

Redflex Execs in Phoenix Resign Over Corruption Investigation

By [Monica Alonzo](#) Thursday, Mar 21, 2013

[Redflex Traffic Solutions](#) is embroiled in a bribery scandal in Chicago that has prompted termination of the firm's executive vice president and resignations of three other top executives.



Karen Finley, former president and CEO of Phoenix-based Redflex

[Redflex Holdings](#), the Australian parent company of the Phoenix-based photo-enforcement company, says an internal corruption investigation also has found "potential issues" involving contracts in two other U.S. cities, but it didn't provide further details.

Redflex supplies and manages controversial red-light and speed-photo-enforcement systems used by communities around the world, including Phoenix, Chandler, and El Mirage.

Phoenix city officials tell *New Times* they are aware of bribery scandal in Chicago and are taking a closer look at the city's contract with Redflex.

<http://www.phoenixnewtimes.com/2013-03-21/news/redflex-execs-in-phoenix-quit-over-corruption-investigation/>

Redflex will lose what the [Chicago Tribune](#) calls its "lucrative" red-light-camera contract with Chicago when it expires in June, and it is banned from vying for that city's upcoming photo-radar contract designed to nab speeding motorists.

"The Chicago program, with more than 380 cameras, has been the company's largest in North America and is worth about 13 percent of worldwide revenue for Redflex Holdings," the *Tribune* reported. "Since 2003, it has generated about \$100 million for Redflex and more than \$300 million in ticket revenue for the city."

On February 20, the company fired [Aaron Rosenberg](#), its California-based executive vice president of business development.

[President and CEO Karen Finley](#) and chief financial officer [Sean Nolen](#) resigned on February 25. A few days later, Andreis Bunkse resigned as the firm's top attorney.

All three worked in the company's Phoenix headquarters.

In a report to the Australian Securities Exchange, Redflex described the scheme involved in the scandal as an "arrangement" between [John Bills](#), a Chicago employee managing the city's red-light-camera program, and a Redflex consultant who "likely intended" to funnel payments from the consultant to the manager.

The *Tribune* identified the Redflex consultant as [Marty O'Malley](#), a friend of the Chicago manager overseeing the traffic program.

Redflex officials said they paid O'Malley \$2.03 million between 2003 and 2011 — \$1.57 million of the payments were made between 2007 and 2011. The company stated that, lacking subpoena power to access financial documents, it couldn't determine whether the consultant made payments to Bills.

However, company records show that Rosenberg and the Redflex consultant showered Bills with gifts and covered hotel, flight, rental car, golf, and meal expenses for at least 17 trips from 2003 to 2010.

Rosenberg and O'Malley paid for the Chicago official's junkets, submitted expense reports with incomplete documentation, and then were reimbursed by Redflex.

According to the Redflex report, Finley "knew about and approved some of these trips and expenses," and she also approved their reimbursement requests, in violation of city policies.

The March 4 report also states that Finley and Rosenberg "had knowledge that would have made any reasonable person highly suspicious that this was a bribery scheme" but allowed the "arrangement to occur."

Redflex reports also show that executives failed to adequately investigate allegations of corruption first made in September 2010 by a whistle-blower. That investigation, according to

the *Tribune*, was overseen by Bunkse, the company's general counsel. The Redflex reports show that Nolen, the chief financial officer, assisted in the 2010 investigation but limited his review of documents to one year, looked only at money that Rosenberg paid Bills, and did not attempt to interview the company's consultant.

When the *Tribune* obtained the whistle-blower's letter and started asking questions in 2012, company officials misled the public by claiming they conducted an "exhaustive" and "thorough" investigation and found the allegations of corruption were without merit, according to the Redflex report.

A law firm hired by Redflex Holdings in Australia finally exposed the corruption.

In Chicago, law enforcement officials are investigating the bribery allegations.

[Robert T. DeVincenzi](#), Redflex Holdings' and (following the scandal) also Redflex Traffic Solutions' newly appointed president and CEO, says the company is making changes to "support the highest ethical standards."

In a statement, he tells *New Times* that Redflex is working to "recapture the trust of our clients, the public, and our own employees."

The scandal is a major blow to Redflex, whose cameras have been unpopular with motorists in Arizona and across the country. Stock in the company was trading at about 80 cents on March 18, down from more than \$2 in October.

Critics say the cameras are more about making money for Redflex and government entities than safety, and the case in Chicago has raised suspicion about Redflex programs across the globe.

Former [Arizona Governor Janet Napolitano](#) wasn't shy about touting that revenue from the cameras could offset state budget deficits when she approved a contract in 2008 for Redflex to pepper Valley freeways with cameras. At the time, she estimated that Arizona would make about \$90 million a year from its photo-enforcement program.

Public disdain for the cameras prompted [Governor Jan Brewer](#), Napolitano's successor, to let the state's contract expire two years later, but Redflex cameras still snap photos of errant drivers in 11 municipalities across the state.

Still, Arizona lawmakers aren't willing to ban the cameras altogether (a bill to do that went nowhere in February). But attempts to curtail their use by municipalities are ongoing.

Cameras have been vandalized, attacked with an ax, and in 2009, a Redflex worker was shot and killed while working in a fully marked Department of Public Safety photo-radar van near Loop 101 and Seventh Street.

Phoenix, Chandler, El Mirage, Eloy, Paradise Valley, [Prescott Valley](#), Show Low, [Sierra Vista](#), Star Valley, Superior, and Surprise all have Redflex contracts. And some of the jurisdictions

have been granted permission by the Arizona Department of Transportation to [install](#) cameras on state highways.

Proponents say the cameras improve public safety by deterring speeders and red-light runners. But municipal officials don't have to prove there is a need for a camera program.

Republican state [Representative Debbie Lesko](#), whose district includes El Mirage, floated House Bill 2477, which "forbids a city or town from placing a photo-enforcement system on a state highway" unless it can prove the system is necessary for public safety.

State representatives approved the measure 47-12, and it is now making its way through the Arizona Senate.

Lesko tells *New Times* that she first examined the issue after receiving complaints from El Mirage residents about Redflex cameras installed along U.S. 60 (Grand Avenue) at Primrose Avenue, a three-way intersection that dead ends into a state highway stretching northwest toward [Wickenburg](#) and [Las Vegas](#).

El Mirage was supposed to justify the need for the cameras, according to an agreement with the state. ADOT granted the permit even though it didn't obtain reports or traffic studies from El Mirage.

City officials' e-mails obtained by *New Times* reveal that between July 1, 2008 and June 30, 2011, 39 traffic collisions occurred at the Grand/Primrose intersection before Redflex installed the cameras. Of those, 30 were non-injury accidents. Five other accidents caused "non-incapacitating" injuries. And three others caused "possible injury." One was listed as "blank."

Considering that city officials estimate between 35,000 and 44,000 vehicles travel daily through the intersection, that's at least 12.7 million cars a year driving through El Mirage.

This means the chances of getting into a car accident at that intersection are infinitesimal.

Ironically, despite the public disdain for the photo-enforcement cameras, the state is home to both major players in the industry — Redflex and Tempe-based American Traffic Solutions, which services Scottsdale, Mesa, Tucson, and [Pima County](#).