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**Office of the Inspector General
Miami-Dade County**

Memorandum

To: The Honorable Carlos Alvarez, Mayor
The Honorable Chairperson Joe Martinez
Members, Board of County Commissioners

From: Christopher Mazzella
Inspector General

Date: July 28, 2005

Re: Arrest of Contractors related to Public Works Storm Drainage Projects

Attached is a news release relating to the arrest of [REDACTED] employees of Magna Construction, Inc. (Magna) on fraud-related charges in connection with Magna's work on a Public Works Department storm drainage project.

[REDACTED] Jorge Tourino (J. Tourino); and company foreman Leoncio Echevarrio (Echevarria) were arrested and charged with Organized Scheme to Defraud, following an investigation by the Office of the Inspector General (OIG). Magna Construction was awarded a contract, Quality Neighborhoods Improvement Project (QNIP) Open Drainage Contract No. 21, to improve storm water drainage in different areas of the County. The contract work was estimated at \$750,000 and was to be divided into five work orders. The defendants were charged with defrauding the County of thousands of dollars by billing the County for work not performed and for billing for used materials, which were represented to be new.

The investigation, thus far, uncovered that at two work sites (Serena Lakes located in the vicinity of SW 180th Street and SW 139th Avenue, and the area in the vicinity of SW 141st Street and SW 100th Avenue) Magna employees were ordered to substitute the installation of new water catch basins with refurbished ones. Magna billed the County for new basin structures in excess of \$11,000.

In addition to the fraudulent billing, thus far the investigation found that [REDACTED] Tourino and Echevarria also instructed Magna employees to dig trenches at shallower depths than required. The County was billed and has paid Magna Construction \$42,381.50 for the six trenches purported to be dug at the appropriate depths.

The OIG investigation also uncovered that Magna Construction was not complying with the County's Responsible Wage Ordinance Section 2-11.16 Code of Miami-Dade County and the Heavy Construction Wage Scale as required by their contract with the County. Magna employees were required to work in excess of forty (40) hours a week and on the weekends for no extra compensation. The total wages Magna underpaid its employees exceeds \$11,000.

As you may recall, the Public Works Department hired BND Engineering to oversee the day-to-day construction of this project. These duties included preparing daily inspection reports detailing the amount of pipe laid, the depth of trenches and number of structures installed by Magna. The BND Engineering inspector accepted the word of Magna employees as to the depth of the trenches instead of demanding that the trenches be dug up to measure their depth and to properly inspect the worksites.

For your information, the OIG believes the impact of Magna's operations on County public works projects is substantial. Therefore, the OIG will be filing a debarment action against Magna in the near future. As the investigation continues and additional transgressions are detected, remedial action at substantial costs to the County may be required. You will be kept apprised of developments.

cc: Mr. George Burgess, County Manager
Mr. Pete Hernandez, Assistant County Manager
Mr. Aristides Rivera, P.E., P.L.S., Director, Public Works Department
Mr. John Renfrow, Director, Department of Environmental Resources Management
Ms. Marsha E. Jackman, Director, Department of Business Development
Ms. Cathy Jackson, Director, Audit & Management Services
Mr. Roger T. Hernstadt, Director, Department of Capital Improvements

Clerk of the Board (Copy Filed)



OFFICE OF THE INSPECTOR GENERAL
MIAMI-DADE COUNTY

**County Defrauded by Contractors in Storm Water
Drainage Program, Contractors Arrested**

The Miami-Dade County Office of the Inspector General (OIG) and the Miami-Dade State Attorney's Office announced today the arrests of several contractors in connection with a joint investigation code named "The Big Dig." [REDACTED]

[REDACTED] Jorge Tourino (J. Tourino), age 23 of Miami, Florida; and Leoncio Echevarria (Echevarria), age 47 of Hialeah, Florida, were arrested today. They were charged with Organized Scheme to Defraud for defrauding the County of thousands of dollars for public works projects awarded to Magna Construction, Inc. (Magna), P.O. Box 327418, Ft. Lauderdale, Florida. Magna Construction was also charged with Organized Scheme to Defraud.

The OIG investigation revealed that [REDACTED] J. Tourino, and company foreman Echevarria fraudulently billed the County for work not performed and for substituting used materials, which were represented to be new. Magna Construction, Inc., was awarded the Quality Neighborhoods Improvement Program (QNIP) Open Drainage Contract No. 21 to improve storm water drainage in different areas of the County. The OIG investigation uncovered fraudulent practices by Magna, Echevarria and Tourino at two work sites: Serena Lakes located in the vicinity of SW 180th Street and SW 139th Avenue, and the area in the vicinity of SW 141st Street and SW 100th Avenue. The drainage projects were specifically designed pursuant to studies conducted by the Miami-Dade Department of Environmental Resources (DERM) to deal with each area's flooding problems.

According to the Arrest Affidavit filed by Special Agents of the OIG, J. Tourino and Echevarria, [REDACTED] ordered employees to install refurbished structures, known as water catch basins, instead of new catch basins, which were required under County plans for the project. Magna billed the County over \$11,000 for new basin structures.

In addition to the fraudulent billing for basin structures, Echevarria and Tourino also instructed Magna employees to dig trenches at shallower depths than required, yet billed the County for the extra work required to dig at greater depths. As part of the OIG's investigation, certain locations along the drainage project were inspected to confirm that the basin structures installed were not new but refurbished, and to determine that the depths of the trenches were from two (2) feet to eight (8) feet shallower than the required depth of about 13 feet. According to the Arrest Affidavit, Magna employees were ordered to dig "fast and shallow and immediately cover up the trench[es]".

The project inspector, an employee of BND Engineering, was contracted by the County's Public Works Department to oversee the project. His notes indicate that the trenches were dug while he was temporarily away from the area. The inspector had the authority to require that the trenches be dug up to measure their depth; however, he accepted the word of the Magna employees that they were dug at a proper depth and he did not perform the inspections. The County paid Magna Construction \$42,381.50 for the six trenches purported to be dug at the appropriate depths.

The OIG investigation also uncovered that Magna Construction was not complying with the County's Responsible Wage Ordinance, as required by both County Code and their contract with the County. County legislation requires minimum wages be paid by position for all employees working on a County contract at a specified hourly rate set by the County's Department of Business Development. However, Magna employees were required to work extra hours daily and on the weekends for no extra compensation. The investigation revealed that Magna employees were underpaid by more than \$11,000.

In commenting on the arrests, Inspector General Christopher Mazzella emphasized that business corruption must be rooted out because it is a major drain on County revenues and creates an incredible disservice and inconvenience to our residents. State Attorney Katherine Fernandez Rundle cited the investigation as a prime example where corrupt practices by a county contractor have had a direct effect on the quality of life in county neighborhoods. "This is exactly the type of abusive and deplorable conduct from which the public needs to be protected."

Mr. Mazzella also stressed that businesses that cheat their workers by underpaying them must be held accountable. He indicated that his office will continue to investigate individual wrongdoers and actively seek the prosecution of business enterprises that defraud governmental institutions. Inspector General Mazzella noted that his office will also file a complaint seeking that Magna Construction be debarred from doing further business with Miami-Dade County.

Copies of the Arrest Warrant and Arrest Affidavit are available at the Inspector General's Office, 19 West Flagler Street, Suite 220, telephone number (305) 375-1946 and at the State Attorney's Office, c/o Ed Griffith, 1350 N.W. 12th Avenue, telephone number (305) 547-0532.

Media Opportunity – Inspector General Mazzella will be available for a media opportunity today.