]

From January to April of 2009, Ahmad says that he coexisted with the Culp side of the office with limited interaction. But Ahmad says that by May 2009, he had enough of what he saw as Culp running the office like the Ohio Democratic Party. Ahmad says that he told Boyce that he planned to quit. Boyce told Ahmad that he could not leave. Boyce needed Ahmad to run the Office while Boyce turned increasingly to the coming election. Culp resigned in December 2009.

Boyce has a different recollection of the interaction between Ahmad and Culp. Boyce says that the problem was that the two senior staffers often colluded to "get the story straight" before briefing Boyce. Boyce wanted a candid debriefing on any significant issues, and referred to his office as the "Honesty Room." Boyce says that he told both Ahmad and Culp that they had twenty-four hours to decide whether they would do it Boyce's way. Boyce says that Ahmad immediately responded that he did not need the time; he would do as directed. Boyce denies that Ahmad ever threatened to resign. Boyce acknowledges that Ahmad was frustrated with the human resources issues, but says that the frustration was primarily "driven from me." Boyce says that he and Culp reached a mutual understanding that Culp should move on. Boyce denies that Ahmad pushed for that outcome.

While organizational charts show Ahmad and Washington as equals over Human Resources and Fiscal Services, a number of witnesses say that Ahmad consolidated control over all functions of the office. Washington says that Ahmad became increasingly controlling. Certain employees, who were supposed to report to

[4] Hutchings recalls that when she became pregnant, Newman asked her whether she wanted to retain her job.

Washington, simply ignored her after they were brought into Ahmad's "inner circle." Washington says that Ahmad also frustrated her ability to report directly to the Treasurer. Boyce says that he communicated to all employees an "open door" policy whenever he was in the office. Boyce says that a few employees came to him to complain that Ahmad was "mean" to them. Boyce acknowledges that his office was next to Ahmad's. An employee waiting for a word with Boyce would be in plain view of Ahmad.

This history is significant to this investigation because it explains the lack of oversight over Ahmad. As will be developed below, the lack of financial expertise meant that only a few employees had the understanding to see the signs of the crime. According to Ahmad, Boyce never understood the investment/trading activity in the office. Ahmad contrasts Boyce with his later boss, Chicago Mayor Rahm Emanuel, who had a comprehensive understanding of the City of Chicago's finances and did not allow any complacency that malfeasance would go undetected. If Emanuel did not understand something, he would ask probing questions until he understood. In Ohio, Ahmad's authority went unchecked.

Boyce acknowledges his limited oversight of the investment area. He says that his management philosophy in general was to hire good people and let them do their jobs. He says that he made the effort to visit the Investments Department and to discuss with each employee what they did. He also received regular briefings on investments from Ahmad. Boyce cannot recall ever meeting alone with Bob Newman, the Director of the Investments Department.

Not only did very few employees have the sophistication to see the "red flags," only a few in the "inner circle" would have the opportunity. Those individuals reported to Ahmad and increasingly saw him as the authority in the office. Ahmad also sent the message that he was closely aligned with Boyce and had his full support.[5]

Boyce relied on Ahmad to manage the State's funds within certain limits. But as Ahmad acknowledges, his growing control over the sixth-largest treasury in the United

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[5] A former employee recalls Ahmad referring to Boyce as his "brother."

States corrupted him.[6] He came to see himself as not only free from oversight but entitled to act in his own self-interest. His complete control of the Treasury not only created the opportunity for the crime; according to him, it motivated it.

C. The Scheme to Defraud the Ohio Treasury

Ahmad conceived of the scheme to trade the debt securities of the Ohio Treasury for Treasurer Boyce's political gain and for his own personal enrichment. He dates the formation of this ill intent to the summer of 2009. A string of emails shows that Ahmad sought to install a Bloomberg terminal in his office in January 2009, shortly after Kevin Boyce was sworn into office. An email exchange with a Bear Stearns employee supports that Ahmad was operational on Bloomberg by the following month. A Bloomberg terminal offers a sophisticated platform for trading securities. It also offers information as to offerings and investment inventories. Longtime Treasurer of State's office employees cannot recall another Treasurer or Deputy Treasurer with a trading platform to trade from the privacy of their office, though many of those employees cannot recall another Deputy Treasurer with Ahmad's financial background, either.[7] Boyce did not realize that Ahmad only acquired the Bloomberg terminal once Boyce took office. Boyce considered it appropriate for Ahmad to have a private terminal to follow the markets and to oversee the work of the Investments Department.

Ahmad did not commence trading for some seven months after opening his account with Bloomberg. He says that the actual terminal was installed during the summer of 2009 after he resolved to remain at the Treasurer of State's office. His first use of the terminal was simply to get news of economic developments. He came to the Treasurer of State's office with significant experience in investment banking but no real experience as a trader. He acknowledges that he had to learn how to trade in the debt markets before placing trades. For questions, he turned to his longtime friend from high school, Doug Hampton. Hampton owned his own securities firm, Hampton Capital

[6] It has also been said that "absolute power does not corrupt absolutely, absolute power attracts the corruptible." - Frank Herbert.
[7] Marvene Mitchell later questioned the Bloomberg terminal as an unnecessary expense and a security risk. According to Mitchell, Ahmad said that he only used it to trade from his office when Newman was unavailable.

Management ("Hampton Capital"). Hampton had served as Ahmad's personal broker from the time that Ahmad received his first signing bonus in his career. When Hampton could not answer questions, he referred Ahmad to the clearing desk at First Allied Securities.[8]

As Ahmad studied the debt portfolio and the markets where those securities trade, he saw a way to personally benefit from the trading of securities. In almost Calvinistic tones, he describes himself as "stepping to the other side." Recognizing the opportunity for the crime and the lack of oversight, he says that "something shifted in my personality . . . moral code . . . my judgment."

Specifically, Ahmad saw the opportunity to transfer money out of the Treasury without leaving hardly a trace. He focused on the roughly billion dollars of "step up" securities in the portfolio. These securities had laddered interest rates and in Ahmad's view were not right for the State's portfolio. However, Ahmad says that with falling interest rates the "step up" bonds had an almost hundred million dollar profit to be realized. Ahmad says that he sold Boyce on taking the profit and posturing it as a political victory. Boyce recalls hearing about the sale of the "step up" bonds and viewed it as generally prudent to take profits in the turgid markets of 2009.

Before placing the massive trades, they decided who would profit from the commissions. Ahmad claims that in a meeting with Boyce and Newman, the other two men looked at each other with a knowing glance. Ahmad "inserted [him]self into that glance" and suggested that they go out that night to continue the conversation. Ahmad identifies this as "the day everything changed." According to Ahmad, they went to a pizza place on the east side of Columbus. Ahmad cannot remember the name. Boyce understood that the sale of such a large volume of securities would generate substantial commissions and that this lucrative business could be awarded to friends. The three men drew up a list of brokers with the "explicit" aim of rewarding "who is on our team." Ahmad describes Boyce as "cautious," while Newman "chuckled" because Ahmad was "finally" in the conversation.

[8] Bob Newman's Investments Department already had access to First Allied traders through at least one existing broker.

Boyce denies this discussion. He claims to have focused on realizing gains but never on who would benefit in commissions from the sales. Boyce says that he never discussed it with Ahmad or Newman. He has no recollection of a night meeting at a pizza place or anywhere else for this purpose. He relied on a selection committee to choose the right brokers.

1. Broker/Dealer Selection

Ahmad worked on a list of brokers to get the business. Ahmad said that he convened a selection committee to legitimize the awarding of the business. Documents indicate that the committee included Ahmad, Newman, Marvene Mitchell (internal audit), and Jason Yost (banking relations and compliance). The Ohio Treasurer of State issued a Request for Information ("RFI") for Broker/Dealer Services with a deadline of June 1, 2009.[9] The RFI required responses on questions as to the experience of the broker, regulatory history, presence in Ohio, and other background.

Ahmad's friend, Doug Hampton, submitted a response on behalf of Hampton Capital. On the merits, Hampton Capital did not present a compelling case for trading hundreds of millions of dollars in State securities. Hampton listed his Canton firm as having two employees, presumably including himself. It is unclear from the submission whether the other employee had a securities license. In response to the request for "a staffing plan listing the individuals who will be assigned to this engagement," Hampton listed only himself, noting that he "[w]ill oversee all aspects of the relationship with the State of Ohio Treasury." He acknowledges no prior experience trading on behalf of the State of Ohio. Asked to identify "four comparable clients," Hampton stated that "confidentiality and privacy rules prohibit specific disclosures of individual clients." Hampton then listed one "comparable" public sector client: Stark County, Ohio. It is unclear from this submission to what extent Hampton had actually traded for Stark County.[10]

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[9] The timing of the issuance of the RFI suggests that either Ahmad conceived of the scheme prior to the summer of 2009 or the RFI went out independent of the scheme.
[10] In 2009, the Stark County Treasurer's office fired its Deputy Treasurer for theft of public funds. We are aware of no evidence that Hampton was involved in any wrongdoing involving Stark County.

Despite these deficient responses, the RFI process resulted in Hampton Capital being selected as an authorized broker. On the RFI scorecard, Hampton Capital somehow received certain scores for "firm capability" that were equal to or better than the scores for such well-regarded firms as Credit Suisse and Merrill Lynch. Some participants suggest that Ahmad manipulated the process to achieve that result. For example, Ahmad removed Floria Washington from the selection committee after she attended one meeting. Washington also claims that Theresa (Lynn) Carter, General Counsel of the Treasurer of State's office, may have disagreed with Ahmad over the selection process. Jason Yost, Manager of Banking Relations and Compliance, sent an email to Newman and copying Ahmad in which he offered to change his scores of zero for applicants that declined to identify comparable clients because of confidentiality concerns. The change resulted in Yost scoring Hampton Capital fifteen out of fifteen points for "comparable clients" when he arguably listed only one client – not four – and without sufficient information to know what Hampton Capital actually did for Stark County. It is unknown what prompted Yost to first offer to change his scores.

Ahmad discounts the need to manipulate the broker/dealer selection process. The RFI committee scored applicants, but apparently eliminated no one. The email scheduling meetings of the RFI committee notes that after two meetings in June, "Amer and Bob will select the pool for short term/long term investments, and make recommendations to the Treasurer." Current and former employees confirm, however, that a broker who was selected in the RFI process earned only the right to be on "the list" as eligible to execute trades for the Treasurer of State's office. Whether a broker on the list actually received the opportunity to trade was left to discretion. In short, the selection process provided no meaningful assurance that brokers would be selected based on merit and experience.

This is further demonstrated by the response to the RFI submitted by Shakeel A. Tanveer on behalf of Ameriprise Financial. The RFI response is dated June 8, 2009 – seven days after the June 1 deadline for submissions plainly stated in the RFI. Given that dependability and timeliness are critical attributes for brokers, it is unclear why the late submission was not in itself disqualifying. Substantively, the response provides no basis to conclude that Tanveer and his colleagues were qualified to trade hundreds of millions of dollars in debt for the State of Ohio. While Ameriprise Financial is a well-established broker and financial advisor with billions of dollars under management, its reputation and marketing indicate a focus on investment advice for individual investors and not large public treasuries.

Ameriprise's response does not document any experience trading debt for public sector clients. In response to question 6, asking for the names of four comparable clients (preferably public sector clients), Tanveer, like Hampton, cites confidentiality concerns for listing clients. It is unknown to us why a public sector client, if Ameriprise had one, would not consent to acting as a reference. The RFI response does not represent that Ameriprise had such a "comparable client" – confidential or otherwise. Instead, after citing confidentiality concerns, Tanveer represents that "we *have done business* with American Express Bank FSB, Centurion Bank, and American Express Bank International." (Emphasis added.) It is unclear from the response what "business" Ameriprise had "done" with the three American Express entities and how that might relate to trading debt for the Ohio Treasury. Despite this response, the scorecard indicates that Ameriprise received positive scores for individual broker qualifications and ability to "provide TOS investment advice." Indeed, Ameriprise received a positive score of five points for "comparable clients," presumably for listing the American Express entities. Documents suggest that Yost later changed the score for Ameriprise to a perfect fifteen for "comparable clients." We are aware of no valid justification for this score.[11]

Ahmad now acknowledges Tanveer's lack of qualifications. According to Ahmad, Tanveer did not even have access to a Bloomberg terminal and had to call in trades by telephone. Ahmad claims that he met Tanveer at some point in Cincinnati. Social media shows links between Tanveer and Ahmad's wife's family.[12] He remembers that Tanveer wanted to be a broker for the State and so he introduced him to Bob Newman.

[11] Yost, who is currently serving as Deputy Comptroller for the City of Chicago, did not return phone calls seeking to interview him.
[12] In addition, records show that Ahmad's ex-wife's family (the Kaukabs) and Tanveer shared an affiliation with a place of religious observance.

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Ahmad says that Tanveer also held a fundraiser for Boyce near Dayton, Ohio. Boyce does not recall it.

As with Hampton Capital, the outcome of the RFI committee process was the inclusion of Ameriprise and Tanveer on the list of authorized brokers. An email from June 2009 shows Ahmad's assistant postponing a lunch meeting with Tanveer until after the scoring of the RFIs ("Unfortunately, I don't think we will be done scoring the RFIs by then. How is the next week looking?"). One reading of this is that it was an effort to observe the "blackout" (i.e., no-contact) period during the RFI process. But it can also be interpreted to support Ahmad's view that the selection process was an empty formality.

Boyce says that he did not select the brokers. He relied on the committee to select brokers based on merit. To Boyce's understanding, the key criterion was whether the broker could provide access to the right bonds for the State portfolio. Boyce says that he had no reason to question the selection of Hampton Capital or Ameriprise. He knew that Doug Hampton was a friend of Ahmad and that his firm was new to trading for the Ohio Treasury. He remembers meeting Hampton once briefly at a sporting event, possibly a Cleveland Cavaliers game. Boyce allows that it "could have been" the case that he went to the game as Hampton's guest, but also says that he may have paid for his own ticket.[13] Asked how selecting a solo broker in Canton met the goal of getting the best "access" to investments, Boyce says that sometimes smaller players can be more "nimble" and provide the best access to investment opportunities.

2. Trading for "Absolute Returns" and Inflated Commissions

In October 2009, Ahmad and Newman sold off more than $700 million in debt holdings. Ahmad allocated to Hampton Capital some $250 million in securities to sell. According to Ahmad, these included certain Fannie Mae debt offerings which allowed for the largest spreads or commissions to the broker.

[13] Ahmad noted in his interview with BakerHostetler that Noure Alo, discussed below, attended sporting events with Hampton. It is unknown whether Boyce ever attended with Alo and Hampton.

On October 2, 2009, Ahmad used his personal cell phone to call in the first trade to Hampton. He says that he initially told Hampton not to be "a spread hog." A half hour later, Hampton called back to say that he had the trades filled. Ahmad asked Hampton how much he was taking for himself as a spread. Hampton responded that he was only taking an eighth of a percentage point on the sale. Ahmad responded that Hampton could "take a little more." Ahmad recognizes that this was a defining moment. He crossed the line into encouraging Hampton to take more money from the Ohio Treasury. This, Ahmad says, was when Hampton "understood for the first time that this is a partnership." The "Daily Investment Log" for October 2, 2009 lists Bob Newman as selling Fannie Mae debentures with a par value of $15 million through Hampton Capital. On October 8, 2009, Hampton participated in selling off another $25 million in bonds. Ahmad is listed on the activity log as placing the trade for the Treasurer of State's office through Hampton.

Ameriprise also participated in the October 2009 selling. Ahmad contends that it was Newman who utilized Ameriprise. According to Treasurer of State's office records, however, Ahmad also traded through Ameriprise. While the "Daily Investment Log" for October 2, 2009 shows that Newman sold Freddie Mac securities with a par value of $25 million through Ameriprise, other records indicate that Ahmad initiated the majority of October 2009 trades through Ameriprise. From 2009 to 2010, the number of trades through Ameriprise was almost evenly distributed among Ahmad (18 trades), Newman (13 trades), and Assistant Portfolio Manager Tony Lovell (11 trades). And it was Ahmad – not Newman or Lovell – who primarily traded through Tanveer. Newman executed the majority of his Ameriprise trades through another Ameriprise broker, Colin Creegan. Lovell's Ameriprise trades were almost equally split between Tanveer and Creegan.

According to the analysis of a current official of the Treasurer of State's office, the October 2, 2009 sale was highly advantageous to Ameriprise, which could immediately resell the bonds for a profit. Again, Ameriprise's role in a sale of this type of security is distinct from a broker for the sale of a publicly traded equity on the NYSE. Ameriprise acted as a counter-party to a deal where their spread or commission was not documented in the trading records.

On October 14, 2009, the Treasurer of State's office sold Fannie Mae debentures with a par value of $125 million through Ameriprise. The sale on paper realized a profit of $2,809,444.45, but that profit consisted largely of interest already earned which would have been paid when the bonds matured in four weeks. That same day, the Treasurer of State's office used the proceeds to buy from Ameriprise securities with a par value of $94 million that also would be likely called in the next three to five weeks. This invites the question as to whether these trades had a purpose other than churning out commissions.

Boyce says that he was not aware of the volume or other specifics of the October trades at the time. He understood that there were "step up" bonds that could be sold for a profit, but he was not aware of the day-to-day trading. This was not his "area of expertise" and he did not get involved.

After the first major trades in October 2009, First Allied – which executed the trades for Hampton – raised concerns with the markups charged by Hampton Capital. Rob Moses, the General Counsel of First Allied, emailed Newman regarding the trades. The emails from Moses demonstrate a concern that First Allied might be seen as taking advantage of the State of Ohio or at fault for not disclosing Hampton's take. Moses disclosed that the Securities and Exchange Commission had an ongoing investigation of First Allied involving "similar" securities and types of clients to their business with the Treasurer of State's office. This investigation evidently heightened Moses' concern for the trading with the Treasurer of State's office.

The initial contacts led to a phone call between Moses, Ahmad and Newman on October 23, 2009. Moses followed up the call with an email to Newman on November 5 memorializing the call. In particular, Moses states: "I raised the issue of the mark-ups earned by First Allied and the advisors and whether the Treasurer's Office was aware and comfortable with them and wanted them disclosed on the transaction confirmations." Remarkably, Moses documents that "Amer explained that you were generally aware and comfortable, although you didn't have an interest in the mark-ups because you were mostly focused on the executions from First Allied, which you were happy with so far, and that *the mark-ups should not be disclosed on the confirmations because you weren't concerned with them . . . .*" (Emphasis added.) Boyce says that he was never told of the communications with the General Counsel of First Allied. He acknowledges that if he knew that a decision was made not to disclose the markups on trade confirmations, it would have raised a significant red flag.

Ahmad understood how brokers profit from these transactions. Ahmad developed a portfolio management principle that would necessarily prove highly profitable for the favored brokers. He called this principle the "Absolute Return Theory."[14] The theory is summarized in a December 24, 2009 "confidential" memo from Ahmad, Newman, and Lovell to Treasurer Boyce. Boyce acknowledges receiving the memo. He says that Ahmad raised the strategy "almost in passing" at an executive meeting and Boyce asked him to explain it in writing. The one-page memo provides that in addition to liquidating the seven hundred million in step up securities, they would allocate "550 million to a short-term Treasury Trading Portfolio which will be traded in order to produce absolute investment returns." The memo notes that seven firms, including Ameriprise and Hampton Capital, "will form the core of our Treasury Portfolio trading partners." The memo expressly acknowledges that "[b]ecause this is an explicitly NOT a buy-and-hold strategy, we expect to make 5-10 trades per day and will calculate net returns on a daily basis."

This plan coincided neatly with the intent of generating commissions for the brokers. Boyce says that he was focused on what the strategy would do for the portfolio and not what it would generate in commissions. His impression was that the strategy was "temporary." He does not recall a discussion as to how the seven firms that would execute the trades were chosen other than the general principle of wanting brokers that could provide access to attractive bonds.

Ahmad, Newman, and others in the Investments Department actively traded a portion of the bond holdings as indicated in the Absolute Return Theory memo. Ahmad later told colleagues at KeyBank that he taught Newman how to trade, and that he and

[14] Ahmad claims that the Treasurer of State's office had actively traded in the past, but admittedly not with the frequency of the Boyce administration.

Newman had an ongoing contest to see who could generate the most short-term profits. Some days, they bought bonds in the morning and flipped them for gains in the afternoon. The ongoing contest is memorialized on spreadsheets noting "Amer up on Bob." Ahmad claims that he beat Newman even though Ahmad allowed inflated spreads or commissions on trades. The trading records do not specify the actual spread. Nevertheless, Ahmad believes that Newman had to know that Ahmad was allowing Hampton and potentially other brokers to take advantage of the State. The two men traded the same short end of the bond portfolio on the same day, and sometimes they bought and sold the same bonds on the same day. In some instances, Ahmad had better timing than Newman but nonetheless generated worse results than Newman. According to Ahmad, Newman never questioned Ahmad's spreads but would instead joke that he or Ahmad must have been "too fast on the trigger." Ahmad claims that Newman "loved" what they were doing because it gave Newman and his otherwise "boring" department a "sense of priority and importance." Boyce knew about the contest but viewed it as positive to building morale.

Unlike Newman, Tony Lovell mentioned to Ahmad several times that Hampton Capital was not giving good execution on trades. Ahmad contends that Lovell was a "good guy" who was trying to help and was unaware that Ahmad knew exactly what he was doing. Lovell never brought the issue to Boyce. Some employees recall Lovell as being part of the closed-door "inner circle" meetings with Ahmad and Newman.[15]

In sum, this course of trading should have raised a number of "red flags" for Newman and potentially others. Newman knew that his Investments Department was routing hundreds of millions of dollars in trades through a solo broker in Canton and a retail Ameriprise broker (without a Bloomberg terminal). Newman knew that the General Counsel of First Allied expressed concern for "the mark-ups" charged by Hampton Capital and that Ahmad declined the offer to specifically document these transaction costs. Newman also knew that they implemented an "Absolute Return Theory" to "day trade" the State portfolio that would only increase the commissions to the brokers. Finally, according to Ahmad, Newman had ample evidence from day

[15] In an email, Ahmad encouraged Newman to nominate Lovell for a quarterly performance award.

trading securities as to the inflated mark-up or spread paid by the Treasurer of State's office. We are aware of no evidence that Newman ever raised a concern with anyone.[16] Newman initially agreed to be interviewed for this investigation but later declined to meet, stating that he had nothing to add to what he already told the government.

3. Sharing the Take

According to the government, Hampton Capital received $3,212,877.91 in commissions from bond trades made on behalf of the Ohio Treasury. But Ahmad had a clear understanding with Doug Hampton that they would share the largesse. At the point when the trading began in October 2009, Ahmad told Hampton that he needed to hire Noure Alo, a Columbus immigration attorney, as a lobbyist.

D. Noure Alo as "Lobbyist"

Ahmad seized on the Alo arrangement as a variant of a common practice: An entity seeking benefits from the State hires a law firm to lobby on its behalf. It pays the firm lobbying fees, which are passed on in part as political contributions to the decision maker.

Ahmad set up Alo to be a conduit for making political contributions to the Boyce campaign. In this instance, however, the engagement of Alo was not intended to buy influence; Hampton already had it. Alo served purely as a conduit to fulfill the quid pro quo of returning a percentage of the inflated spreads to Ahmad personally and to the Boyce campaign.

Ahmad trusted Alo as a friend. He met Alo when he first returned to Ohio. The 2008 Islamic Society of North America annual convention was to be held in Columbus, and Ahmad and Alo had planned separate fundraisers for the only two Muslim members of Congress (Andre Carson and Keith Ellison) for the same night in Ohio around the time of the convention. Realizing that they would divide the available attendees, they

[16] Some people interviewed describe Newman as a kind but "meek" and passive person. This description may explain in part why he never raised a concern.

coordinated moving one of the events to another night. Alo and Ahmad then attended the other's event.

Alo is a 2004 graduate of Ohio State's Moritz College of Law, which Alo attended with Ahmad's ex-wife, Samar Kaukab. He founded a small law firm in Columbus focused on immigration law. Ahmad gave Alo his "start" as a lobbyist. We are unaware that Alo had ever previously registered as a lobbyist.

Ahmad says that he introduced Alo to Boyce early in his administration. Floria Washington recalled attending a meeting with Alo in the Treasurer of State's office. Also present were Boyce, Ahmad, and Culp. Ahmad introduced Alo and spoke warmly of their friendship. The meeting was informal and Washington was unclear as to any specific agenda. Boyce does not recall this meeting. Boyce recalls meeting Alo informally at the Treasurer of State's office, but cannot recall at what point in his administration.

Ahmad claims that Alo formed his own relationship with Boyce. He cites as an example a fundraiser at the "312" restaurant in the River North area of Chicago.[17] At that fundraiser, Boyce introduced Alo to the crowd as "the best lawyer in the State of Ohio." Ahmad says that this statement sent a clear message that if you want to do business with me then you need to go to Noure Alo. Boyce says that it is "very possible" that he introduced Alo to a crowd. If he did so, it may have been at a fundraiser in Canton where there were a lot of Muslim American attendees and he was "trying to be nice" by giving Alo a "shout-out." Boyce says that he never intended to send a message that someone who wanted to do business with him needed to go to Alo. Boyce notes that his cell phone number was posted on the internet and that there was no need to go to a gatekeeper to contact him.

A series of emails also confirms a lunch meeting on March 3, 2010 involving Boyce, Ahmad, Alo, and Boyce's fundraiser, Sara Guice. By this lunch, Alo was now a

[17] An invitation confirms a fundraiser for Boyce on January 25, 2010 at the Hub 51 restaurant in Chicago. It is unclear whether Boyce held two fundraisers in Chicago during this timeframe or Ahmad has the location wrong. Boyce recalls the Hub 51 fundraiser but not an event at 312. Both restaurants are located in the River North area of Chicago.

registered lobbyist for a major bank seeking business from the Treasurer of State's office – an event that will be described further below. Boyce does not recall ever meeting alone with Alo.

Ahmad claims that it was Boyce who agreed to hire Alo's wife, Walaa Waeda, as an executive assistant to Ahmad in December 2009.[18] Boyce says that Ahmad and Culp hired Waeda. The hiring later became an issue, as the media and then the government probed ties between Alo and Ahmad. Responding to the media, Simone Wilkinson claimed in an email that Waeda submitted her resume to the Treasurer of State's office in response to an internet posting in June 2009. The reporter responded by questioning how Waeda was hired to fill an unexpected absence in December based on a submission in June. Wilkinson then claimed that the office retained Waeda's resume and "she eventually was offered the position based on qualification and immediate availability." This effort to spin the hiring as the result of an open process hardly acknowledged the truth. Boyce administration employees do not recall the process as open. Washington, Boyce's Chief of Staff, says that she did not know of the hiring until Waeda's first day of work.

From the early days of the Boyce administration, Alo had access to Ahmad, Boyce, and Culp.[19] Other former employees recall meeting Alo in the office but being told simply that he was an attorney or a consultant. According to Ahmad, Boyce held two fundraisers at Alo's father's house in Toledo. And Alo had extensive contact with his friend Ahmad. According to FBI analysis of telephone records, Alo averaged approximately fourteen calls or texts per day with Ahmad between October 1, 2009 and May 18, 2010.

These communications included coordinating the movement of money from Hampton Capital to the Boyce campaign and to Ahmad personally. Within a week of the first big trades placed through Hampton Capital, Alo sent Hampton Capital an engagement letter to hire Alo's firm for "ALL LOBBYING AND LEGAL NEEDS." On or

[18] Waeda replaced Lakshmi "Lucky" Satyanarayana, who also had political connections. Satyanarayana had served as Deputy Finance Director for the Ohio Democratic Party after graduating from Ohio State in 2006.
[19] For example, an email documents an effort to set up a dinner between Alo and Culp.

about December 17, 2009, Alo sent Hampton Capital an invoice for $123,622.50 for "consultation and representation on all legal matters from 1/6/2009 – 12/17/2009." Pursuant to Alo's wiring instructions, Hampton wired the amount of $123,622.50 to Alo's personal account at JPMorgan Chase. Ahmad explained to Hampton that Alo would later withdraw funds and pay Ahmad in cash.

E. "Going Green" All the Greener

In addition to using Alo to transfer money, Ahmad used his side business to launder funds. On November 15, 2009, Ahmad, through his limited liability company, Five Rivers Partners, LLC, bought a 45% stake in a landscaping business called Going Green Landscapes and Lawncare ("Going Green"). The minority stake cost $150,000. Alo's law firm served as "attorneys-in-fact" to complete the transfer.

After Hampton Capital transacted a series of commission-rich trades in 2010, including a single trade in February generating a commission of $74,769, Ahmad directed Hampton to make payments to the landscaping company. In March 2010, Hampton wire transferred $100,000 from his personal account to the Going Green company account. The wire was apparently sent from a personal account to appear to be a personal payment for very expensive landscaping.

The majority owner of Going Green, Joseph Chiavaroli, then paid $22,000 to Ahmad's personal credit card and provided Ahmad a cashier's check for $25,000. Chiavaroli later obtained a second cashier's check for $9,500 payable to Ahmad. Ahmad deposited these checks into his personal account.

The purchase and sale of fixed income securities through Hampton Capital continued through 2010. By the spring of 2010, however, Ahmad no longer wanted to have his name listed on trades executed through Hampton. The trades continued, but under the names of Newman and other subordinates. From May to the end of August 2010, Hampton placed trades with par amounts of as much as $250 million each.

In August, Hampton issued a $300,000 check from his personal checking account payable to Going Green. To disguise this transaction as a loan, Hampton issued a promissory note for Chiavaroli to sign. Of this amount, some $60,000 went to Ahmad as a check payable to him and as a payment to his credit card account.

We are aware of no evidence to support that Boyce knew that Ahmad received these corrupt payments.

F. Paying Back in Political Contributions

In addition to these payments, Hampton also made political contributions to Cordray's campaign for re-election as Ohio Attorney General. Although a registered Republican and repeat Republican donor, Hampton gave $11,000 – just shy of the maximum allowable contribution – to Cordray on January 28, 2010. Three weeks later, he gave $5,000 to the Ohio Democratic Party. Ahmad explains that Sara Guice arranged for "cross-payment" contributions to make "pay to play" contributions less obvious. Guice arranged for Hampton to donate to the Ohio Attorney General race and then balanced it with donations to Boyce from a law firm seeking work from the Ohio Attorney General. For example, official campaign records show seven donations of exactly $1,000 to the Boyce campaign from members of the same Cleveland law firm on the same March 30, 2010 date.[20] Ahmad says that the campaign records show a pattern of "cross-payments."

Boyce acknowledges that it is a "regular practice" for donors to make contributions to the central party or another candidate to avoid getting listed as a donor for a specific campaign. However, Boyce disclaims that one of the purposes is to make "pay to play" contributions less conspicuous. Boyce says that there is no law against taking contributions from entities that receive or will potentially receive business from that candidate, and so there is no reason to conceal these contributions. Boyce denies any knowledge that Guice was structuring contributions between his campaign and Richard Cordray's campaign for Attorney General or David Pepper's campaign for State Auditor. Boyce claims that he did not review his campaign contribution reports and relied on a staff to vet his contributions. He denies knowing that a group of litigators

[20] Were these donations a coincidence? If not, why did the seven members of a law firm coordinate to give money to an Ohio State Treasurer who could award financial services work and not legal work?

from one Cleveland law firm donated at the same time to his campaign, but says that sometimes law firms do want to support candidates other than those running for Attorney General.

As for Tanveer, it is less clear what he provided in exchange for the lucrative transactions provided to Ameriprise. Ahmad distances himself from Tanveer. He claims that it was Newman who handled the relationship with Tanveer and Ameriprise. As discussed above, however, the trading records document that Ahmad, Newman, and Lovell each traded through Tanveer and other Ameriprise brokers. Having formed the intent to profit personally and politically from trading activity, it is unclear why Ahmad would have allowed Tanveer to retain all of his commissions while directing Hampton to kick back commissions. One answer may be that Ahmad trusted his longtime friend Hampton but did not want to risk engaging in unlawful activity with Tanveer, with whom he did not share a similar history. On the other hand, at the point of our interview, Ahmad may have wanted to protect Tanveer who, unlike Hampton, has not been charged with a crime. Ahmad denies that Tanveer made payments back to him personally, but we do not know this for certain. FINRA reports suspending Tanveer's securities licenses on December 22, 2014 because he failed to respond to its requests for information regarding this matter. FINRA also reports Tanveer's voluntary resignation from Ameriprise in September 2014.

We know that Tanveer and others sharing his last name made modest contributions to Democratic candidates. Some of these contributions went directly to the Boyce campaign, while others went to Strickland's campaign for Governor and Pepper's campaign for State Auditor. Ahmad acknowledges that Guice also used the Pepper campaign for cross-payments as a means of making less conspicuous "pay to play" contributions. As for Boyce, he does not remember ever meeting Tanveer.

Tanveer also may have leveraged other personal connections to support Ahmad and the Democratic Party. On July 27, 2010, the same day that Tanveer contributed $200 to the Pepper campaign, several other donors contributed as well. Among those donors were Amir Izhar and Zahida P. Kaukab, M.D. Amir Izhar is a Cincinnati doctor who is listed on the Islamic Center of Greater Cincinnati's website as a member of the Center's board of directors. Tanveer attended the Center, and to this day is listed on the Center's website as an Ameriprise financial planner. Izhar has made only four campaign contributions since 2009, but three of them were to the Strickland, Boyce, and Pepper campaigns between July and October 2010. Zahida Kaukab is also listed as a Center board member. She is believed to be the mother of Ahmad's ex-wife, Samar Kaukab.[21]

G. Other Selection Processes

1. Global Custody Selection

Unlike the broker/dealer selection process, the selection process for global custody services presented a real competition between the major banks seeking to profit from the State's international holdings. The outcome of the Global Custody Request for Information was an actual contract to hold assets and not simply inclusion on a list of firms that might never be utilized. The process allowed for the selection of both domestic custodians (financial institutions physically located within the State of Ohio) and global sub-custodians. Global sub-custodians operate under sub-custody agreements with the domestic custodian banks. The Treasurer of State's office needed global sub-custodians because of the international holdings of funds for which it serves as a statutory custodian.

Denise Blain, Director of the Trust Department, had worked on each RFI from the Deters administration (1999-2005) up to the 2010 selection process. Blain recalls the formation of a selection committee even prior to the issuance of the Request for Information in or about January 2010. Blain recalls working on the committee with employees from the Revenue Management, Banking Relations, Internal Audit, and Legal Departments of the Treasurer of State's office. The committee wrote the Request for Information and published it in several journals as required by the Ohio Revised Code. The committee received the responses and discussed them as a group. Each

[21] Public records show that Amer Ahmad and Samar Kaukab were married in 2006 at the Islamic Center of Greater Cincinnati.

member scored the written responses and then Blain averaged the scores for reporting on a scoring sheet. The process did not involve personal interviews.

From outward appearances, this process was objective and uncorrupted. Ahmad did not attend the committee meetings. According to Blain, a Treasurer of State's office careerist, Ahmad did not appear to have a surrogate in the room. To Blain's recollection, the only odd event was that Ahmad removed Marvene Mitchell from the committee after several meetings, but before the scoring occurred. No one else filled Mitchell's spot on the committee. The explanation given was that Mitchell needed to maintain her independence to perform a later audit of the process. According to Mitchell, Ahmad complained that Mitchell "had a lot of questions" when also removing her from the Broker/Dealer RFI. But Ahmad denies removing Mitchell from the committee for an ulterior purpose, describing her as "a political hire who would go along with anything and everything the Treasurer would say." Ahmad had "no notion" that Mitchell would not "play the game." Boyce says that he at least initially had a "very substantial disagreement" with Ahmad about removing Mitchell, but later accepted that it was necessary to preserve her ability to audit.

While the committee's work appeared insulated from undue influence, the selection process did not stay pristine. After Blain prepared the summary of average scores, she conferred with Ahmad. A blackout period was supposed to be in effect on communications between the Treasurer of State's office and the banks until the selections were announced. Boyce and Ahmad allowed the blackout rule to be ignored because of a confluence of events involving State Street Bank.

As referenced above, Boyce held a fundraiser in Chicago. There, according to Ahmad, Boyce sent the clear signal that anyone wanting to do business with him should go through Alo. Ahmad says that Keith Armstrong of State Street Bank attended the event. Ahmad says that he avoided Armstrong that night because of the "blackout period" on the Global Custody Request for Information.

Ahmad says that one week after the fundraiser, Alo called Ahmad to ask "who is Keith Armstrong?" Alo explained that Armstrong wanted representation with the

Treasurer of State's office. After that call, Sara Guice – Boyce's chief fundraiser – called and said that Armstrong was coming to Columbus and wanted to meet with Boyce and Ahmad. Guice represented that Armstrong planned to engage Alo as State Street's lobbyist.

About a week after the February 2, 2010 deadline for the RFI response, Alo registered with the Joint Legislative Ethics Commission ("JLEC") as a lobbyist for State Street Bank. We are unaware of any prior history of Alo, an immigration attorney, registering as a lobbyist.

According to the minutes from the February 25, 2010 State Board of Deposit meeting, Ahmad asked to delay the designation of depository banks from March 15, 2010 to April 29, 2010. Ahmad asked for the extension "to allow more time for all parties to fully review the RFP information." The Board agreed to the delay.

These circumstances led to what Ahmad describes as an "awkward" and "totally inappropriate" meeting at Alo's office on March 3, 2010. Present were Armstrong and Vincent DeBaggis on behalf of State Street Bank, Boyce, Ahmad, Guice, and Alo. According to Ahmad, Robert Crowe, then an attorney with the Massachusetts law firm WolfBlock, was also present. The meeting violated the blackout rule.[22] The meeting also violated the unwritten rule of not discussing state business in a political setting. The group discussed how State Street Bank wanted back in the custody business. According to Ahmad, Boyce referred to the election, saying that "we are in the fight for our lives against a well-funded candidate" and that he was looking for all of the help he can get. Ahmad says that Crowe understood that they needed to pay up.[23]

Boyce denies this recounting of the March 3 meeting. According to recent media accounts, Boyce initially denied even attending the meeting. Boyce explains to us that what he actually said was that he did not attend the sort of meeting alleged by the SEC

[22] The Global Custody RFI provides: "It is the policy of the Treasurer to accept questions and inquiries from all potential respondents. All questions and inquiries shall be in writing; no verbal requests shall be honored."

[23] In its January 14, 2016 court filings, the SEC alleges that Ahmad was far less subtle than he recounts to us. According to the SEC complaint against Robert Crowe, Ahmad said "we want money" and demanded from State Street $20,000 to $25,000 in the next five days.

in the January 14, 2016 court filings. Boyce admits going to Alo's office on March 3 but says that it was not a "meeting" with any particular agenda. He acknowledges meeting Robert Crowe and someone else from State Street, and listening to Crowe's introduction of his (Crowe's) background and accomplishments.[24] Boyce says that he did not understand the purpose of the meeting – that is, why people came to Alo's office from near and far – but he just showed up as scheduled. He surmises that the meeting may have been a last minute addition to his schedule to fit some time he had on hold.

Documents show that Boyce, from a Gmail account, accepted the invitation for an hour-long meeting at 12:00 p.m. on March 3, 2010. Boyce says that his staff created the Gmail account for his campaign and would have accepted the invitation for him. His assistant, Angela Burks, emailed to Alo a sandwich selection for "Amer," "Kevin," and "Sara."[25] Boyce says that he had a "snack" and left after a brief introduction to Crowe and the other man. He says that this was not unusual; a lot of people wanted to meet him as a young treasurer of a major state. Boyce specifically denies any discussion of State Street wanting business or a demand for political contributions. Boyce further denies that Alo ever lobbied him to select State Street bank at any time. Boyce acknowledges that the blackout rule would have forbidden any such meeting with State Street Bank but says that he is unclear whether the rule would still have been in effect. The relevant documents show that as of March 3 the selection of global custodians had not been made, and that – whatever the discussion – the meeting never should have been scheduled.

One week after the March 3 meeting – on March 11, 2010 – the campaign contributions arrived. Robert Crowe personally gave $11,300 to the Boyce campaign, making him one of Boyce's single largest individual contributors. Boyce says that he did not know of Crowe's contribution. Other Crowe associates gave another $9,000 during

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[24] Crowe's biography lists service as the National Finance Co-Chairman for the John Kerry for President campaign and Co-Chairman for Finance of the Democratic National Committee.

[25] Burks ordered "Bistro Club" sandwiches for Boyce and Guice and a "Citrus Turkey" sandwich for Ahmad. Both sandwiches appear on the menu of the Café Bistro located at Easton Town Center. Café Bistro was approximately one mile from Alo's former law firm, Harrison Alo.

that tracking period.[26] Crowe, now with the firm of Nelson Mullins, was later identified in his online biography as "co-chair of the Firm's Government Relations practice" and as having "represented [a] major national bank on custody issues."

Boyce does not remember that Crowe planned a fundraiser for Boyce to take place in Los Angeles, California. The SEC alleged this in its complaint against Crowe. Boyce says that a campaign expenditure record showing a taxi cab reimbursement for "Beverly Hills Taxi" on April 26 may relate to his attendance as a speaker at the Milken Institute Global Conference. Available records indicate that this conference took place from April 25 to 28, 2010, and that Boyce spoke on a panel on the morning of April 26.[27]

The SEC reports that Crowe invoked his Fifth Amendment right to remain silent in response to an SEC subpoena to testify regarding contributions to Boyce's campaign and State Street's bid to win the global custody contracts.

Boyce believes that the final decision as to selection of global custodian banks belonged to the Ohio Treasurer. But for this selection process, the Treasurer of State's office traditionally confers with the major pension funds on the selection of a global custodian and Boyce says that he wanted their agreement on the final decision. Two countervailing factors were in play. First, Blain acknowledges that there is resistance to switching banks because of the effort involved, disruption, and even risk of losing assets. The Ohio Public Employees Retirement System ("OPERS"), however, had reached the point where it would switch from its current bank if given a real alternative. In contrast, the State Teachers Retirement Fund ("STRS") did not want to switch from BNY Mellon without a compelling reason to do so. But a countervailing factor to the aversion to switching is the significance placed on the price of custodial services. For this RFI, the banks submitted a separate sealed bid stating their price. Once the

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[26] The contributors were employees of Crowe's firm, WolfBlock and a South Carolina firm with a Boston office named Nelson Mullins. After the March contributions, Crowe and twenty other attorneys from WolfBlock joined Nelson Mullins.

[27] The Milken Conference was held at the Beverly Hilton in Los Angeles, California. The Beverly Hilton is less than one mile from State Street Bank's Los Angeles office. It is also less than 60 miles from the Irvine, California headquarters of 3 Day Blinds, whose CEO in 2010 was Kevin Rabbitt. Publicly available information indicates that Kevin Rabbitt attended Harvard Business School with Ahmad from 1999 to 2001. The two men are connected on social media. Kevin Rabbitt and Emily Rabbitt each donated $11,000 to the Boyce campaign between July 2010 and September 2010.

committee reviewed the responses and determined which banks were qualified, they opened the bids for all qualified banks. Boyce says that once qualified, the determining factor was which bank submitted the lowest bid.

State Street Bank proved to be the lowest bidder.[28] Ahmad says that State Street was poised to take all four global custody contracts when they previously held none. But because of the contributions to the Boyce campaign, Ahmad did not want State Street to win all of the business. It looked too blatant. Ahmad claims that part of him did not want State Street to win any business because "we've opened a second front" that "never was supposed to exist." Using the time afforded by the extension of the decision date, Ahmad told Blain that he intended to call the other bidders for global custody services and try to push the bids down. Blain made similar calls to the Ohio banks seeking to be awarded domestic custody services. Ahmad told Blain that he was going to call all of the banks, but his real objective was to call BNY Mellon and get it to drop its price.

Boyce says that he knew that Ahmad was going back to other banks to lower their bids. Boyce says that given the recent financial crisis, he did not want to have too high a percentage of the State's assets in one bank. He wanted to spread the risk by putting at least one of the accounts at another bank.

According to Ahmad, Guice had separately given Alo the telephone number for BNY Mellon. She did so without telling Ahmad. On February 8, 2010, Alo had "cold called" BNY Mellon leaving the following message:

> My name is Noure. I'm an attorney and lobbyist out in Columbus, Ohio. I figured I'd touch base with you. I do a lot of lobbying for the Treasury and I'm hearing that your three international holdings with them are not really guaranteed to stay with you. I figured there might be an opportunity for us to work together and try to keep them for you. Or at least a couple. My number is (614) 668-9895. (614) 668-9895. My office number is (614) 428-8472 extension 1 . . . . You can call me or text me any time so we can touch base and see if we can do some work together. Take care.

[28] Just months prior to State Street's bid, the California Attorney General sued State Street for defrauding more than $56 million from two California public pension funds by exchanging foreign currencies for U.S. dollars or other currencies and falsifying the exchange rates.

Ahmad says that he did not know in advance that Alo intended to make the call. Ahmad told Alo afterwards that it was a “stupid” call.[29] From the substance of the message, however, it is clear that Ahmad or someone else had told Alo of BNY Mellon’s vulnerability in the selection process. This incident provided further motivation for Ahmad to contact BNY Mellon and make sure it retained at least one account. The more BNY Mellon lost, the more likely the situation would receive unwanted scrutiny. Given what Ahmad had already done with the brokers, he did not need scrutiny in general and attention drawn to Alo in particular.

Ahmad and Blain met with the major pension funds to make the final decisions. Most of the funds wanted to move to State Street Bank to save potentially millions of dollars in fees. STRS decided to stay with BNY Mellon – but after receiving a lower bid.

The decisions were announced on April 19, 2010. JP Morgan and BNY Mellon expressed anger at being replaced by State Street Bank. JP Morgan told Blain that they had never received a call from Ahmad giving them a chance to revise their bid downward. According to Blain, Caroline Farris of JPMorgan called Ahmad to express her “anger” at the unfairness of the process. These events should have raised another “red flag.”

2. Banking Services Agreements

Also ongoing in 2010 was the State Board of Deposit selection process for designations as public depositories for the State. As with the other processes described above, there is a requirement of filing a written response to a published Request for Information. Applicants do not receive an interview and, in theory, the decisions are made based on the responses.

Witnesses on all sides of this process agree, though, that the selection process is not about the scoring of the responses and that the incumbent banks enjoy a substantial advantage for several reasons. First, there is again a resistance to switching banks for

[29] After receiving this message, BNY Mellon filed a suspicious activity report (“SAR”) with the U.S. Department of Treasury’s Financial Crimes Enforcement Network, which led to the federal criminal investigation.

depository services. This is natural. Second, the process gives the incumbent banks an advantage over other banks seeking to compete. While there is no formal interview after the submission of the response, the banks with existing State deposits are in regular contact with the key decision makers at the Treasurer of State's office. There is a valid reason for this. Business must go on, notwithstanding an upcoming decision on which banks will hold the accounts in the future.

But this access appears to exceed the need to conduct business during the Boyce administration. For example, the executive responsible for maintaining the relationship with the State of Ohio for one of the banks receiving the most state deposits met at least 26 times with representatives of the Treasurer of State's office during 2009 and 2010. This number is calculated from sign-in sheets, and the representative in question acknowledges not signing in for every meeting. This relationship executive further disclaims any technical knowledge or involvement in managing the accounts. And yet, for instance, in January 2010 – two weeks after the issuance of the Request for Information for Banking Services – records show that the relationship executive met twice on consecutive days with Bob Newman at the Treasurer of State's office. When interviewed, the relationship executive could not recall why.

In addition to devoting employees to maintaining a relationship with each administration, the Ohio banks that hold the domestic deposit business also employ lobbyists. Ahmad acknowledges that the banks pay the lobbyists and that the lobbyists contribute to the campaigns. None of the relationship executives interviewed recall meeting Alo or being directed to engage him. Even a relationship executive from U.S. Bank, which held only a few accounts and claims to employ no lobbyist, disclaims being told to hire Alo or even to make contributions to Boyce.

Pursuant to Ohio Revised Code § 135.12(a), the State of Ohio designates banks as public depositories every two years. The banks that win through this process describe an almost constant effort to maintain the relationship necessary to retain the accounts. When there is a new Treasurer – such as after the appointment of Kevin

Boyce – the incumbent banks move quickly to establish relationships with the new regime. Boyce recalls repeated contacts from the public depository banks.

The Board of Deposit designated eight banks as public depositories in April 2010. Of these eight banks, Huntington National Bank, JPMorgan Chase, and KeyBank retained the most accounts. U.S. Bank, which employed no lobbyist, received three accounts, but lost the Ohio Highway Patrol account to PNC Bank. U.S. Bank's "relationship" banker, Tim Rieder, says that the Ohio Highway Patrol wanted to retain U.S. Bank. Rieder concludes that it was the decision of the Treasurer of State's office to transfer the account. In comparison to the three accounts retained by U.S. Bank, the Board of Deposit designated KeyBank as a public depository for fifty-seven accounts. Comparing this result to designations in other years, these same banks have retained their State depository business in roughly the same numbers notwithstanding changes in administrations.

3. Underwriter Selection

Another function where the Treasurer of State's office awards business is in debt offerings. For these offerings, the office hires underwriters and financial advisors.

In simple terms, underwriters set a price for a new bond, prepare the required filings with the SEC, and then sell the bonds to the public or other dealers. During the Boyce administration, potential underwriters could submit a response to a Request for Qualifications ("RFQ") to get on a list of twenty to thirty firms recommended for work.

Jake Wozniak, Director of the Debt Management Department, decided which firms to add to the list. Boyce believed that a committee made the decisions. Contrary to his recollection, however, there was no committee for this selection process. Wozniak acknowledges a relaxed process because, as in the broker/dealer selection process, there was no commitment to use the firms put on the list. Wozniak recalls accepting responses throughout the year and imposing no blackout period. An RFQ form from the Boyce administration does provide an application deadline. Firms came in throughout the year to meet Wozniak and ask for work. He generally scheduled these meetings at the Treasurer of State's office. Wozniak says that if he met over a meal or some type of event, he paid his own way. We developed no evidence during this investigation to doubt Wozniak's integrity.

When a debt offering arose, Wozniak went to Ahmad and recommended a firm to serve as underwriter. The two men developed a friendship outside of the office and they discussed the decisions informally. Cost was not a factor in these decisions. During his career at the Treasurer of State's office, Wozniak had only seen competitive bidding for underwriting during the Jennette Bradley administration. Perceived capability was also given limited weight. One Ohio bank that Wozniak considered a weak underwriter nevertheless received repeat offerings at Ahmad's direction.

Ahmad asked questions about when the firm had last received an underwriting assignment and how much money the firm had made. In some instances, Ahmad followed Wozniak's recommendation. For other offerings, Ahmad directed the hiring of a different firm. Ahmad told Wozniak that he consulted Boyce as to the choices. Wozniak does not know whether Ahmad actually did. Boyce says that Ahmad and Wozniak brought their recommendations to him.[30] Boyce's input was to involve minority-owned firms.

4. Financial Advisor Selection

On debt offerings, the Treasurer of State's office also hired financial advisors. There was greater sensitivity as to which firm was hired as a financial advisor than as an underwriter. This sensitivity resulted in a more formal process analogous to the global custody selection process.

During the Boyce administration, the Treasurer of State's office published an "RFP" for firms seeking to serve as financial advisors. Boyce says that this was consistent with his general instruction to competitively bid out all major work pursuant to an RFP process that would insulate the decisions from political influences. This

[30] Boyce's recollection differs with Wozniak's as to the selection of underwriters. Boyce recalls a memo regarding the deal at issue and an underwriter recommendation for that deal, followed by some discussion with Ahmad and Wozniak. Wozniak recalls an informal discussion with just Ahmad.

opportunity was attractive because financial advisors could earn fees of hundreds of thousands of dollars per offering and the State of Ohio did approximately ten offerings per year. Wozniak headed a committee comprised of five individuals that ranked the applicants for each question. Wozniak tabulated the responses.

Ahmad supported Chicago firm Scott Balice Strategies LLC. At some point during the Boyce administration, Wozniak went to lunch at Mitchell's Steakhouse in Columbus with Ahmad and Lois Scott, founder of Scott Balice. Wozniak is unclear as to the purpose of the lunch other than relationship building. Boyce also recalls meeting Lois Scott in Chicago during the time he was Treasurer, but is unclear as to the specific timing or reason for the meeting.

Ahmad also proposed using his former firm, William Blair. Wozniak thought it would look bad. Ahmad said that he would work behind the scenes to get them hired for OPERS.

The outcome of the financial advisor RFP was to qualify three firms for financial advisor work. The qualified firms included Scott Balice. This result was down from five firms during the Cordray administration. Based on our interviews, Scott Balice did not receive support from certain committee members.

From this list of three, Wozniak made recommendations to Ahmad as to which firm to use for each deal. Ahmad accepted some of Wozniak's recommendations but not others. Wozniak does not know whether Boyce had any input. Scott Balice received $165,000 in payments for advisory services during the Boyce administration.

It is unknown whether Scott Balice provided anything of value in exchange for the State work. At some point, Ahmad introduced Alo to Wozniak but there is no recollection that Alo lobbied him on behalf of any entity or person.

Media reports document "the revolving door" relationship between Scott, Ahmad, and Boyce. Scott later became the Chief Financial Officer for the City of Chicago under Rahm Emanuel. She reportedly supported the hiring of Ahmad as Comptroller. After the end of his administration, Kevin Boyce joined Rice Financial. The City of Chicago selected Rice Financial as an underwriter for certain 2012 bond offerings. According to a Due Diligence Report prepared for the City of Chicago, Boyce denied involvement in securing the underwriting work. But that report acknowledges that during this time, Boyce did communicate directly with Scott by email and copied Ahmad on these communications. In our interview, Boyce admits to seeking work from Scott, but says that Rice Financial worked for the City of Chicago before he joined the firm.

H. Wire Transfers

The Treasurer of State's office moves billions of dollars each year by wire transfer. Our investigation sought to identify any actual or potential abuses of the wire transfer system. Execution of a wire transfer requires consent from at least two separate individuals – an initiator and a secondary approver. One of the banks, Chase, required three levels of approval to execute a wire transfer – an initiator, an approver, and a releaser for the wire transfer. But at least four Boyce administration employees – Stephanie Motley, Don Thomas, Phil Dickerson, and Troy Stevens – were authorized as both initiators and secondary approvers. Former employees recall that Ahmad was authorized only as an initiator, though multiple Banking Services Agreements list Ahmad as having "initiate and approve" authority.

An additional "supervisory" layer of approval was required for a wire transfer of more than $50 million. Approvers mainly looked at whether there were sufficient funds to fulfill a wire request and whether a request was a duplicate. They did not necessarily examine the substance of each request, in part because there were many recurring (though not duplicate) requests. Even for wire transfers in excess of $50 million, there were at least eleven such wires processed through Chase where the initiator and the approver were the same person. These eleven wires were subsequently released by a different individual, but not necessarily a supervisor.[31]

[31] All of these wire transfers were sent from Chase accounts. Of the three banks holding accounts that were subject to this review, Chase was the only bank that tracked by user who initiated, approved, and released each wire.

A KeyBank employee recalls a phone call from Ahmad to initiate a wire transfer to cover a debt service payment. If the recollection is accurate – and there is no reason to doubt it – then Ahmad had the authority to wire transfer funds with a telephone call and thus sidestep the authorization process.

KPMG's review of electronic wire data identified no wire transfers for the benefit of Ahmad, known confederates including Alo, Chiavaroli, or Hampton, or any entities under Ahmad's control such as Going Green or Five Rivers. Ahmad denies any misappropriation of funds by wire transfer.

I. State Procurement System

Our investigation also sought to identify any possible abuses of the State procurement system, known as the Ohio Administrative Knowledge System ("OAKS"). State agencies, including the Treasurer of State's office, must use OAKS to request the expenditure of state funds appropriated by the legislature. Cognos, an application within OAKS, provides detailed reports on State expenditures in electronic format. OAKS data has been archived since July 1, 2007. BakerHostetler also engaged KPMG to analyze Cognos and OAKS data.

The Treasurer of State's office provided KPMG with data on all appropriated expenditures recorded within OAKS and Cognos from July 1, 2007 through June 30, 2011. KPMG used analytics software to filter a universe of hundreds of thousands of transactions to identify potentially suspect transactions having one or more of the following criteria:

Payments made to non-approved, unknown, fictitious, related-party, or inactive vendors. These included, for example, payments made to vendors who either did not appear on the Treasurer of State's office "vendor master" list, or who were on the list but classified as inactive or obsolete. The analytics also highlighted payments to vendors whose name, address, or phone number matched that of a Treasurer of State's office employee.

Payments made without approved purchase orders, approved invoices, or other proper review and approval. These included payments with missing OAKS information. For example, the purchase order number, invoice date, “entered by,” or “approved by” fields in OAKS were left blank. The analytics software also highlighted payments for which the employee who entered the transaction into OAKS was the same employee who approved the transaction.

Payments made for inappropriate or fictitious goods or services. To identify potential transactions in this category, the analytics software identified payments that exceeded the average payment for the relevant account or vendor by more than three standard deviations. The software also highlighted payments between $4,000 and $4,999.99, as all purchases of $5,000 or more required an additional layer of approval.

Duplicative purchase orders, invoices, or payments. To identify potential transactions in this category, the software highlighted payments made to multiple vendors on the same date for the same amount, duplicative payments to the same vendor, and payments recorded under multiple purchase orders for the same amount on the same date.

After identifying all of the payments that fit these criteria, BakerHostetler analyzed the results by reviewing the available documentation underlying selected payments, researching selected vendors to determine whether they were legitimate businesses, and interviewing current and former Treasurer of State’s office employees. BakerHostetler ultimately designated five categories of payments for further review: (1) payments to Amer Ahmad; (2) an unusual payment arrangement involving Communications Director Simone Wilkinson and Hotcards Columbus, a printing company; (3) payments to Chan Distributors, a company that sold office supplies to the Treasurer of State’s office; (4) payments to Director of Human Resources & Fiscal Services Derek Anderson; and (5) payments to Lori Denzer, a former Treasurer of State’s office employee. The analysis of these transactions is discussed below not to impute wrongdoing to any person or entity referenced, but to outline the efforts underlying the finding of no proof that any employee misappropriated assets through payments or reimbursements.

Payments to Amer Ahmad. This investigation identified seven transactions for which Ahmad was listed as a vendor. None of the transactions appear suspect. Three were fitness reimbursements, and the other four travel reimbursements. When asked about the seemingly low number of travel reimbursements, Assistant Director of Fiscal Services Jane Wolfe was not surprised because Ahmad rarely traveled to meetings. Although Ahmad participated in meetings held at regional offices of the Treasurer of State, he typically attended those meetings by videoconference.

Simone Wilkinson and Hotcards. Communications Director Simone Wilkinson frequently used a printing company called Hotcards Columbus ("Hotcards"). Hotcards is believed to currently do business as Fireball Press. Although the Treasurer of State's office paid most vendors directly through OAKS, Wilkinson paid Hotcards on her personal credit card. From June 2010 to August 2010 alone, Wilkinson was reimbursed for more than $62,000 in Hotcards purchases. Individual purchases were as large as $8,000.

Wilkinson declined to be interviewed for this report. Without her assistance, BakerHostetler was left to review the relationship between Hotcards and the Treasurer of State's office by interviewing other current and former employees and by reviewing available documentation.

None of the employees interviewed by BakerHostetler could recall any other arrangement in which an employee paid a vendor and the Treasurer of State's office then reimbursed the employee. Nor is there a clear explanation why the Treasurer of State's office entered into this arrangement with Hotcards. Jane Wolfe recalls that she and Wilkinson attended a meeting on this issue with Ahmad, Derek Anderson, and Floria Washington. Wolfe recalls that she initiated the meeting to address her own questions about the Hotcards arrangement.[32] She further recalls someone saying that

[32] In a follow-up interview, Wolfe could not recall that the discussion of Wilkinson's personal expenditures was specific to Hotcards.

Wilkinson would directly pay Hotcards because Hotcards did not want to follow the OAKS system of issuing an invoice to the State and because the office's Hotcards orders exceeded the State credit card limit of $2,500. This explanation is contradicted by the fact that the Treasurer of State's office and other State agencies did in some instances purchase directly from Hotcards, even in amounts exceeding $2,500, under the approved OAKS process of issuing a purchase order and receiving an invoice.[33]

A review of the underlying documentation for Simone Wilkinson's Hotcards reimbursements supports that she submitted a receipt to the Treasurer of State's office for each Hotcards purchase. We cannot confirm from available records that the office actually received the goods and services that Wilkinson ordered, but we developed no evidence to suggest that the goods were not received.

Ahmad acknowledges that the Treasurer of State's office became concerned at the time for Wilkinson's claimed expenses on her personal credit card of more than $60,000. Jane Wolfe was tasked with trying to determine if the expenditures were real. Wolfe reported back the verification of the vendors and purchases. Boyce says that he never knew of this issue.

The further question is how many of the expenditures were for printing promotional or political material for Kevin Boyce at the public's expense, as opposed to expenditures for a valid state purpose.[34] Ahmad says that the spending on "community outreach" was often politically motivated and should have been paid from campaign funds and not the public trust. Ahmad singles out the Treasurer's community education programs as particularly wasteful, noting that the programs were targeted at demographic groups that were likely to favor the Treasurer. Other current and former employees criticize the use of State funds to buy promotional items, such as "Kevin Boyce's Smart Money Choices" pens, for distribution at community outreach events. Boyce attributes these purchases to Ahmad and Culp, who he claims ignored his

[33] Public records show that the Treasurer of State's office made nine direct payments to "Hot Cards Columbus" between June 2010 and August 2010, and that the Ohio Attorney General's office made a direct payment of more than $2,500 to "Hotcards Com Inc" on March 11, 2010.
[34] According to campaign expenditure reports, the Boyce campaign also did business with Hotcards.

instructions not to order any new “tchotchkes” and to use only those items that had already been ordered during the Cordray administration.

Payments to Chan Distributors. During the Boyce administration, the Treasurer of State’s office bought office supplies from Chan Distributors, a Findlay, Ohio company. The office did not directly contract with Chan Distributors. Rather, it contracted with Friends Business Source on the condition that Friends partner with a minority vendor like Chan. Chan’s website indicates a focus on distributing absorbents, industrial and safety supplies, and fasteners. Wolfe does not know whether Chan typically sold office supplies. Our calls to Chan went directly to a voice mailbox that was not accepting messages. However, this investigation found no evidence that the Treasurer of State’s office paid Chan for supplies that were never provided. It is unclear how Chan became a supplier to the Treasurer of State’s office.

Payments to Derek Anderson. From July 2007 to March 2010, Derek Anderson was classified as a supplier in OAKS. This was corrected in March 2010, when his classification was changed to that of an employee. This investigation found no evidence of wrongdoing associated with Anderson’s classification. Anderson did not respond to our invitation for an interview.

Payments to Lori Denzer. Lori Denzer is a former Boyce administration employee who moved to the Ohio Department of Education during Boyce’s term as Treasurer. After her move, the Treasurer of State’s office hired Denzer to perform information technology consulting services and to provide short-term knowledge transfer. Wolfe describes this arrangement as an anomaly, though this investigation found no evidence of wrongdoing associated with the arrangement.

J. Aftermath

Josh Mandel defeated Kevin Boyce in a general election held on November 2, 2010. The campaign was contentious. Boyce disagrees with Ahmad’s characterization that he turned the office over to Ahmad as the campaign intensified. Boyce says that, if anything, they were more connected during the campaign.

After the election, Blain recalls a meeting of Boyce administration senior staff. According to Blain, attendees included Boyce, Ahmad, and all director-level employees. Blain recalls Ahmad joking in the meeting that he would break off his office key inside the door. The meeting attendees were told to send their files to "records" so that there would be "clean offices" for the Mandel administration. Blain does not recall who issued this instruction.

On or about November 16, 2010, General Counsel Lynn Carter became aware of an FBI investigation of the award of global custody business to State Street.[35] On or about December 10, 2010, Carter learned that a subpoena would be forthcoming.

Amer Ahmad's last day at the Treasurer of State's office was December 17, 2010. That same day, Ahmad's email account was deleted. Ahmad directed Floria Washington to delete his account, and Washington relayed the order to Michael Wimberly in the office's Information Technology Department. Wimberly complied with the order. Ahmad's emails were also stored in an email journal, however, and could be retrieved after the regime change. But, as noted earlier, pertinent communications may have gone offline. A number of Ahmad's work emails were sent to, were sent from, or referred to Ahmad's Gmail, Yahoo, and Bloomberg email accounts.

Further evidence of records destruction is provided by an email from Walaa Waeda to Simone Wilkinson, dated December 21, 2010. In the email, Waeda asks Wilkinson: "Do you need help shredding papers?? lol I am bored!" Another career employee confirms a "mad rush" to dispose of documents, such that document disposal was "all one person did" at work for multiple days. Other current and former employees do not recall an effort to destroy documents.

On January 4, 2011, Carter received a subpoena from the FBI. Because Carter was set to leave the Treasurer of State's office in three days, she asked the FBI for permission to deliver the subpoena to Seth Metcalf, Mandel's General Counsel.

[35] Back in May 2010, a journalist began to probe the connection between Ahmad and State Street's lobbyist – Alo. Ahmad tried to deflect the inquiry by suggesting that the reporter was racist and "Islamophobic."

Apparently receiving permission, Carter delivered the subpoena to Metcalf that same day.[36] Mandel, Metcalf, and other members of the administration were sworn in on January 10, 2011.

Also in January 2011, Ahmad joined KeyBank as Senior Vice President and head of KeyBank's public sector group. KeyBank wanted to hire Ahmad away at various times during his tenure at the Treasurer of State's office – perhaps as early as May 2010. Ahmad's personnel file contains a May 14, 2010 "recusal notification from all Ohio Treasury matters related to KeyBank" addressed from Ahmad to Boyce.

Despite this recusal, Ahmad apparently continued to interact with KeyBank during the rest of his tenure. Email records show, for example, that Ahmad organized an August 30, 2010 meeting with representatives from the Treasurer of State's office, KeyBank, and the Cleveland law firm whose members made the March 30, 2010 campaign contributions noted above.

A KeyBank representative recalls an odd encounter with Ahmad at the Treasurer of State's office near the end of his tenure and after he accepted the job at KeyBank. The representative was walking past Ahmad's office when Ahmad invited the representative in. Ahmad said that he had a new bond deal that he wanted to award to KeyBank, but that it would not look good. The representative was surprised that Ahmad would even entertain the idea of awarding business to his future employer.

Upon arriving at KeyBank, Ahmad advocated hiring Bob Newman. Ahmad explained that he had been teaching Newman how to trade and that Newman was improving. KeyBank was not interested in hiring Newman. KeyBank hired Jake Wozniak in 2011, but Wozniak does not know if Ahmad influenced that decision.

Ahmad did not remain at KeyBank for long. On February 22, 2011, Rahm Emanuel was elected Mayor of Chicago. Ahmad wanted to join the administration. He asked Boyce for a reference, though Boyce says that he did not get a call prior to the decision to hire Ahmad. In the following months, Emanuel hired Ahmad as his

[36] Carter refused the request for an interview.

Comptroller and Lois Scott as his Chief Financial Officer. Ahmad, Scott, and five others comprised Emanuel's newly created "Mayor's Council on Budget, Business Development and Economic Issues." The Chicago Tribune and the Columbus Dispatch reported that Boyce endorsed Ahmad for the Comptroller position, predicting in a City of Chicago news release that "Amer Ahmad will be a tremendous addition to the Emanuel administration" and that "the City of Chicago will be enhanced by the tenure of his service." Boyce says that he was contacted prior to the release and was simply asked whether this quote could be attributed to him. Boyce says that he never disclosed the investigation back in Ohio because he was never contacted for a reference and because he never understood that there was a formal investigation. Boyce did not interpret earlier notice of an inquiry into State Street as significant. Boyce claims that Lynn Carter never told him about the service of the FBI subpoena because of grand jury secrecy rules.

Ahmad, along with the rest of the Emanuel administration, was sworn in on May 16, 2011. The move surprised Wozniak. He thought that Ahmad did not want to return to the public sector and was aiming for a promotion at KeyBank. Wozniak estimated that Ahmad's KeyBank salary was three or four times his salary with the City of Chicago. During their time at the Treasurer of State's office, Ahmad gave Wozniak the impression that he was dissatisfied with the lower salaries in the public sector.

Ahmad explains that he was drawn to the City of Chicago because of the opportunity to work with Emanuel, who had previously served as President Obama's Chief of Staff. Others claim that Emanuel had talked to Ahmad about a future in elected office if Ahmad joined Emanuel's administration. For his part, Ahmad reflects that his political ambitions waned over time as he realized that he could have an impact in the public sector by applying his financial expertise without running for office.

During Ahmad's tenure in Chicago, he remained in contact with Jake Wozniak. Ahmad expressed optimism about future job opportunities, including with Fifth Third, even as he was under investigation. When KeyBank promoted a rival to a position that Ahmad once sought, Ahmad texted Wozniak questioning the decision. Wozniak secured one deal from the City of Chicago for KeyBank. Boyce's firm, Rice Financial, secured underwriter work from the City of Chicago. Boyce acknowledges that he contacted Lois Scott for this work. He does not recall Ahmad sitting in the meetings with Scott, but does not dispute that he may have copied Ahmad on emails sent in furtherance of getting work.[37]

Ahmad abruptly resigned from the City of Chicago in July 2013. He agreed to be interviewed by the government regarding its investigation into the events described in this report. In the government's view, Ahmad was not candid in this interview.

On August 15, 2013, Ahmad was indicted for conspiracy to commit offenses against the United States in violation of 18 U.S.C. § 371, federal programs bribery in violation of 18 U.S.C. § 666, mail and wire fraud in violation of 18 U.S.C. §§ 1343 and 1346, monetary laundering in violation of 18 U.S.C. § 1957, monetary laundering conspiracy in violation of 18 U.S.C. § 1956(h), and false statements in violation of 18 U.S.C. § 1001. Hampton, Alo, and Chiavaroli were also indicted for their roles in Ahmad's kickback scheme. On August 19, 2013, Ahmad pleaded not guilty. Hampton and Chiavaroli pleaded guilty and agreed to assist investigators.

Following the indictments, on September 8, 2013, the Columbus Dispatch published an editorial urging that if "call[ing] in a third party to follow the paper trail . . . is necessary to ensure state investments have been handled properly," then the Treasurer of State's office "should do so."

On December 20, 2013, Alo pleaded guilty to aiding and abetting wire fraud. Three days later, Ahmad changed his plea to guilty. On April 23, 2014, Ahmad fled the United States for Pakistan. According to Ahmad's diary, which was recovered by Pakistani officials, Ahmad believed that he "should have left many, many months ago . . . after that first FBI interview back in November of 2012, when I . . . wasn't indicted or anything."

[37] Boyce points out that Rice's work for the City of Chicago predates his joining the firm.

On November 12, 2014, Judge Michael H. Watson of the United States District Court for the Southern District of Ohio sentenced Alo to 48 months in prison. The next day, Judge Watson sentenced Hampton to 45 months. And on December 1, 2014, Judge Watson sentenced both Chiavaroli and Ahmad. Chiavaroli received 18 months, and the court sentenced Ahmad *in absentia* to a prison term of 15 years. At the sentencing, Judge Watson said: "I can't believe the utter gall of this man to operate with the impunity that he operated. I can't believe that there weren't others in the State Treasurer's office who would have had red flags going off all over the place that would have blown the whistle on this activity – that should have blown the whistle on this activity."

Ahmad was arrested in Pakistan. Federal authorities returned him to the United States on August 26, 2015. BakerHostetler interviewed Ahmad on October 14, 2015 at the Butler County Jail in Hamilton, Ohio. According to public records, Ahmad is currently incarcerated at the Terminal Island Federal Correctional Institution in San Pedro, California. His release date is September 18, 2028.

On January 14, 2016, the Securities and Exchange Commission filed a complaint against Robert Crowe in the United States District Court for the Southern District of Ohio, alleging that Crowe violated federal securities laws by participating in a "pay-to-play scheme to pay kickbacks and make campaign contributions to a public official" – Kevin Boyce – "by a firm seeking to win business from State of Ohio public pension funds" – State Street. That same day, the SEC entered into consent decrees with State Street and Vincent DeBaggis for their roles in this scheme.

V. Weaknesses and Recommendations

Out of the unfortunate events documented above comes the opportunity for improvement. In this section, we identify weaknesses in Treasurer of State's office operations during 2009 and 2010. Some of these weaknesses present ready solutions; others do not.[38]

A. Need for Financial Expertise

The Governor appointed as Treasurer a City Councilman with some revenue (e.g. taxation) experience but limited understanding of the State Treasury's investment function. The Treasurer then hired a substantial number of political insiders and other persons also lacking in financial expertise. These individuals took responsibility for managing $250 billion in assets.

From what could be known at the time, Boyce understandably retained Ahmad as Deputy Treasurer. Ahmad brought sorely needed financial experience to the Treasurer of State's office. But even Ahmad needed to learn on the job. His experience was in investment banking and not in investing in public debt and other securities. Ahmad built his understanding of the State's investments but there were few, if any, individuals with the financial sophistication to see that what he was doing was wrong.[39] This left the Deputy Treasurer trading billions of dollars in securities without any meaningful oversight. Ahmad and others look back on this lack of financial sophistication as leaving the State Treasury helpless against his crime.

The Treasurer of State's office needs to hire and retain more employees with financial experience. Ideally, the investment decisions and public offering decisions should be made by experienced individuals overseen by employees who understand what is happening. To establish meaningful checks, those who supervise and audit must understand the functions that they are reviewing. The challenge admittedly is in attracting people experienced in finance, given the pay disparities between the public sector and Wall Street. But a greater priority can be placed on hiring smart people with at least some experience in money, bonds, and banking.

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[38] Our focus has been upon the Treasurer of State's office in 2009-2010. Some of these issues may have been addressed in the current administration. Nevertheless, we see value in documenting the issues and making recommendations for future administrations.

[39] As discussed above, we conclude that Bob Newman knew or should have known that Ahmad was breaching his duty to his office. According to Ahmad, Lovell at least suspected that the executions on Ahmad's trades were poor. Neither Newman nor Lovell would cooperate with our requests for interviews.

B. Need for Cost Transparency

Ahmad's scheme was accomplished in substantial part because the spread on commissions taken by the broker on the trade was not disclosed in the trading records. Indeed, one of the most startling documents reviewed in this investigation is the confirmatory email from the General Counsel of First Allied Securities memorializing the offer to disclose "the mark-ups" "on the transaction confirmations" and Ahmad's response "that the mark-ups should not be disclosed on the confirmations because you [Ahmad] weren't concerned with them." As discussed above, Ahmad knowingly encouraged at least one broker – Hampton – to charge increased commissions which were kicked back in part as political contributions and payments to enrich Ahmad personally.

The basic solution to this issue is, as the General Counsel of First Allied Securities offered, to document on the trade tickets the spread or commission taken by the broker and the ultimate trading desk. The documentation of this real cost in plain sight naturally encourages price competition between brokers and protects the State Treasury against the type of scheme perpetrated by Ahmad. In Ahmad's own words from his interview, if the spread is disclosed then "the corruption is over."

More generally, the Treasurer of State's office should require transparency of pricing not only from brokers, but also global custodians, underwriters, financial advisors, and depositories. With greater transparency, the Treasurer of State's office can encourage greater competition on price to return greater value to the State.

Underlying this issue, as demonstrated by the conduct described herein, is a potential conflict between the interests of the people of Ohio in protecting their funds and the interests of elected officials in rewarding their supporters. As Boyce and Ahmad recognize, politicians and their supporters have long devised "pay to play" relationships where a portion of the profits from State work is advanced or kicked back as contributions. Ahmad's variation on the scheme allowed for significant profits to be paid back in part as contributions and to Ahmad personally because the inflated commissions were almost invisible. Transparency as to how State funds are spent helps prevent political or other ulterior interests from subverting the common good.[40]

C. Weakness in Internal Audit

During the Boyce administration, the Treasurer of State's office had an Internal Audit Department. That department failed to catch the diversion of state funds from the Treasury to political campaigns and Ahmad's pockets. The political corruption documented herein was likely only caught from the outside because of Alo's call to BNY Mellon. A number of witnesses commented that Ahmad's conduct took place outside of the view of the office and could not have been detected. We disagree.

The "tip of the iceberg" was the volume of trading activity and the payment of inflated commissions or spreads. In addition, the fact that the Treasurer of State's office bought and sold hundreds of millions of dollars of bonds through brokers that could not list any specific experience trading debt for public entities should have raised suspicion.

From the information we received, the investment function was never subject to a thorough internal audit.[41] Boyce says that he believed the investment function would be closely audited, but we find that it never was. There was no examination of the brokers utilized or the outsized spreads paid. Had there been such an examination, this scheme might have been stopped from within.

One problem, as the former Director of Internal Audit acknowledges, is the lack of staff to conduct audits. Another problem, discussed above, is the lack of financial understanding required to see where the money was lost. The third issue is the line of reporting. Boyce had Internal Audit report directly to him. But it is unknown what Boyce would have done if Internal Audit reported concerns to him for the tip of the iceberg. Boyce placed substantial confidence in Ahmad to run the Treasurer of State's office on a day-to-day basis. As with a corporation, the Internal Audit function may be

[40] The current Treasurer has led an "Ohio's Online Checkbook" initiative to make all State expenditures by check readily reviewable over the internet.
[41] Mitchell's internal audit group did, for example, audit discrepancies between the identification numbers for certain securities and how they were recorded in the State's books.

strengthened if it reports not to the Chief Executive, or in this case the Treasurer, but to a separate committee. Accordingly, the Treasurer of State's office might strengthen its audit function if auditors with a financial background reported to an outside oversight committee.

D. Whistleblower Hotline

Like Ahmad, Boyce looks back on this tragedy and sees the need for checks and balances. Boyce says that he believed in Internal Audit to provide one such check, but the section above summarizes why the audit function failed. Another potential check is to allow anonymous reporting of concerns. Boyce says that he tried to allow a direct line to the top through his "open door" policy, but he acknowledges that employees might have been deterred from waiting to see him in plain sight. Offered the opportunity to suggest recommendations, Boyce proposes an anonymous whistleblower hotline. Such a hotline offers employees the opportunity to report concerns with limited risk of reprisal. But such a hotline also brings the potential distraction of baseless investigations spawned by reckless accusations. Nevertheless, we include this recommendation of a publicized anonymous hotline because it is worthy of consideration.

E. Improving Selection Processes

The discussion above documents the corruption in the selection of outside firms. The processes used to select outside parties did not effectively ensure selection based on merit and protect against subversion of the public good. Once again in Ohio, "pay to play" politics and hard core graft resulted in the misuse and rank theft of State funds.[42] One of the explanations for why no one internally raised questions about the choice of

[42] Unfortunately, this is not the first instance where the State's investments have proven vulnerable to corruption. Prior to the events documented herein, the Ohio Bureau of Worker's Compensation Fund provided $50,000,000 to invest in rare coins through one Thomas Noe. Noe was later found to have misappropriated $11,605,682 of the money invested and deprived the people of the State of Ohio of "even more in lost profit and interest." See State of Ohio Office of the Inspector General Report of Investigation, April 24, 2014. Unfortunately, the Investigation determined the involvement of OBWC employees in accepting bribes from Noe in return for entrusting him with State funds. The investigation further exposed bribery involving another money manager who paid bribes to secure the management of hundreds of millions of dollars of OBWC funds. For many, this pattern of corrupt activity exposed a wider "pay to play" culture defrauding the people of the honest services of its State officials.

brokers, if not other vendors as well, is the complacency for selecting business partners for reasons other than merit.

Notwithstanding the differences in the selection processes, they all shared the common problem that one person – Amer Ahmad – had substantial control over the applicants selected. In some instances, the structural flaw was that the selection process did not meaningfully narrow the applicants qualified to serve the State of Ohio. This is true of the broker/dealer and the underwriter selection processes.

At first blush these processes appear very different. As discussed above, the broker/dealer selection process had a full committee of individuals which scored written responses submitted by a defined deadline. In contrast, the underwriters may have been able to apply anytime and could generally meet with one individual who would judge their qualifications for inclusion on the list. In the end, however, both processes ended up with a long list of firms "qualified" for the job. From there, Ahmad had final authority to choose which firm received actual work. Boyce and Ahmad could point to a committee or another individual as screening applicants, but that initial screening did not protect against the selection of firms for ulterior or corrupt purposes.

In contrast, other selection processes did meaningfully narrow the candidates down to a few firms which would actually do the work. The Global Custody RFI and the Financial Advisor RFP are examples where the committee intended to select the firm to actually do the work. In reality, however, Ahmad inserted himself back in the selection process for at least the Global Custody RFI process.[43]

Boyce believed that the selection committees insulated the process from undue influence, but in the end the committees were largely facades. Allowing one person to have substantial control of which firms get work is a real weakness. Ahmad acknowledges this fact. One individual is generally easier to influence than a committee. This is particularly true of a committee composed of some careerists and not just political hires.

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[43] Ironically, Ahmad inserted himself to limit the number of accounts awarded to State Street Bank. Ahmad was concerned that it would look too conspicuous for State Street Bank to win all four accounts.

Furthermore, to offer the full benefit of checks and balances, a merit selection committee should be insulated against tampering with the results. A basic norm should be that after the committee meets and the individual committee members score the responses, then the scores should be locked in and not subject to change. Certain evaluation software or other processes can offer this protection or at least document subsequent changes to scores. The responses of the applicants and the scores of the committee members should then be audited. In an ideal system, the auditors would report to an outside oversight board.

F. Access to Decision Makers

A basic "process" issue is whether applicants should be afforded the opportunity to discuss their qualifications in person. Many of the "RFPs" run by the Boyce administration purported to select candidates based only on the written responses and to impose blackout rules limiting communications with decision makers. As implemented, such a process had several problems.

First, as an initial matter, the guidance as to the "blackout" limits in communications was often not clear. For example, the "blackout" language for the Global Custody RFI stated that "all questions and inquiries shall be in writing; no verbal requests shall be honored." It also suggested that any communications should occur prior to the submission of responses. But the guidance posted on the official website continued to state that "verbal Communication . . . from any person concerning this RFI is not binding on the State . . . ." This language could be read to suggest that there could be some "verbal communication" between candidates and decision makers. Interviewees regarding the various processes generally believed that there was a "blackout" on communications, but they were unclear as to the rules.

Second, the lack of a formal interview deprived the decision makers the opportunity to follow up on vague, nonresponsive, or less than candid responses. For example, on the Broker/Dealer RFI, the key question regarding "comparable clients" was sidestepped by at least two candidates citing client confidentiality concerns. As discussed above, both of these candidates received hundreds of millions of dollars in trades even though they had done nothing to show the committee that they had real experience. An in-person interview would have allowed follow up questioning on this issue and made it more difficult to simply suppress it.

The third problem with denying an opportunity to meet is that it encourages efforts to buy access through other channels. To the extent applicants believe the process is "rigged" or at least lacking in due process (notice and an opportunity to be heard), they are less likely to compete on merit. Affording an opportunity to meet would level the playing field for firms seeking to compete for State financial services. The public depository services selection process illustrates well the advantages given to the bankers with existing accounts. While in theory all applicants are subject to blackout rules preventing meetings in furtherance of obtaining or retaining accounts, the incumbent bankers appear to use their ongoing business relationships to create opportunities to meet. As discussed above, this is illustrated by the sign-in sheets from 2009-2010. Such a disparity of access to decision makers is potentially harmful to competition on the merits.[44] Free and open competition encourages bankers and other financial services managers to offer better prices and services.

A solution to this problem is to more severely enforce the blackout rule to limit meetings to those actually necessary for the conduct of business and to participation from outside representatives that are actually engaged in operations. The problem is that such a solution is self-policing. A better solution may be to offer all candidates or a sub-set of candidates the opportunity for an interview. Even if incumbents have more access, at least those that seek to displace them will have some access to speak with decision makers and not just by buying access through political channels, as is illustrated by State Street. A merit selection committee will be all the more empowered to influence the final decision if they can represent that they questioned the candidates.

[44] Unlike with the Broker/Dealer RFI, there is no reason to believe that the chosen depository banks were unqualified to hold the deposits awarded. But as Ahmad acknowledges, the selection process for public depository services took place in the aftermath of the worst financial crisis since the Great Depression. At least one of the Banks holding state funds during the crisis had to be rescued from potential insolvency.

G. Lengthening the Time Between RFI/RFP Processes

The public depository selection process occurs every two years. Bankers that participate in this process describe an almost constant process of seeking to obtain and retain accounts. Not long after the accounts are awarded at the Board of Deposit meeting, those that manage the relationships with the Treasurer of State's office and the public account holders begin their effort anew. Records of meetings in 2009-2010 support this observation. The primary beneficiaries of the two-year timeframe are the politicians who receive campaign contributions from bankers and their lobbyists. Given the natural resistance to switching banks, it is unlikely that a state account holder would choose to transfer from a bank that was selected just two years before. With a longer four-year timeframe, account holders might be more inclined to plan for a switch if an alternative presented a good reason. Ohio should consider lengthening the timeframe for selection to four years. Ohio would then join other states that hold a selection process every four years. Banks that do public business in four-year states report a pleasant interval where interactions are focused only on providing banking services and not retaining the business.

H. Further Controls Against "Pay to Play" Politics

Pay to play politics have bedeviled both parties. For decades, those that seek better government have proposed ways to limit the influence of money politics in derogation of the public interest. One idea that is often suggested is prohibiting political donations from entities seeking government business to the politicians that can influence who receives that business.

As to this idea, there are fundamental rights concerns around excluding a category of corporations and individuals from participation in the political process. It is questionable whether such a prohibition would survive a legal challenge. It is further questionable whether the restriction would work. As discussed above, "cross-payment" arrangements can be implemented in various ways to make it difficult to attribute a contribution to a particular politician.

We do recommend that those who receive work from the State should sign under penalty of perjury a certification that they have not provided anything of value, including campaign contributions, with the understanding that they will obtain or retain business. They should further certify that they have not provided anything of value to any other party to reimburse them for a donation or to otherwise influence an official decision to award a State contract or other business.

I. Weakness in Wire Transfer Controls

As a part of this investigation, we reviewed wire data with the assistance of KPMG to verify whether any state funds were misappropriated by wire transfers. The reason for our concern is obvious. Ahmad defrauded the State of Ohio out of hundreds of thousands of dollars in inflated and perhaps unnecessary commissions that were kicked back in part to him. He also had authority – at least with the largest holders of state accounts – to pick up the phone and wire funds anywhere in the world. In fact, at least once, Ahmad called an Ohio bank to wire funds because a debt service payment had not been made.

Ahmad denies any malfeasance through wire transfers. Our investigation found no evidence that Ahmad or any other employee stole State funds by wire transfers.

But the reality is that the State of Ohio is vulnerable to theft of state funds through wire transfers. One issue is that wire transfers, unlike payments by check, leave a paper trail that is more difficult to trace. Records of outgoing wires are sent in paper form and kept in files that are eventually sent to offsite storage. Review of this material would require a manual search and would yield no more than a list of bank and account numbers where the wire went. As for the depository banks that process the wire transfers, they could not provide complete data for all wire transfers during the 2009-2010 timeframe and one of the banks provided no data as to who initiated, approved, or released any of the wires. With the greater transparency of putting the State checkbook online, wire transfers may become a more attractive manner and means of misappropriating public funds.

It is not only difficult to catch theft by wire transfer after the fact, but there are limited safeguards to prevent certain employees from stealing by wire in the first instance. A wire transfer requires the approval of two employees: an initiator and a secondary approver. But at least during the Boyce administration, initial and secondary approval were handled by the same small group of individuals in the electronic funds transfers or wire department. Indeed, at least several thousand wires were initiated and approved by the same person during the 2009-2010 timeframe. Both roles consider the same factors: whether there are sufficient funds to cover a wire and whether the request duplicates another payment. According to a longtime employee in this department, there is no vetting of the purpose and destination for the wire payment, at least for wires under $50 million.

Our basic recommendation would be to design a form that requires a short explanation for the purpose of the payment and identification of the recipient financial institution and account holder. For unfamiliar wires, the "initiator" would then call to confirm that the financial institution is as described on the form and that the account holder is real. Final approval for the wire would then go to a designated supervisor for the underlying function which person could not be the same as the initial requester for the wire. Paperwork for the wire, including confirmations and approvals, would be retained in a searchable electronic format.

VI. Acknowledgements

BakerHostetler expresses its gratitude to the current and former employees of the Ohio Treasurer of State's office who provided assistance in furtherance of this investigation. In almost every case, those who honored our requests for an interview responded to our questions with candor and insight. We are also grateful to the third parties who gave their time to answering our questions. Finally, we express our appreciation to KPMG for its expertise in reviewing electronic records and otherwise supporting this investigation.

Respectfully submitted,

Edmund W. Searby

James H. Rollinson

Andrew E. Samuels

EXHIBIT A

Individuals Interviewed

Amer Ahmad	Stephanie Motley
Denise Blain	Phil Mulroy
Kevin Boyce	Kyana Pierson
Shawn Cochran	Tim Rieder
Stacey Cumberlander	Christina Roberts
Jennifer Day	Chandra Sams
Lara DeLeone	Lakshmi Satyanarayana
Paula Dent	Floria Washington
Louise Dunlap	Michael Wimberly
Anita Gosnell	Jane Wolfe
LeShel Hutchings	Jake Wozniak
Marvene Mitchell	Betsy Zimmerman

EXHIBIT B

During the Boyce administration, the functions of the Treasurer of State's office were allocated among more than a dozen departments. Notable departments and their functions included:

Accounting. Directed by Dawn Gatterdam, the Accounting Department maintained the State's records of revenues and investments, reconciled the State's bank accounts, and served as the check processing center of State government.

Communications. Directed by Simone Wilkinson, the Communications Department coordinated the office's public relations efforts.

Community Education. Directed by Bryan Clark, the Community Education Department offered financial education programs to the public.

Debt Management. Directed by Jake Wozniak, the Debt Management Department issued debt offerings on the State's behalf and provided administration services for State debt.

Economic Development. Directed by Newton Burris, the Economic Development Department offered programs intended to stimulate small business, farming, homeownership, and personal savings. The office funded these programs by placing deposits with banks at reduced interest rates, on the condition that the banks contribute to the programs.

Human Resources and Fiscal Services. Directed by Derek Anderson, the Human Resources and Fiscal Services Department administered all of the office's human resources activities, developed and monitored the office's budget, and purchased goods and services for the office.

Internal Audit. Directed by Marvene Mitchell, the Internal Audit Department audited various aspects of the Treasurer of State's office, including the cash station, technology controls, and the use of the proceeds of debt offerings. The Department prepared written reports of all audits.

Investments. Directed by Bob Newman, the Investments Department actively managed the State's investment portfolios and developed the office's investment strategy.

Revenue Management. Directed by Stewart Smith, the Revenue Management Department collected, processed, and paid State revenue, provided cash management services to State agencies, and managed electronic funds transfers.

Trust. Directed by Denise Blain, the Trust Department consisted of two divisions: Compliance and Trust Operations. The Compliance Division was responsible for safekeeping the investments of various State pension funds and ensuring that custodial banks were in compliance with State contracts and policies. The Trust Operations Division was responsible for recording the Investments Department's trades, reconciling the State's checking account, and managing collateral put up by private entities doing business with the State.