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

# Memorandum

To: The Hon. Mayor Alex Penelas, Miami-Dade County

The Hon. Dr. Barbara Carey-Schuler, Chair  
and Members of the Board of County Commissioners

From: Christopher Mazzella  
Inspector General

Date: March 4, 2003

Re: OIG Inquiry Into Miami-Dade County Canal Dredging and Canal Sediment  
Hauling Contracts and the Selling of Business Opportunities by Lobbyist Allen  
Hardemon

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## **I. INTRODUCTION**

The Office of the Inspector General (OIG) has been conducting an investigation, in conjunction with the Miami-Dade State Attorney's Office, into lobbyist Allen Hardemon's illegal selling of business opportunities to participate on Miami-Dade County Canal Dredging Hauling Contracts. Information relative to this alleged misconduct was referred to the OIG by Commissioner Dorrin Rolle's office. Hardemon was arrested today, March 4, 2003, on one charge of organized scheme to defraud and fifteen counts of grand theft. A copy of the news release concerning Hardemon's arrest is attached to this memorandum as Exhibit 1.

By way of this memorandum, the OIG is compelled to immediately advise you of additional information learned during its investigation of Hardemon relative to the County's canal dredging program. The reporting of this information to you is necessary at this juncture to avoid potential future misconduct. The OIG continues to investigate these issues in a joint effort with the State Attorney's Office.

Allen Hardemon, a Miami-Dade County registered lobbyist, sold fraudulent business opportunities to African-Americans in the community to participate in the County's canal dredging Hauling Contract, promising them the ability to have up to five dump trucks working on the hauling of canal sediment for the County. Hardemon required that his victims pay him \$1,500 in cash, up front, for each dump truck that the victims want to work on the sediment hauling. Hardemon also required

that the victims sign a contract for each truck, requiring them to pay him through Unity One Group, Inc. (Unity One), a company in which Al Hardemon and Dr. Clyde Pettaway, an employee of the James E. Scott Community Association (JESCA), were directors, 15% of the total net profits generated by each truck for the duration of the agreement (see Exhibit 2: "Unity One's Independent Truckers/Haulers' Consulting Agreement"). The written contract also required the victims to pay another 10% of the total net profits generated by each truck, to a non-profit designated by Unity One, for the duration of the agreement. Hardemon presented himself as the sole person authorized to allow haulers to participate in the County hauling pool.

As an incentive for the victims paying Hardemon the \$1,500 up-front cash per truck, and agreeing to pay his company, Unity One, a total of 25% of their total net profits for each truck, Hardemon promised his victims the following:

- a total of \$900,000 per truck from the County over four years. This is calculated at \$30 per ton for hauling 30,000 tons over the four year period.
- payment of the \$900,000 **up front** by the County, either in one lump sum, or in four annual payments over the four year period.
- with his signed contract in hand, the ability to obtain a brand-new dump truck (valued at approximately \$90,000) with no money down and minimal paperwork.
- with his signed contract in hand, the ability to obtain a \$50,000 loan for working capital from the Federal Small Business Administration (SBA).
- there will be no need for the proposed trucker to be certified or qualified in order to provide canal dredging hauling services to the County since they will be working under his company, Unity One.

During the course of the OIG's investigation, information was developed that Dr. Clyde Pettaway, a business partner of Hardemon and former director of Unity One, also involved himself through his own consulting firm, CCR Consultants, Inc., (CCR Consultants) with the County's canal dredging projects. Dr. Pettaway, a JESCA employee, was recently suspended with pay by the organization's executive director as a consequence of this investigation.

As learned through this investigation, Dr. Pettaway has approached at least one canal dredging contractor in relation to hauling services on behalf of Unity One, signing the letter as the company's chairman. Through his own company, CCR Consultants, Dr. Pettaway has entered into a lobbying agreement with Subaqueous Services, Inc. (Subaqueous), a county prime contractor on several dredging contract.

The agreement calls for a “success fee” of one percent (1%) of the contract value for certain County canal dredging projects. Moreover, Pettaway has not registered with the County as a lobbyist for Subaqueous, and the OIG is continuing to investigate possible unregistered lobbyist violations.

Additionally, the OIG learned that Hardemon and Pettaway, under the guise of Unity One, met with The Tower Group (the general contractor for the relocation of the Parrot Jungle attraction) concerning the use of African-Americans on the Parrot Jungle construction site at Watson Island. This is discussed in more detail later in this report.

## **II. BACKGROUND**

On September 24, 2002, the Board of County Commissioners (BCC) approved Miami-Dade County contract number 7132-4/07-OTR-LW for Canal Sediment Hauling for the Department of Environmental Resources Management [DERM] for a One (1) Year Period with Option to Renew for Four (4) Additional Years on a Year to Year Basis (hereinafter the “Hauling” Contract).

The purpose of the Hauling Contract is to furnish all labor and equipment to haul dredged materials from various County canals (approximately 77 canals) to a drying site at Virginia Key or to other staging sites and/or to a designated landfill facility for disposal. The Invitation to Bid (ITB) for the Hauling Contract was to pre-qualify bidders for hauling; all pre-qualified contractors would be entered into a hauling pool and assignments would be made on a rotational basis using the order established in an initial, publicly held, lottery. The contract is open-ended, allowing additional haulers to be added to the pool over the course of the contract as long as they meet the minimum qualification criteria.

Specifically, this Hauling Contract was established to allow community contractors to participate in the hauling of the canal dredging sediment and to compete with the large haulers. Each prime contractor on the individual canal dredging contracts under County contract CO2-DERM-EEC (hereinafter the “Canal Dredging Contract”) is required to haul 75% of the canal dredging sediment with its own forces or by using subcontractors. The other 25% of the sediment hauling is managed by County personnel utilizing the Hauling Contract and pool members. To ensure that pool members are able to fully participate on each canal dredging project, the project managers will generally require that the pool haulers be utilized to haul sediment from the first portion of each canal dredging project until the 25% threshold is met.

Section 2.6 of the County Hauling Contract requires that the bidders for the hauling pool meet or exceed certain minimum criteria. A summary of these criteria includes that they must have been an established firm before August 7, 2002; that they have had some similar hauling experience; that they have a Commercial Drivers License; that they have access to the right type of dump trucks; and that they have the proper insurance and bonding. ***These requirements eliminate newly formed firms, such as those that were victimized by Hardemon.*** A list of these criteria was published in various media on February 6, 2003, advising the public of the correct requirements for haulers to pre-qualify for County canal sediment dredging contracts (see Exhibit 3).

Contractors will submit a hauling quote for proposed work. After receiving all quotes, a uniform price will be established for each canal (not necessarily the lowest price) but in line with current market prices as determined various price data available to DERM. Interested participants in the Hauling Contract can obtain a copy of the Invitation to Bid from the County Department of Procurement Management. It is important to understand that the County does not charge any fees to anyone who is interested in participating in the Hauling Contract.

The hauling pool is currently being utilized on the Coral Gables Canal, the Red Road Canal Phase II and the Gratigny Canal. The prices being paid by the County for hauling of the canal dredging sediment on these canals ranges from \$10.25 to \$11.48 per ton, far from the \$30.00 per ton price that Hardemon represented to his victims.

### **III. SELLING OF BUSINESS OPPORTUNITIES BY ALLEN HARDEMON:**

The following is a synopsis of the information that was detailed in the arrest warrant for Hardemon:

In the course of the OIG investigation, Special Agents interviewed more than eight people who had purchased a grand total of eighteen (18) business opportunities at \$1,500 each (for a total of \$27,000) from Hardemon to participate on the County's Hauling Contract. Some of these people had paid him as much as \$4,500 in cash, up front, so that they could have several trucks participating in the Hauling Contract. Other individuals were given free or discounted contracts for services that they provided to Hardemon as part of his selling these business opportunities. Others were promised free contracts if they agreed to sign up with Hardemon, apparently for the use of their names to help influence other prospective investors.

Hardemon approached people from a variety of backgrounds, both male and female. They included Florida Highway Patrol officers, retired police officers, a teacher's aide, personal trainers, bus driver, athletes and others. All had one thing in common, no experience in operating a trucking company.

The people who purchased these business opportunities from Hardemon did so based on his power of persuasion, apparent access to the County Commission and promises of instant wealth with the opportunity to put money back into their communities through the creation of jobs. Hardemon promised them that each truck would be worth \$900,000 over four years, that the \$900,000 would be paid to them up front, that they could obtain brand new dump trucks with no money down, that they could obtain a \$50,000 small business loan from the SBA for working capital, and that all they had to do was to find some truck drivers to drive the trucks for them. They relied on Hardemon's promise that the trucking rate was \$30 per ton for 30,000 tons to be hauled by each truck over the course of four years.

Hardemon also used his position as a lobbyist and his accessibility to County hall to persuade people that his business opportunities were legitimate. Many witnesses stated that they knew Hardemon had appeared before the BCC on several occasions and that he was quoted in a Miami Times article in which a commissioner happened to also be quoted regarding hauling opportunities. Several people were convinced that the BCC awarded Hardemon a mentoring program for the canal sediment hauling at the September 24, 2002 meeting (which is not true). Hardemon facilitated this belief by telling everyone that he controls the hauling and he will assign haulers to the canals. He told people that the Commission Chair awarded him the mentoring contract (which is also not true).

Over the last several months, Hardemon had been told on several occasions by various County personnel that the County does not pay money up front on Hauling Contracts, and that a rate of \$30 per ton for canal sediment hauling was not reasonable and could not be expected. Hardemon had also been told by the SBA that the SBA does not make loans but that it does guarantee loans made by financial institutions under certain conditions, and what those conditions are (such as providing business plans, financial statements, collateral, etc.). Therefore, Hardemon knew that his promises could not be kept; however, Hardemon did not stop making such promises nor did he go back to any of the people who had purchased these business opportunities to advise them that his promises could not be kept.

In a letter dated October 3, 2002, Hardemon wrote to Subaqueous stating that "as your lobbyist, we agreed that whatever I help produce in the way of Canal Cleaning Projects for Subaqueous Services, Inc., I would receive two percent (2%). At this point, I have help [sic] produce \$12,000,000. As per our agreement of 2%, I am now owed \$240,000 minus \$10,000 I received from you..." (see Exhibit 4). Apparently, Hardemon expected a "success fee" as part of his lobbying County hall on behalf of Subaqueous.

#### **IV. PARTICIPATION BY DR. CLYDE PETTAWAY**

Dr. Clyde Pettaway was the initial incorporator of Unity One, which was incorporated on April 8, 2002. Dr. Pettaway and Hardemon were the only two directors of Unity One. The listed corporate address for the company is the address of a single family residence owned by Clyde and Kay Pettaway. By Amendment dated November 26, 2002, Dr. Pettaway removed himself as Unity One's registered agent, director, and president. Hardemon took over as the registered agent, and remained as Unity One's sole director and officer. The corporate address remained the same.

On June 17, 2002, Dr. Pettaway, as Chairman of Unity One, wrote to Mr. Lance Young, Vice President of Subaqueous, discussing providing trucking and hauling services on two canal dredging projects that Subaqueous is the prime contractor of. Pettaway is also the sole officer of his own company, CCR Consultants, which provides services relative to the County Canal Dredging Contract. Unity One and CCR Consultant share the same corporate address.

CCR Consultants and Allen Hardemon submitted an invoice on September 26, 2002 on Unity One letterhead to Subaqueous (Exhibit 5). The invoice is in the amount of \$230,000.00 and is for "lobbying and consulting services for Palm Springs Canal and the Coral Gables Canal." The invoice states: "please make checks payable to: Allen Hardemon/CCR Consultant, Inc." Dr. Pettaway/CCR Consultants is not registered to lobby on behalf of Subaqueous. (See also Exhibit 4, previously referenced regarding payment of the \$230,000).

Furthermore, the OIG has learned that per written agreement with Subaqueous, dated December 6, 2002, Dr. Pettaway, through CCR Consultants, is currently providing consulting/lobbying services to Subaqueous in relation to all of its contracts under the County Canal Dredging Project. Subaqueous is the prime contractor on five contracts under CO2-DERM-EEC. According to the agreement, (see Exhibit 6):

- Dr. Pettaway was paid a \$25,000 retainer for his consulting services.
- If he is successful in removing the \$30,000,000 aggregate cap on the CO2-DERM-EEC contract(s), he will receive an additional \$25,000
- He will receive one percent (1%) of the contract value for each of four canals projects, named in the agreement, should the County award them to Subaqueous.

The OIG has verified that at present, three of the four named canal projects are under bid protest by Subaqueous. Correspondence on file with the Clerk's Office reveal that Subaqueous bid was disqualified from consideration because any of

those contract awards to Subaqueous would put the firm's total awarded aggregate value over the \$30 million cap established by R-1018-02. Another integral objective of the "consulting services" agreement was to remove the \$30 million cap for a success fee of \$25,000.

Dr. Pettaway is not registered with the Clerk of the Board as a lobbyist for Subaqueous. He was also recently suspended with pay from his position in JESCA. The suspension was made effective on January 13, 2003, by JESCA's executive director citing "...allegations of inappropriate conduct regarding individuals seeking contracts pursuant to canal dredging and Hauling Contracts." (See Exhibits 7A & 7B, memoranda to Dr. Pettaway regarding the investigation and his suspension). The OIG, in conjunction with the State Attorney's Office, is still reviewing this issue for possible violations, including violations of the Code of Ethics, lobbyist registration requirements.

#### **IV. PRIOR REPRESENTATIONS MADE TO THE TOWER GROUP ON THE PARROT JUNGLE/WATSON ISLAND CONSTRUCTION PROJECT**

In the course of the OIG investigation, information was obtained that, prior to its official incorporation, Unity One's principals, Hardemon and Dr. Pettaway, approached The Tower Group expressing their concern over minority involvement in the Parrot Jungle/Tower Group construction project. As reflected in the meeting minutes dated January 30, 2002 (Exhibit 8), Hardemon and Dr. Pettaway were present at this meeting and indicated that they represented a group of minority qualified contractors called Unity One.

According to the project manager of the Parrot Jungle construction project, he was contacted on numerous occasions by Hardemon, who claimed that Unity One had an exclusive arrangement with the County to locate and qualify African-American contractors for the Parrot Jungle construction project. Concerned about the validity of Hardemon's claim of exclusivity, the project manager memorialized the conversations in a letter to Hardemon, asking Hardemon for proof (see Exhibit 9). Hardemon never provided the proof requested. Moreover, the letter from The Tower Group informed Hardemon, that, in the future, he was not make any unannounced visits to the job site or their construction office.

## V. CONCLUSION

Lobbyist Allen Hardemon was arrested on March 4, 2003 for illegally selling canal sediment hauling business opportunities to members of the African-American community. The OIG and the Miami-Dade County State Attorney's offices are continuing their joint investigation of this matter.

cc: The Hon. Katherine Fernandez Rundle, State Attorney,  
Eleventh Judicial Circuit, Miami-Dade County  
Mr. Steve Shiver, County Manager  
Mr. Robert Ginsburg, County Attorney  
Mr. Peter Hernandez, Assistant County Manager  
Mr. John Renfrow, Director, Department of Environmental Management  
Mr. Roger Hernstadt, Director, Capital Improvements  
Mr. Theodore Lucas, Director, Department of Procurement Management  
Mr. Robert Meyers, Ethics Commission  
Clerk of the Board (copy filed)