



# Annual Report 2006



## Office of the Inspector General

Detecting, investigating and preventing fraud, mismanagement, waste and the abuse of power in Miami-Dade County programs, projects and contracts.



### From the Desk of the Inspector General

I am pleased to introduce the Office of the Inspector General's annual report for fiscal year 2005-06. We have strived to present an informative report of our accomplishments by describing key investigations, audits and initiatives that have saved our taxpayers millions of dollars and resulted in the criminal prosecutions of numerous offenders.

We continue to perform our mission and vision to serve the citizens of Miami-Dade County in order to restore transparency and trust in County government by enforcing honesty and integrity in the business policies and practices of our County's programs, projects and contracts. The significant progress we have achieved towards this objective would not have occurred without the strong support of our elected officials, county staff, the County Attorney's Office, and the law enforcement community, particularly the Miami-Dade State Attorney's office. Most importantly, we thank the community for its confidence in and support of this Office.

Very truly yours,

Christopher Mazzella  
Inspector General



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## HOW WE SERVE YOU

The Office of the Inspector General serves the 2.3 million citizens of Miami-Dade County by detecting, investigating, and preventing fraud, mismanagement, waste, and the abuse of power in County projects, programs and contracts. The ultimate goal of the Office is to prevent misconduct and abuse and to seek appropriate remedies to recover public monies. Above all, our principal objective is to promote honesty, efficiency and ethics in government, and to maintain and promote the public's trust in government. We must continue to stay vigilant to ensure that, in the final analysis, our taxpayers get a fair and honest accounting of their money.



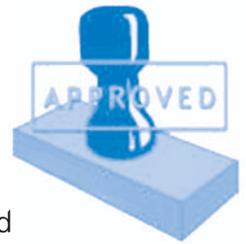
## WHAT WE DO

The OIG provides oversight of the County's 45 departments and agencies, including Aviation, Water and Sewer, Transit, Housing, Community and Economic Development, Public Works, the Seaport and the Public Health Trust. The OIG reports and recommends to County government on whether a particular program, contract or transaction is financially reasonable, sound, necessary or operationally deficient. The OIG conducts random audits and provides general oversight of public procurements and large-scale construction projects.

For more information about the Office of the Inspector General and what we do, please visit our website on-line at [www.miamidadeig.org](http://www.miamidadeig.org). All of our press releases and annual reports, and the majority of our public reports can be found and printed directly from our website. Our website can also be used by citizens, employees, vendors and contractors to report fraud.

## OUR ENABLING AUTHORITY

The Board of County Commissioners determined that the oversight of such a large and diverse government required that the OIG be independent and autonomous, and empowered the OIG to investigate and review allegations of waste, fraud, abuse and mismanagement.



Through an ordinance approved by the Miami-Dade County Board of County Commissioners in March 2005, Section 2-1076 of the County's Code, which is the primary statutory authority governing the OIG, was amended to clarify and crystallize the selection process and independence of the Inspector General. Most notably, the ordinance set forth a four-year term for the Inspector General, provides for an employment contract, and significantly modifies the selection and appointment process for future inspector generals.



**M**iami-Dade County Code Section 2-1076, as recently amended by Ordinance 05-51, is presented in full at the end of the annual report.

### OFFICE ORGANIZATION, STAFFING AND BUDGET



**A**s provided for in the County Code, the Inspector General has the authority to appoint and employ all employees and personnel, subject to budgetary authority, and to organize the office as deemed necessary for the efficient and effective administration of the activities of the Office.

**T**he Miami-Dade OIG is structurally organized into four functional units: Investigations, Audit, Legal and Administrative. All four units, working closely together, fulfill the OIG's primary program function of oversight. The Office is led by the Inspector General, who provides the executive direction of the Office. He is assisted by the Deputy Inspector General and the Assistant Inspector General, who also serves as the OIG's Legal Counsel.

**T**he staff of the Miami-Dade OIG serve at the pleasure of the Inspector General.

### INVESTIGATIONS UNIT

**T**he staff of the Investigations Unit is comprised of a diverse group of Special Agents representing various investigative backgrounds and professional disciplines. For instance, some Special Agents have traditional law enforcement backgrounds with emphasis in white-collar fraud investigations. Other Special Agents are former state regulatory investigators from such agencies as the State Office of Financial Regulation and Department of Revenue. We also have former compliance officers from various governmental disciplines on our staff.

**I**nvestigative Analysts are charged with maintaining compliance in the usage of specialized investigative databases that are instrumental to further the objectives of the Unit, and support the OIG's investigative functions.



**T**he Investigative Unit also offered its first criminology student internship this year.



**AUDIT UNIT**

The OIG’s Audit Unit fulfills a unique function by integrating its expertise with the OIG’s overall mission. Recognizing its differences in size, resources and overall mission to other County audit agencies, the OIG concentrates its audit resources on distinct aspects of County contracts and projects. The Audit Unit also provides proactive audit assistance as part of the Office’s oversight function.

In addition to conducting audits on County contracts and projects, Audit Unit members also serve the OIG’s mission by providing procurement oversight, and participating in reviews, studies and evaluations. The Unit also assists with cases requiring investigative accounting.

**LEGAL UNIT**

In addition to providing legal counsel to the Inspector General, OIG attorneys assist the Investigations Unit in assessing the strengths and weaknesses of any investigation with potential civil, administrative or criminal implications.



The Legal Unit reviews proposed ordinances and resolutions to provide the Inspector General with an independent legal assessment of the possible potential impact of the legislative items. The Legal Unit also reviews County contracts in assessing the contractual rights and liabilities, as well as their efficiency and cost effectiveness.



All subpoenas issued by the Inspector General are first cleared through the Legal Unit. The Unit is charged with making sure the Office complies with its “advance notice” responsibilities in the areas of subpoena issuance and final report distribution. All final public reports are reviewed by the Legal Unit for legal sufficiency and work product integrity.



Not surprisingly, OIG attorneys also handle litigation involving the office. A report of the past year’s legal activities can be found on page 29.

The Legal Unit provides a summer Law Clerk Internship Program with an emphasis on recruiting from Florida law schools.

## ADMINISTRATIVE UNIT

Not only do individuals of this Unit handle the day to day administrative duties required of any office, but this Unit also directly supports the OIG's oversight mission through the preparation and dissemination of our public reports, maintenance and updating of information on our independent website, the tracking and referral of complaints, and the design and distribution of OIG posters, flyers and the annual report.

## STAFFING

Staffing remains a critical factor in the determination of the volume and caseload of investigations, audits and inquiries that the Office can effectively accommodate. For the past four fiscal years, staffing has remained constant at 31 budgeted positions. However, this year's adopted budget increased the OIG's staff level to 38. We are excited that these additional resources will have a positive impact on our ability to more quickly tackle the increasing number of complaints that are brought to our attention and provide increased contract oversight on significant construction programs underway.

The Miami-Dade OIG strives to reflect the diversity of our great community. Among the staff, we are 45% Female, 23% Hispanic, 22% Black and 3% Asian. The Office of the Inspector General is committed to recruiting qualified employees who reflect the makeup of Miami-Dade County.

## BUDGET

The OIG's budget is primarily funded through three separate sources: IG proprietary contract fees assessed on County contracts; direct payments collected through memorandums of understanding with various County departments; and general funds allocated through the County's budget process.

In Fiscal Year 2005-2006, as a result of careful budgetary planning, the OIG only needed to have its budget supplemented with \$935,000 in County General Funds. Again, general funds accounted for only 20% of the OIG's overall budget. The OIG's approved budget for FY 05-06 was \$3.9 million and our actual expenditures for the year were \$3.75 million. For the current fiscal year, beginning October 2006, the OIG's overall budget, as approved by the Board of County Commissioners, totals \$5.1 million, which largely accounts for seven additional positions. The staffing increase was needed to handle the increasing caseload resulting from the Miami-Dade Housing Agency crisis and our stepped up auditing efforts of Miami-Dade Transit contracts. In the past year, the OIG and the Miami-



Dade Transit Department entered into a Memorandum of Understanding to, in part, pay for these OIG services.

### AIG AFFILIATION

The Association of Inspectors General (AIG) consists of Inspectors General and professional staff in their agencies, as well as other officials responsible for inspection and oversight with respect to public, not-for-profit, and independent sector organizations. The AIG seeks to foster and promote public accountability and integrity in the general areas of prevention, examination, investigation, audit, detection, elimination and prosecution of fraud, waste and abuse, through policy research and analysis; standardization of practices, policies, conduct and ethics; encouragement of professional development by providing and sponsoring educational programs; and the establishment of professional qualifications, certifications, and licensing. The AIG has approximately 500 members nationwide and is governed by a 37-member Board of Directors from which Officers and an Executive Committee are drawn.

The Miami-Dade OIG has been affiliated with the AIG since 1999, and for the past four years our Deputy Inspector General has served on its Board. He also participates as a member of the AIG's Professional Certification Board and Professional Development Committee. Our Assistant

Inspector General/Legal Counsel was also recently elected to the Board of Directors, and now also fills one of two State of Florida standing positions on the Executive Committee. As a member of the AIG's Ethics Committee, she was a co-author and sponsor of a new ethics policy adopted by the Board this past fall. Our Assistant IG is also a member of the Training Committee, and one of our supervisory special agents is on the Association's Peer Review Committee.

### LECTURES, TRAINING AND OTHER SPEAKING ENGAGEMENTS



During the past year, the Inspector General addressed a number of organizations and civic groups, including the U.S. Justice Department, the South Florida Inspectors General Council, the Miami-Dade Public Health Trust and the League of Women Voters. Mr. Mazzella was featured on a Comcast TV special focusing on the OIG, and has been a guest speaker on several radio shows. He took part in a panel discussion on corruption for the Miami Bay Forum in the fall, and has spoken at numerous press conferences following breaking OIG cases. Mr. Mazzella has also been an influential force in the creation of an inspector general office for the City of New Orleans, consulting numerous times with the New Orleans City Council.

Additionally, members of the OIG have lectured at the Association of Inspectors General's Certified IG



Investigator Institute. Deputy Inspector General Alan Solowitz and Supervisory Special Agent Cedric Johnson presented a training course on Multi-Jurisdictional Investigations, involving a case study of an OIG investigation that required international extradition of a public official from Hungary back to Miami, Florida. Assistant Inspector General Patra Liu has conducted training for the Institute on such topics as report writing, testifying and presenting cases for prosecution.

In other areas, OIG Special Agents have lectured this year to outside contractors applying for County contracts, stressing the importance of due diligence, and citing a construction case study; to the U.S. Department of Transportation on a case study citing ways to prevent fraud in complex multi-year contracts and management agreements; and during Black History Month to the Florida Department of Corrections on criminal investigations and careers.



### OIG SATELLITE OFFICES

At the top of the OIG's priority list, program integrity remains a key focus. In 2006, the Office of the Inspector General entered into new Memorandums of Understanding (MOU's) with the Miami-Dade Housing Agency and the Miami-Dade Transit Department, making it a total of six departments that the

OIG has MOU's with. The other MOU departments are: the County's Department of Solid Waste Management, the Miami-Dade Aviation Department, Water and Sewer Department, and the Performing Arts Center.

Other alliances include the Public Health Trust and its operation of Jackson Memorial Hospital and the County's Seaport Department, where the OIG also maintains satellite offices and continues to step up its oversight.



The OIG deploys investigators, auditors and analysts, as needed, on all satellite assignments.

The following section highlights the OIG's recent activities at the Miami-Dade Housing Agency, where serious issues of mismanagement and allegations of fraud and corruption have recently made headlines.



A second section provides a recap of the OIG's major accomplishments from 2000-2006 regarding our oversight activities of the Performing Arts Center construction.

## SPOTLIGHT ON MIAMI-DADE HOUSING AGENCY



**E**arly in 2006, the OIG began concentrating its efforts on scandals unfolding at the Miami-Dade Housing Agency (MDHA), launching a major audit of the County's HOPE VI program, and the program management services provided by the County's consultant. That audit, which was started seven months prior to the Miami Herald's "House of Lies" series, was finalized in August 2006. (A summary of the audit follows.)

**E**ven prior to release of the audit, the OIG had opened a satellite office in July at the Housing Agency and instituted a housing complaint hotline. Since the inception of this hotline we have logged in 48 complaints, all of which were investigated and resolved through administrative assistance or action or referrals to an appropriate agency.



**W**ith the advent of this new satellite office we immediately dedicated investigative resources to several probes and coordinated these efforts with the Miami-Dade State Attorney's Office. Through the end of the 2006 calendar year and first few months of 2007, OIG Special Agents investigated several complex frauds involving the County's

affordable housing surtax funds. These investigations have recently culminated in the arrest of two prominent local developers.

**T**he first OIG probe involved the use of County Documentary Stamp Surtax (Surtax) funds, which are supposed to be slated for affordable housing, to build MDHA's new office building at the South Miami Metrorail Station. Two hundred and eighty-seven thousand dollars (\$287,000) of the County's Surtax funds were used to purchase a sculpture of stacked teacups for the site. The OIG's investigation revealed that two sculptures—the stacked teacups and a giant slice of watermelon—were instead purchased at \$150,000 each. A phony invoice showing only one sculpture at a price of \$287,493 was later submitted to the County. The developer was charged with fraud and grand theft and the case is pending in criminal court.



**O**ur second probe involved a phony real estate sales contract that was submitted as part of a loan application to MDHA in order to receive \$940,000 in funding to build affordable homes under the County's Infill Housing Initiative Housing Program. The phony sales agreement purported that the subject developer was the buyer of several properties that would be utilized in the

construction of the affordable homes. Again, the developer was charged with fraud by the Miami-Dade State Attorney's Office. The investigations of fraud involving MDHA and the County's affordable housing funds are ongoing. There will be more on these and other cases in next year's annual report.

The OIG will continue to focus its resources, investigations and monitoring activities within the Housing Agency, and other major departments involved in spending County funds earmarked for affordable housing.

#### SUMMARY OF THE OIG'S AUDIT ON MDHA'S HOPE VI PROGRAM

In January 2006, we received two credible, anonymous complaints alleging that MDHA was paying its program management consultant, H.J. Russell, for work performed under the HOPE VI Program without adequate supporting documentation of the invoiced amounts.



In August 1999 the United States Department of Housing and Urban Development awarded the County a \$35 million HOPE VI grant to implement a revitalization program of the Scott/Carver Homes. H.J. Russell was the County's HOPE VI Program Manager and was responsible for managing several delineated projects, including the

Community and Supportive Services (CSS) Program. We selected the CSS Program component as the focus of our audit because of the large dollar amounts budgeted for this program under the original contract (over \$834,000 out of a \$2,550,530 contract). The original amount was supplemented by additional funds, under Contract Addendum No. 4, for \$5,163,788. At the start of this audit, construction activity was not significant enough to warrant our auditing of that part of the program.

We found that MDHA's weak administration of the CSS Program permitted a number of improper or abusive transactions to occur that resulted in unnecessary costs and unreliable reports of program activities. An overriding feature was the insufficient documentation supporting MDHA's decision-making process, program oversight and monitoring activities, and approval of contractor invoices. Dominating our findings were unnecessary costs that were either excessive or were duplicate for the same services. A major finding was that MDHA spent \$0.85 out of every dollar for inadequate program administration and case management versus only \$0.15 for the supportive service providers directly benefiting the client population.



Other OIG findings highlighted unnecessary and duplicate

payments for overlapping program services. We found that MDHA paid H.J. Russell \$299,857, under Addendum No. 4, for performing services already required by and paid for under the base contract. MDHA paid itself \$900,149 for the salary and benefits of two individuals dedicated solely to providing—what turned out to be seriously ineffectual—CSS program oversight and monitoring. MDHA paid the County's Department of Human Services \$1,695,914 for case management services, which were already required to be performed by H.J. Russell under the terms of its agreement with the County. We found that MDHA paid its consultant \$212,597 for a CSS database, but instead received a spreadsheet—and an incomplete one at best. MDHA paid its consultant based upon a schedule of meeting certain performance measures, but did so without receiving any supporting documentation that the measures were actually met.

In addition to all the payments described above, MDHA paid its program manager almost \$1.5 million over the course of 60 months without receiving contract-required monthly progress schedules and despite knowing that program activities were substantially behind schedule.

As a result of our audit findings and consultations with MDHA, the County terminated its HOPE VI management contract with H.J. Russell.



### PERFORMING ARTS CENTER RECAP

In 2000, the OIG began providing oversight on the Performing Arts Center (PAC) construction project. In the fall of 2006, the center, renamed the Carnival Center for the Performing Arts, was finally opened to the public.

This project, at the onset, included a \$254.6 million construction manager-at-risk contract with the Performing Arts Center Builders (PACB). PACB was a joint venture to build the PAC, and was comprised of Odebrecht Construction, Inc., the Haskell Company and Ellis-Don Construction. In June 2001, just prior to construction onset, the OIG opened a satellite office at the PAC building site. Initial OIG activities, beginning in early 2000, included attending meetings, documents review—including the contract—and subcontractor due diligence evaluations.

In addition to our routine monitoring activities, during our first full year at the PAC construction site, the OIG was asked to review a proposed agreement for the sale and purchase of a chilled water capacity facility between the

Performing Arts Center of Greater Miami, Inc. and TECO BGA Thermal Systems, Inc. The OIG review identified forty-nine contract items needing clarification and/or resolution. Our comprehensive list was presented to the PAC executive director, who also received comments from PAC staff, other consultants and from the County Attorney's Office, and who consequently recommended not to enter into this agreement.

During our second year on the project, the OIG initiated an audit of selected financial issues and contract reporting requirements related to PACB's performance. We issued the final report in March 2003. The OIG report raised issues on the cost and quantity of potential PACB change orders, construction schedule slippage, and PACB's record keeping, including its reporting on Community Small Business Enterprises participation and goals attainment.



The OIG began a second audit almost immediately. This audit was of selected aspects of PACB's quality control program, including program organization, record keeping and reporting. We issued our final report in November 2003. In this report, the OIG raised issues with PACB's record keeping and reporting of quality control program activities, field staff professional qualifications and its overall compliance with the contract's

requirements for a quality program organization.

Not much more than one year after construction was started, the County and PACB began negotiations aimed at putting an end to escalating construction costs and the lengthening of project durations. Over the next eighteen months, the two parties worked to craft a more workable contractual relationship. In the end, it was determined that they needed to restructure the contract.

The OIG was involved with the County's earliest efforts to remedy the various issues and in July 2004 we issued a report to the County Manager on the proposed restructured PACB contract. The OIG's report raised issues related to the newly proposed organization's structure, its reporting relationships, authorities, responsibilities and its accountabilities for providing construction oversight, assuring schedule adherence and establishing a quality control program. Later, and as a follow-up to many of the issues originally raised in our restructuring memorandum, senior County and PAC representatives met with the Inspector General to explain their positions on a number of issues, including how they intended to implement the restructured contract, establish formal reporting relationships and ensure effective oversight of construction activities and schedule.

In late 2005, the OIG received information from two former employees of a PACB subcontractor alleging the improper installation of exterior stone panels at the PAC. The OIG immediately commenced an investigation of this allegation and in early 2006, issued a report of its findings. The OIG did not find any evidence supporting the allegations that the subcontractor had improperly installed any stone panels. However, the OIG could not state that it found any evidence to affirmatively disprove the allegation, either. There were project records of some instances of non-conforming conditions, but most records related to unacceptable stone appearance issues, not stone installation issues. The OIG observed that there was no formal process for ensuring that authoritative records were being prepared to evidence that exterior stone panel installations were inspected and tested to assure that the work conformed to contract specifications and construction standards.

As a result of our review, PAC/PACB officials changed their collective practices and processes to improve inspections, testing activities and record keeping, and to improve documentation maintained on non-standard construction

conditions encountered while installing the stone panels.



By the time that PAC successfully held its grand opening in October 2006, the OIG had already begun phasing out its satellite office. Nonetheless, in December 2006, the OIG investigated certain concerns regarding the design of aisle ways and steps within the two performance areas. It was alleged that the improper design contributed to patron falls and resultant injuries. PAC officials stressed that both venues were designed to meet code requirements and that both have successfully passed their building and Americans With Disabilities Act inspections. PAC officials informed the OIG that they had already increased aisle lighting wattage and installed temporary tape markings on the steps to make it easier for patrons to make their way up and down the aisle ways and steps. In addition, PAC officials stated that they had ordered permanent markings that will be installed as soon as they are delivered in early 2007.

#### FRAUD COMPLAINT TRACKING

The "Report Fraud" program continues to maintain and increase public awareness and provides the ability to generate fraud leads from County sources, which are critical factors in the continued development of the productivity of the Office. We will continue our efforts to raise awareness of our mission to promote ethics, honesty and efficiency in government and to restore and promote the public's trust in government.

Any citizen, including County employees, County vendors and contractors are encouraged to report fraud in a variety of convenient manners. Ways to report fraud include mailing or faxing complaints to our office, or directly calling our dedicated Fraud Hotline. Special Agents offer information and assistance to callers on our Fraud Hotline. The public may also visit our website at [www.miamidadeig.org](http://www.miamidadeig.org) to report fraud confidentially on-line, without revealing their e-mail address or identity. Look for our informative posters on Miami-Dade Metrorail trains and Metrobuses.

The public can either register a complaint anonymously or by providing their identity. Any person providing information to the OIG may request to have his or her identity protected to the maximum extent of the law.



During Fiscal Year 2005-06 we received 489 fraud complaints from the community through letters, faxes, the Hotline, and via the OIG website. Together, this represents an 8% increase in the number of complaints received over the last fiscal year. Of these, 10% led to the initiation of a case, audit or

inquiry, or related to an existing case. Another 27% warranted no additional action and 4% of the complaints are still pending a disposition. Two percent of the complaints were handled by the new MDHA Hotline Task Force. The majority of the complaints that we received, 57%, were referred to another county department or other governmental agency that could directly address the concerns of the complainant.

#### INVESTIGATIONS UNIT ACTIVITIES

The Miami-Dade OIG has the authority to investigate County affairs and the power to review past, present and proposed County and Public Health Trust programs, accounts, records, contracts and transactions. While the entire OIG operation fulfills this mandate, the Investigations Unit uniquely responds to allegations of fraud, employee misconduct, corruption, abuse by public officials, whistleblower complaints, submission of false documentation, and other alleged criminal violations. Audits, inspections and reviews may uncover evidence of the above and, therefore, result in investigations to further explore the facts and evidence of that subject matter.

The Investigations Unit continues to handle a variety of cases, which



include investigations of vendors and contractors doing business and/or receiving funds from the County and cases of employee and official misconduct. Investigations of official abuse and conflicts of interest may result in referrals to the Ethics Commission or the direct filing of an ethics complaint by the Inspector General. Other investigations may result in criminal charges being prosecuted, and other administrative remedies imposed.



Investigative staff members also participate in inspections, evaluations and reviews, and the Unit as a whole conducts numerous background screening investigations for candidates to be employed in upper level managerial and security sensitive positions.



The Unit also lends a hand to many Miami-Dade County departments in areas of critical importance, conducting numerous background screening investigations of employees and contractors who will work or seek access to sensitive areas of our County government. For example, the OIG has conducted background checks for the Seaport, Transit Department, and the Water

and Sewer Department.

The Office also makes recommendations to improve security at various County facilities.

**EMPLOYEE MISCONDUCT CASES**

The Investigative Unit continues to diligently pursue investigating credible allegations of employee fraud and abuse. This includes such employee actions as time and leave abuses, the falsification of official documents, theft, the failure to disclose outside employment or businesses, pocketing of cash for County services, unauthorized use of County equipment, and claims of excessive overtime and other payroll abuses.

Corrective measures taken after investigations of similar employee misconduct have resulted in arrests and prosecution, termination, letters of reprimand, suspension, mandatory training, forfeiture of annual and sick leave, and restitution to the County for monetary losses.

**ARREST STATISTICS**

The Office of the Inspector General continues to take pride in its strong record of criminal prosecutions as part of its overall oversight mission. During Fiscal Year 2006, a total of 20 arrests were made and one company was indicted.



Of the arrests made this year, individuals were charged with various crimes that cost the County millions of dollars. Arrest charges included Bribery, Grand Theft, Official Misconduct, Solicitation to Commit Perjury, Forgery, Mortgage Transaction Fraud, Wire Fraud, Racketeering and Racketeering Conspiracy, Aggravated White Collar Crime, Money Laundering, Income Tax Evasion, Election Campaign Violations, Identity Theft, Organized Scheme to Defraud, and Fraudulent Sales Tax Exemption Claims.

These prosecutions, and other criminal prosecutions closed this year, have resulted in restitution and recoveries totaling over \$24 million.



### RESIGNATION ALERTS

In our first OIG Annual Report in 2001, we reported that we had just formalized our procedures for invoking Section 2-56.33 of the County Code, whereby county officials and employees under investigation for an offense involving a breach of the public trust are stopped from receiving their accrued sick and annual leave payouts pending the conclusion of an investigation. The OIG Legal Unit and our investigative analysts instituted a procedure called the "Resignation Alert." The alert serves as a holding mechanism to prevent automatic processing of an employee's accrued sick

and annual leave in the event that the employee resigns before the conclusion of an investigation or the filing of charges. Once the payment is blocked, the monies are held in escrow until there is a determination of whether an offense against the public trust—civil or criminal—was committed. If there is an affirmative determination, the suspended payout may be forfeited. Should the investigation conclude without charges filed or if the individual is found not guilty at trial, the monies are paid to the individual unless other administrative personnel determinations have affected the individual's entitlement to the payout. In 2005, the Code section was amended to specifically include officials and employees of the Miami-Dade Public Health Trust.

Between 2001 and the end of Fiscal Year 2006, the OIG has initiated 108 Resignation Alerts. These Resignation Alerts have blocked the payment of over \$350,000 in accrued sick and annual leave payments to 29 employees. In the overwhelming majority of these 29 cases, OIG investigations of employee misconduct resulted in the filing of criminal charges involving a breach of the public trust. Cases closed with a finding of guilt, either by trial or plea agreement, result in the forfeiture of the ex-employees' accrued leave. At present, numerous resignation alerts remain outstanding and hundreds of thousands of dollars remain suspended awaiting a final determination.

**MAJOR CRIMINAL INVESTIGATIONS RESULTING IN ARRESTS**



The cornerstone in building a record of successful criminal prosecutions rests on our mandate to conduct well planned, documented, thorough and comprehensive investigations. Our partnership with the Miami-Dade County State Attorney’s Office has been a pivotal part of this success.

The summaries below are only a sample of the investigations conducted by the OIG which resulted in arrests and final resolutions of criminal prosecutions during the past year.



**THE MILLION DOLLAR SCAM**

The mail room supervisor of the County’s Water and Sewer Department and the president of a local company that was pretending to be a county vendor were both arrested for stealing \$1 million in County money through an elaborate theft and money laundering scheme. The duo set up a phony account with the United States Postal Service,

which was supposed to be used to pay for County mailings. Instead, they funneled County money through this account to the phony company, then to various bank accounts from which they withdrew the money and used it for themselves. The Inspector General’s Office has seized over \$250,000 in stolen proceeds and two luxury vehicles. The president of the local company pled guilty and will be cooperating against the County supervisor. He has agreed to sell or dispose of his assets in order to pay restitution owed to the County. He faces jail time and a lengthy probation. Other Water and Sewer personnel face disciplinary action.

**TUITION REIMBURSEMENT ABUSE**

Since 1963, Miami-Dade County has generously offered its employees a 50% refund for their tuition costs. Unfortunately, the OIG determined that in 2005 alone, over 170 County employees were improperly reimbursed over \$325,000. The OIG inquiry has, thus far, only looked at approximately one-quarter of the 2005 reimbursements. Therefore, we expect these numbers to rise significantly. Given the fact that this program has never been audited, there is no telling how much money the County has been overcharged since 1963. As a result of the investigation, a grand jury indicted four County employees for falsifying



their grades to get reimbursements. The grand jury also issued a report criticizing the County's administration of the reimbursement program and, together with the OIG, offered recommendations to improve management and oversight. Many of these recommendations are being implemented.

**THE PREDATORS**

The OIG has always taken pride in protecting our community's disadvantaged citizens from scam



artists. In an investigation dubbed "Operation Foreclosure Vultures," OIG investigators uncovered multiple schemes that resulted in the arrests of a Miami lawyer and three other individuals for their part in a foreclosure surplus fraud scheme, using state courts in Miami-Dade and Hillsborough Counties. The OIG worked closely with the Florida Department of Law Enforcement (FDLE) and the Office of Statewide Prosecution. The four individuals were arrested for their part in two separate but related mortgage fraud schemes that victimized South Florida homeowners. This OIG investigation highlighted a serious problem plaguing the court system: the opportunity for unscrupulous predators and asset locators to victimize homeowners who are unaware that monies from the foreclosure sales of their homes exceeded the debt on the properties.

Charging Organized Scheme to Defraud and Grand Theft, one scheme involved misappropriating \$66,339.67 in surplus foreclosure funds from 20 victims. In yet another scheme, \$48,000 in surplus funds owed to a 68-year old victim who lost her home to foreclosure were misappropriated. In addition to the criminal charges, the attorney is currently facing a disbarment action before the Florida Supreme Court for his participation in the scheme. One of those arrested has already pled guilty and will cooperate against the other defendants. He must also pay \$100,000 in restitution to the victims and the OIG's investigative costs.

**THE AIRPORT'S FUEL FARM SCANDAL**

The OIG and State Attorney's Office continued their ongoing investigation of the Aviation Department's Fuel Farm Facility, resulting in the arrest



of three more individuals and criminal charges being brought against another corporation. Thus far, 18 individuals and five corporations have been charged criminally. The operator of the facility has already agreed to make \$2.5 million in restitution. The County's Fuel Farm program manager has pled guilty and will cooperate in the case, forfeiting all accrued annual and sick leave as well. The latest arrests include a former maintenance supervisor for

the company hired to manage the fuel facility. Each arrestee was charged with Racketeering, Conspiracy, Organized Fraud, and Grand Theft. A corporation was also charged and a racketeering lien placed on its business facility. The corporation was contracted to remove petroleum contaminated water from the fuel facility. In essence, the defendants concocted a scheme to illegally remove jet fuel from the facility. The defendants subsequently sold the stolen fuel to an oil company located in Medley, Florida. The investigation is continuing and more arrests are forthcoming. One other notable achievement of this investigation is that millions of dollars will be saved in the years to come because of operational reforms that are now in place.

#### CRIMINAL JUSTICE SYSTEM DEFRAUDED

A complex investigation into a recipient of County grant funds revealed several schemes resulting in the arrests of three individuals, including a former circuit court judge, for defrauding the County and the State of Florida of hundreds of thousands of dollars. OIG investigators examined a variety of grants from the County and State received by a not-for-profit corporation established to provide disadvantaged juveniles or those within the criminal justice system with social work services. The former circuit court judge served as the director of the non-profit

organization. The investigation revealed that they developed a sophisticated scheme that used a shell corporation to provide the County and the State with phony invoices for employee payrolls. The shell company insulated them from County and State scrutiny and allowed them to over-bill the government. Once the non-profit received the grant monies, its employees were paid at much lower rates. The invoices submitted also falsely stated the scope of the work being done by some of the employees. The former judge and administrative assistant of the non-profit were also able to increase their own salaries above the amounts allowable by the grants for their alleged work. In all, the schemes enabled the defendants to steal almost \$220,000.

Also arrested and charged for a separate scheme involving the non-profit was the administrative assistant's son. While conducting the investigation into the non-profit's use of County grant funds, it became apparent that funds were stolen from a Court Diversion Services Pre-Trial Options Program (Diversion Program) established by the non-profit. In charge of that program was the administrative assistant's son, who was falsifying Diversion Program checks and arranging through friends for those checks to be cashed and the funds returned to him for his own personal use. The checks, totaling \$31,401.36, were drafted



to resemble restitution checks to victims of crimes.

### CAMPAIGN FINANCING FRAUD

An OIG investigation into the campaigns of all candidates who applied for Campaign Financing Trust Funds for the Mayoral and County Commission Elections of 2004 resulted in the arrests of several candidates. The investigation uncovered the falsification of campaign finance reports in order to qualify for \$300,000 in public money available through the Campaign Financing Trust Fund. The candidates were charged with several counts of election law violations. Thus far, one of the candidates who unsuccessfully ran for Mayor has pled guilty.

Another candidate who unsuccessfully ran for a Miami-Dade County Commission seat was recently convicted at trial. A Miami-Dade County jury returned a verdict of guilty against the candidate seeking the County Commission District 13 Seat in the August 2004 election. The jury found the unsuccessful candidate guilty of one count of Grand Theft of \$75,000 of Miami-Dade Campaign Financing Trust Funds, one count of Making Contributions in the Names of Others and four counts of Solicitation of Perjury. Sentencing is set for later this year and charges remain pending against one other



individual involved in the fraud.

Earlier in the investigation, all of the remaining funds not yet spent by the candidate, \$18,000, were seized.

### EMBEZZLEMENT OF ARCHIVE MONEY

An investigation of the manager of the Louis Wolfson II Florida Moving Image Archive, Inc. (Archive) resulted in a plea of guilty to one count each of Official Misconduct, Forgery, Uttering a Forged Instrument and Grand Theft. The OIG investigation revealed that this County employee had abused his position as manager by submitting fraudulent invoices to disguise the purchase of unauthorized items, embezzling over \$1,800 to purchase goods delivered directly to his home, and submitting bogus expense reports. The investigation led to an OIG audit which also found significant deficiencies in the financial administration of the Archive. As a result of the audit, significant reforms have been adopted.



### CHARITY BEGINS AT HOME

An investigation by the OIG into the former executive director of Camillus House, a non-profit organization, concluded with a plea agreement. The former executive director of Camillus House was sentenced after entering into a plea agreement to two counts of Fraudulent Claim of Exemption and one count of Grand Theft. The OIG

investigation uncovered that the former director abused the power entrusted to him and directed Camillus House employees to complete numerous personal tasks and home improvement projects for properties he owned. He also directed Camillus House employees to purchase materials for his personal projects with Camillus House funds, using the non-profit's credit cards and taking advantage of the tax-exempt status enjoyed by Camillus House. The illicit projects ranged in nature from building a wood deck, to having his dog transported to Broward County for grooming. The purchases ranged from nuts and bolts to barbecue grills. The former director was sentenced to two years probation, paid Camillus House \$10,000 in restitution, and paid the OIG for the cost of its investigation. In addition, the plea prohibits him from working with a government agency or with a government funded organization during the term of his probation and requires that he perform 150 community service hours.

#### SCALES SOMETIMES LIE

An investigation commenced by the Office of the Inspector General in March 2004 closed with the successful prosecution of seven individuals involved in various schemes to cheat the County's truck scales at the Department of Solid Waste Management (DSWM) and



the recovery of hundreds of thousands of dollars. The OIG investigation uncovered several schemes: one by waste tire haulers to cheat the County's truck scales; another involved the theft and subsequent resale of DSWM payment coupons by a County employee; and finally, DSWM employees defrauding the County of disposal fees for their own benefit. The OIG investigation resulted in the arrests of four County employees. In addition to the County employees, three waste tire haulers were arrested for cheating the County's truck scales. A final resolution of all of the cases was reached through various pleas. As a special condition of community control and probation, one former employee was ordered to pay \$60,000 in restitution to DSWM while on probation and an additional \$33,770 in restitution as a criminal order of restitution, forfeit his pension and leave time, and have no government employment while on probation. Two other former employees were sentenced to three years probation with the special condition that they pay a fine, restitution to DSWM, costs of investigation to the OIG, resign from the County, and hold no public employment during the terms of probation. In addition, their accumulated annual and sick time was forfeited. Another employee also pled guilty and was sentenced to two years probation with special conditions that he pay \$1,464 in restitution to DSWM, costs of investigation to the OIG, forfeit annual and sick time, be debarred from contracting with the County and hold no

public employment while on probation. One defendant was placed in a Pre-Trial Diversion Program and the tire haulers who both pled guilty were sentenced to five years probation with the special condition that they pay \$40,000 in restitution to DSWM, stay away from the dump, be debarred from County contracts for the term of probation and pay costs of investigation to the OIG. In total, the defendants were ordered to pay almost \$150,000 in restitution to the County.

In addition to the restitution to the County, the OIG investigation resulted in important changes to the procedures used by the DSWM. Commercial waste tire haulers must now be weighed upon arrival when the trucks are full of waste tires and then again before leaving when the trucks are empty to determine the true weight of the tires dumped. This procedure ensures an accurate assessment of fees due the County. In fact, the DSWM is now collecting thousands of dollars of additional fees each month since implementing the new procedures. In one three-month period alone, revenues increased 46%. In the years to come, we can expect that revenues will increase by millions because of this investigation.

### UNION MEMBERS GET JUSTICE

Former County employees of the Water and Sewer Department were sentenced following an investigation by the Office of the Inspector General into a complex scheme to embezzle union dues

paid by County employees. The former president and the former secretary/treasurer of the American Federation of State, County, and Municipal Employees (AFSCME) Labor Union, Local 121, pled to one count each of Conspiracy to Commit Racketeering and Organized Scheme to Defraud, both first degree felonies. They were sentenced to two years community control (house arrest) followed by ten years of probation with special conditions, including restitution to AFSCME Local 121, forfeiture of their accrued County leave, payment of costs of investigation to the OIG, and 200 community service hours. They will also be debarred from County contracts and barred from government employment, and must pay the AFSCME Local \$129,434. The investigation into this large-scale theft of union dues was possible due to the diligence and information supplied by the current president of AFSCME Local 121. The current president and his administration not only sought to untangle the financial chaos created by the former officers, but filed a complaint with the OIG and provided their complete cooperation during the course of the investigation.

### OVERTIME ABUSERS

An investigation by the Office of the Inspector General, which resulted in two Miami-Dade Fire Rescue lieutenants being charged with stealing over \$14,000 in overtime pay,



concluded with the plea of one of the lieutenants. The charged lieutenants were responsible for inspections of all life safety systems at Miami International Airport (MIA), including the inspection and plans review of new construction projects that comprise MIA's Capital Improvement Program. They were arrested in June of 2004 and charged with the theft of overtime while conducting inspections at MIA. The case against one of the lieutenants was closed upon his death in early 2006.

The other lieutenant entered a plea of guilty and was sentenced to five years probation. As a special condition of his probation, he will be paying the County \$14,303 in restitution, an additional \$56,633 from his pension funds, and will have his pension reduced by approximately \$19,000 annually. Additionally, the lieutenant must forfeit his accrued leave with the County and repay the OIG for the costs of the investigation. The plea prohibits him from County employment during the course of his probation and debars him from contracting with the County for a period of five years. As a result of the OIG's investigation, the Fire Rescue Department has taken remedial steps to help prevent this type of abuse in the future.

#### HOMELESS TRUST SWINDLED

Three individuals were sentenced on charges of Fraudulent Mortgage

Transactions against the Miami-Dade County Homeless Trust. One defendant was sentenced to five years probation with the special conditions that he pays \$12,364 in restitution and forfeits any professional mortgage broker licenses he holds. His co-defendant, who had agreed to cooperate with prosecutors, was sentenced for her part in the theft and mortgage fraud to three years probation with the condition that she complete 200 community service hours and pay \$6,000 in restitution.



The pair was charged with swindling Miami-Dade County's Homeless Trust out of thousands of dollars through an elaborate real estate mortgage scheme. Another individual was charged with fraud, theft and practicing law without a license in two diversified schemes to defraud the Miami-Dade County Court System and the Miami-Dade County Department of Human Services Child Care Assistance Program of thousands of dollars. She was sentenced to three years in state prison followed by two years of community control (house arrest), followed by eight years of probation. Part of her sentence included an order to pay restitution to Miami-Dade County, forfeit any professional licenses she holds, pay costs of investigation to the OIG, and perform 100 hours of community service.

## AUDITS, INSPECTIONS AND REVIEWS

The Audit Unit routinely reviews and evaluates proposals, contracts and programs on a variety of criteria such as cost and quality control, time management, program and project management, performance standards, consultant's performance, subcontracting assignments, contract compliance and safety issues.

One of the major audit reports issued in 2006 was of the Housing Agency's HOPE VI Program and the program management contract of the Agency's consultant. That summary is included in our Housing spotlight, which begins on page 8. The following are some of the other notable audits and reviews completed by the Unit during the past fiscal year:

### OFF-REGULAR POLICE DUTY PROGRAM

This Program establishes an authorized way for public and private entities to request police services. The Program enables MDPD to assign its officers and compensates them for their work. Frequent program users include local stadiums hosting sporting events, retail establishments, and film entities shooting in the County. Recurrent users are issued permanent permits and are invoiced monthly for police services already rendered. The Program benefits the community, as permittees and other users receive police services, which provide for the protection of persons and property and function as a crime

deterrent. The Program is mandated to be self-supporting, which requires that the County recover adequate funds to compensate the police officers, including their fringe benefits, and cover the Program's administrative costs. While MDPD provides the officers, the County's Finance Department invoices users and collects payments. Our report contained several findings, each noteworthy for its impact on the administration and financial well-being of the Program.

Our most significant finding shows that the Program is not self-supporting and that the County dedicates additional resources to supplement the administration of the program. The audit identified at least 33 County employees involved in processing and recording Program transactions. The audit showed that the County suffers an adverse financial impact of at least \$420,000 annually to administer and operate the program.

Ineffective collection of past due receivables from permanent permittees allowed the total amount of program receivables to average around \$1,000,000 monthly. Consistently, there has been a large dollar value of accounts, 60 days or more, past due. The County has expended these funds for the sole benefit of private business



entities and outside organizations, and we should reasonably expect program users to timely remit payment upon invoice receipt. The audit showed that collectively MDPD, the Finance Department and the Mayor's Office of Film and Entertainment have not coordinated their efforts to recover monies past due.

Other audit findings revealed that Program coordinators were not maintaining required rotation lists of participating officers, thereby adversely impacting opportunities to participate in the Program. We also found that Program permittee files were not adequately maintained, temporary permits were being used in excess of two weeks in violation of Program procedures, and that the Mayor's Office of Film and Entertainment was not regularly apprised of film permittees with past due accounts and does not maintain a formal listing of problematic film-related entities. Other noted irregularities and non-compliant practices were brought to management's attention.

Our recommendations included analyzing County resources allocated to the Program in order to make it self-sufficient; adopting a Memorandum of Understanding (MOU) between the MDPD, the County's Finance Department and the Mayor's Office of Film and Entertainment to clearly describe each party's

responsibilities; charge interest on balances over 30 days old; write-off long standing accounts receivables and return monies to permittees with credit balances; and other recommendations specifically related to MDPD's Program procedures.

Recommendations adopted by MDPD include a biennial review of all Off-Regular Duty permittee files and training for all Off-Regular Duty District Coordinators regarding the proper preparation of rotation lists and service logs. MDPD has revised its procedures creating four exemptions to the two-week temporary permit guideline. Several meetings were held after our report's issuance and the three departments reviewed are currently working on a MOU regarding the responsibilities of each party and collection of program fees.

Recommendations adopted by the Finance Department include providing the Mayor's Office with a monthly aging report of all permittees, attempting to return monies to permittees with credit balances, and preparing to write-off past due account receivables deemed uncollectible.



### **BUS SERVICE PARTS WARRANTY COVERAGES**

The OIG conducted an audit of the Miami-Dade Transit Department's (MDT) processes and

procedures relating to warranty coverage for its bus service replacement parts. We found that MDT's Warranty Administration Division (WA) was not the central decision-maker when it came to warranty-related transactions. Instead, another MDT unit, Bus Maintenance Control, was—by default—making the decisions affecting warranties, leaving WA to do little more than clerical data entry on already completed work.

We also found numerous inefficiencies due to ineffectual supervision, inadequate record keeping, non-existent performance specifications and incomplete part information. WA personnel altered vendor performance data to possibly hide vendor non-performance and assessment of liquidated damages. There was no vendor performance monitoring to maximize warranty coverages and minimize MDT's out-of-pocket repair and maintenance costs. Furthermore, there were inadequate claims tracking information for warranty-repaired parts and replacements.

We emphasized the need for MDT to re-organize its WA functions, responsibilities and business processes. We directed MDT to review past transactions to determine whether it could recover monies spent on new parts and repairs that would have been otherwise covered under existing warranties. MDT took the initiative, and as a result, MDT received approximately

\$76,000 for warranty recoveries on past transactions from 2004 to 2006.

Other changes implemented by MDT include the revamping of its WA organization to facilitate the review of all warranty administrative activities, new written procedures and improved warranty tracking on a single software platform to manage assets, inventories and work orders. Overall, the adherence to these new business practices has and will positively impact MDT maximization of its warranty coverages.

#### TEEN COURT CASE FILES

The Miami-Dade County Teen Court Program is an alternative sanctioning program administered by the Metro-Miami Action Plan (MMAP). The Program is designed for first time misdemeanor youthful offenders who agree to allow their peers, instead of the juvenile justice system, determine their sentencing. Qualified youthful offenders placed into the program must complete a series of Teen Court "sanctions" in order to have their cases expunged. At the request of the former Interim Director, the OIG reviewed a selection of case files only to find that all of the files we reviewed contained questionable documentation evidencing completion of program sanctions. We noted missing documents, unsigned documents, falsified documents and altered documents. Our review also



determined that the 90-day case closure timeframe was consistently exceeded.

Major administrative reforms have taken place as a direct result of our review. The OIG met with MMAP and State Attorney's Office officials to determine how program accountability could be improved. Corrective action plans were initiated and have been implemented.

### EQUITABLE DISTRIBUTION PROGRAM

The OIG reviewed the circumstances that resulted in the selection of an engineering firm under the Equitable Distribution Program (EDP) to provide consulting and advisory services related to the County's participation on the two Everglades Restoration activities.



Our review determined that the County's Office of Water Management (OWM) failed to follow Program procedures and County guidelines when it handpicked the engineering firm from a list of eligible EDP consultants without documenting any of

the selection factors considered in determining that this firm was the most qualified firm to provide the desired services.

Our review revealed that no "real" services were, in fact, provided by the engineering firm, EAS Engineering, Inc. Instead, all the services were provided by the consulting services arm of an environmental law firm, LLW Consultants, Inc. The OIG audited the payment and project records related to this agreement and found that it was a 100% pass-through for LLW; an unallowable and unauthorized consultant. LLW was, in fact, the actual and intended service provider, not EAS. Nowhere in EAS procurement documents or payment applications was LLW identified as a service provider or sub-consultant, albeit that it was "the" actual service provider. Moreover, LLW began providing services to the County before EAS was formally procured by OWM. EAS then repackaged LLW's invoices as its own and submitted them to the County for payment. Evidence also showed that LLW received 100% of the money under the agreement, approximately \$115,000.

Overall, all three entities—OWM, EAS and LLW—argued that there was no exception taken against the quality of work, and that the County was satisfied. The OIG maintained that regardless of quality of work produced, these transgressions were a

serious breach of County procedures. The guise of providing services in the name of another has grave misreporting ramifications and should be taken seriously. The County has since initiated debarment proceedings—which are still on-going—against the contracted firm.

We subsequently initiated a broader review of how other County departments use the Equitable Distribution Pool. This report will be issued in the summer of 2007.



The efforts of the OIG Audit Unit have continued to result in significant changes that impact the way our County government operates.

To read additional OIG reports of public record, press releases, audits and reviews, just go on-line to visit our website at [www.miamidadeig.org](http://www.miamidadeig.org).

### PROCUREMENT OVERSIGHT

The integrity of the procurement process is of paramount importance to offices of inspectors general. We want to ensure the public that their tax dollars are spent efficiently, effectively and wisely; and that decision-makers' actions are fair, objective, honest, and, most importantly, without bias or prejudice. IGs ensure that the rules are followed, and that there is transparency in the process. We often question and challenge assumptions and make suggestions and

recommendations, where appropriate, to improve the process. We raise the red flag when we have concerns or when we spot problem issues that require management's attention. The OIG provides this type of oversight as an independent entity and without publicity.

The following are just some of the procurement processes that we have been overseeing:

As a result of our 2004 investigation of the Pharmacy Management contract between the Public Health Trust/Jackson Health System (PHT) and Cardinal Health, Inc., and the dramatic procurement reforms instituted as a result of that investigation, the OIG maintained a constant procurement oversight presence at the PHT during the last year while it engaged in new selection processes to replace some of its most significant contracts. These procurements included RFP 06-5140 Group Purchasing Organization Services (a contract estimated at \$60 million per year providing competitively selected vendors for supplies, pharmaceuticals and services); RFP 06-54177 Medical/Surgical Distribution Services (a contract estimated at \$38 million per year to provide medical and surgical supply distribution services).



Additionally, the OIG has been closely monitoring the procurement process for the selection of a vendor to provide the PHT with an Enterprise Resource Planning Information System (ERP) (RFP 06-5145); a Patient Financial Application System (PFS) (RFP 06-5173), or in the alternative one Single Prime Vendor Combined Solution (RFP 06-5176), which would encompass both ERP and PFS systems. This particular procurement is the direct result of our earlier monitoring of the PHT's predecessor agreement with Siemens Medical Solution for a \$50 million contract for such a combined system. Criticisms raised by our office concerning certain actions that occurred during the period of selection and negotiation of the software contract directly resulted in the cancellation of the contract negotiations and the re-bidding of these systems as three separate requests for proposal.

Relating to the activities of the Peoples' Transportation Plan (PTP), the OIG engaged in oversight on RFP 407A for Small Low Floor Buses. The contract's scope includes the design, manufacture, testing and delivery of 300 new modern-looking buses meeting strict operating criteria to augment the County's fleet at a price of approximately \$90 million. We also monitored RFP 439 for Heavy Rail (Metrorail) Vehicle Rehabilitation. The scope of this contract calls for the design and replacement of major systems and components for 136 Metrorail

cars. This project is intended as a major overhaul encompassing the overall exterior and interior aesthetics of the railcar. The OIG is also monitoring the regional procurement of a Universal Automated Fare Collection System, which is being administered by the South Florida Regional Transportation Authority.



We will be providing full-time oversight of the PTP next year as the County begins receiving Federal and State funding leveraged from a ½-cent surtax and begins the acceleration of several major transportation projects, including new metrorail corridors.

In all these cases, OIG personnel reviewed the solicitation, specification and proposal documents, monitored correspondence during the procurement process, and attended meetings including the selections committee meetings, vendor presentations and subsequent negotiations. In other procurement-related inspections, the OIG has been tasked with investigating allegations of misrepresentation related to a vendor's claim of local preference,

misrepresentation of qualifications, falsification of insurance documentation, undisclosed prohibited affiliations, and conflicts of interest.

As we are monitoring on-going processes, we only issue memoranda related to our concerns or any other issues, where appropriate. More often, we resolve potential issues and problems through direct interventions with County staff, thereby averting costly mistakes or undue influences.

#### QUESTIONABLE COSTS, SAVINGS AND RESTITUTIONS

Since the inception of the Office in 1998, OIG investigations, audits and reviews have identified over \$102 million dollars of questionable costs. In the fiscal year 2005-2006, over \$34 million dollars in questionable costs, identified losses and damages, and lost revenues were identified. For this same fiscal year, over \$24 million dollars in restitution and future savings were achieved for the County.



We continue to fight against waste and abuse within our County government, with measurable achievements and success in eliminating fraud discovered in such areas as:

- Misappropriation and Misuse of County Funds
- Building Certificate Compliance
- Submissions of Fraudulent Insurance Documents
- Elections Campaign Finance Trust Fund
- Solid Waste Tire Disposal
- Fraudulent Overbilling
- Mortgage Fraud
- Overtime Abuse
- Payroll Fraud
- Homestead Exemption Fraud

#### LEGAL UNIT ACTIVITIES

During the past year, the OIG's Legal Unit has been kept extremely busy. On the litigation front, OIG attorneys successfully represented the office against several lawsuits filed by individuals and organizations seeking to undermine our authority. In one action, the OIG Legal Unit prevailed against a party seeking to stop an OIG investigation, and then enjoin the publication of its report of those findings. The Legal



Unit forcefully defended the OIG's jurisdiction and authority and argued that the injunction sought by the plaintiff amounted to censorship and prior restraint, and would have serious First Amendment implications impacting the public's right to know. The OIG prevailed.

The injunction was denied, the investigation concluded, and the report was published. In another matter, the OIG reached a favorable settlement in a public records lawsuit. In a third lawsuit, motions filed by OIG counsel resulted in the plaintiff's voluntary dismissal of another lawsuit, which challenged the OIG's investigatory authority.

On the appellate front, OIG cases from previous years finally concluded with the appeals court affirming judgments in the OIG's favor. These cases were originally from 2004 and 2005. One appellate ruling affirmed the OIG's authority to subpoena records. The second case affirmed the OIG's ability to claim certain investigative exemptions provided by Florida law. OIG counsel litigated both cases before the appellate court.

The OIG Legal Unit also prosecuted a Declaratory Action claim relating to the qualifications of a candidate for County Commission. Pursuant to Section 12-11(c) of the Code of Miami-Dade County (County Code), the OIG has the authority to conduct investigations and file court actions against candidates that do not meet the proper qualifications for certain County offices. After the OIG filed the lawsuit questioning the candidate's qualifications, the candidate voluntarily withdrew from the election.

Several other complaints of

unqualified candidates were reviewed and investigated by the legal staff.

OIG counsel also filed four ethics complaints alleging illegal lobbying of County Commissioners and their staffs relating to a proposed 25-year lease of land at the Port of Miami. Pursuant to Sections 2-1074 and 2-1076 of the County Code, the Inspector General is authorized to file complaints directly with the Commission on Ethics and Public Trust, which is then prosecuted by the Commission's advocate. The complaints, filed by the OIG Legal Unit last year, recently resulted in the two principals of the company agreeing not to contest the allegations of unregistered lobbying, thereby entering into a settlement agreement. The two respondents were fined by the Ethics Commission and, as part of the settlement, agreed to reimburse the OIG for investigative costs.

Building upon a joint investigation with the Miami-Dade State Attorney's Office, OIG legal counsel filed three sworn complaints with the Florida Elections Commission regarding various campaign contribution reporting violations by two elected officials and one unsuccessful candidate. The Florida Elections Commission found probable cause and has entered into settlement agreements, imposing stiff fines upon the elected officials for their campaign contribution violations.

Other duties of the Legal Unit include responding to public records requests. In 2006, the Legal Unit responded to fifty-nine public records requests. These requests have to be evaluated to comply with Florida laws granting all citizens access to government records and to ensure that material that is exempt or confidential is protected as provided by law.



OIG counsel, sworn in as Special Assistant State Attorneys, assisted the Public Corruption Unit of the Miami-Dade State Attorney's Office in the prosecution of several criminal cases involving, among other things, corrupt public officials. Many of these cases are reported in the *Major Criminal Investigations Resulting in Arrests* Section of this annual report.

### INTERGOVERNMENTAL RELATIONS

Beyond the various Miami-Dade County departments, agencies and instrumentalities that we regularly work with, there are a vast array of other government agencies and professional organizations that we work with and maintain close associations with. In fiscal year 2006, we worked and maintained relationships with:

- Association of Inspectors General
- Association of Certified Fraud Examiners
- Astoria Federal Savings Corporate Security
- Broward County State Attorney's Office
- City of Aventura
- City of Coral Gables
- City of Hialeah
- City of Miami Beach Police Department
- City of Miami Office of Internal Audits

- City of Miami Shores
- City of North Miami Beach
- City of West Point, Mississippi Police Department
- Clay County, Mississippi Sheriff's Office
- District of Columbia, OIG
- Federal Bureau of Investigation
- Financial Institutions Security Association
- FL Agency for Workforce Innovation, OIG
- FL Attorney General's Office, OIG
- FL Dept. of Agriculture and Consumer Services
- FL Dept. of Business & Professional Regulation
- FL Dept. of Children & Families, OIG
- FL Dept. of Corrections
- FL Dept. of Corrections, OIG
- FL Council of State Agency IGs
- FL Dept. of Financial Services
- FL Dept. of Health, OIG
- FL Division of Insurance Fraud
- FL Dept. of Law Enforcement
- FL Dept. of Revenue
- FL Dept. of State – Division of Corporations
- FL Dept. of Transportation, OIG
- FL Highway Patrol
- FL Medicaid Fraud Control Unit
- FL Office of the Chief Inspector General
- FL Office of the Condominium Ombudsman
- FL Office of Financial Regulation, Criminal Investigations Division
- FL Office of Statewide Prosecution
- Florida Bar Association
- Florida International University
- Gainesville Police Department
- Hillsborough County Sheriff's Office
- Hollywood Police Department
- Internal Revenue Service
- Interpol
- Jacksonville Sheriff's Office
- League of Women Voters
- Los Angeles County MTA, OIG
- Louisiana State Office of the Inspector General
- Miami-Dade Police Department
- Miami-Dade State Attorney's Office
- Miramar Police Department
- NASA Office of the Inspector General
- National Oceanic & Atmospheric Administration
- New Orleans City Council
- NY Metropolitan Transportation Authority, OIG
- NYPD Special Fraud Squad
- Ohio State Office of the Inspector General
- Oregon Div. of Finance & Corporate Securities
- Port Authority of NY & NJ, OIG
- South Florida IG Council
- SunTrust Bank Corporate Security
- U.S. Attorney's Office, Southern District of FL
- U.S. Dept. of Agriculture, OIG
- U.S. Dept. of Health & Human Services
- U.S. Department of Homeland Security
- U.S. Dept. of Transportation, OIG
- U.S. Immigration and Customs Enforcement
- U.S. Justice Department
- U.S. Marshals Service
- U.S. Postal Inspector General
- U.S. Probation and Pretrial Services
- U.S. Secret Service

## CONTINUING PROFESSIONAL DEVELOPMENT OF THE OIG STAFF

Although the Office hires personnel from among the most highly skilled and experienced professionals in their fields, we remain dedicated to emphasizing continuing education and training of our staff. We believe that continuing education, advanced training and technology are paramount for successful operations. As active participants in the national Association of Inspectors General (AIG), our Deputy Inspector General serves on the AIG's Professional Certification Board and Professional Development Committee. The OIG has made a committed move to invest resources in sending staff for specialized training and certifications in the IG field. In keeping up with professional standards in the industry, our legal and auditing staff continues training to earn continuing professional education (CPE) credits.

The executive team of the Miami-Dade OIG have all earned the AIG's Certified Inspector General designation, and in this reporting year five additional Special Agents attended the AIG's Certified IG Investigator (CIGI) Institute. Completion of the week long course earns the distinguished CIGI designation.

Additionally, many of our Special Agents have



completed training programs offered by the Federal IG Criminal Investigator Academy and the Federal Law Enforcement Training Center. Specialized training of investigative staff has focused on such topics as public corruption integrity investigations, procurement contract grant fraud investigations, and financial forensics techniques. We also have a newly certified Digital Evidence Acquisition Specialist. Other members of the Investigations Unit have attended analyst trainings provided by the Florida Department of Law Enforcement (FDLE), including attendance at the statewide Criminal Justice Information Services (CJIS) Users' Conference, and the National HIDTA Assistance Center.

In December 2005, the OIG's Investigative Analyst Supervisor graduated from the Florida Law Enforcement Academy, earning the distinguished designation of *Certified Law Enforcement Analyst*. This certification is conferred only after successful completion of a six-week academy, which is run by the Florida Department of Law Enforcement. Enrollment in the Academy is by invitation only.

During the past year, several of our auditors attended a Contract and Procurement Fraud course at the Inspectors General Audit Training Institute (IGATI). The entire unit participated in a Construction Activity Audit Seminar hosted by Broward County. They also received training on

the County's Capital Improvements Information System (CIIS). Other senior members of the Unit attended the U.S. Department of Transportation's National Fraud Prevention Conference on Transportation Infrastructure Programs, which was held in Orlando, FL. Given our office's emphasis on audit oversight of procurement and construction contracts, targeted audit training in these areas is invaluable.



OIG attorneys attended a Government Civil Practice seminar sponsored by the National District Attorneys Association, and earn other continuing legal education credits, as required by the Florida Bar.

Administrative staff of the OIG also continue to receive additional training and resources on various applications to ensure we reach our fullest potential in the in-house development of our website, graphics applications, fraud complaint programs and other specialized work product. Specialized training and technology are critical factors in the ultimate delivery of top quality investigations and reports by

the Office. We will continue to direct energies towards researching and finding useful and appropriate training in the IG disciplines and in the latest specialized tools available for our work.

### FOCUS FOR THE COMING YEAR

In continuation of our 2006 efforts, the OIG will remain focused on committing resources, investigations and monitoring activities within the Housing Agency, and other major departments involved in spending County funds earmarked for affordable housing.



Additionally, for 2007, OIG audits and inspections will focus on revenue recovery for the County. We intend to target contracts, leases, permits and concessions where there are risks of revenue losses. Further, the OIG will implement an aggressive program to monitor and review expenditures and reimbursements incurred by the County during emergency situations, such as hurricanes, so as to insure that FEMA's Public Assistance Program is fully and appropriately maximized.

As County programs and projects continue to develop and expand, particularly those directly impacted by transit surtax revenues and the County's general obligation bonds, so too will the OIG's oversight responsibilities.

**APPENDIX:** The OIG’s amended code provisions in full:

**Sec. 2-1076. Office of the Inspector General.**

(a) **Created and established.** There is hereby created and established the Office of Miami-Dade County Inspector General. The Inspector General shall head the Office. The organization and administration of the Office of the Inspector General shall be sufficiently independent to assure that no interference or influence external to the Office adversely affects the independence and objectivity of the Inspector General.

(b) **Minimum Qualifications, Appointment and Term of Office.**

(1) **Minimum qualifications.** The Inspector General shall be a person who:

(a) Has at least ten (10) years of experience in any one, or combination of, the following fields:

(i) as a Federal, State or local Law Enforcement Officer;

(ii) as a Federal or State court Judge;

(iii) as a Federal, State or local government attorney;

(iv) progressive supervisory experience in an investigative public agency similar to an inspector general’s office;

(b) Has managed and completed complex investigations involving allegations of fraud, theft, deception and conspiracy;

(c) Has demonstrated the ability to work with local, state and federal law enforcement agencies and the judiciary; and

(d) Has a four-year degree from an accredited institution of higher learning.

(2) **Appointment.** The Inspector

General shall be appointed by the Ad Hoc Inspector General Selection Committee (“Selection Committee”), except that before any appointment shall become effective, the appointment must be approved by a majority of the whole number of members of the Board of County Commissioners at the next regularly scheduled County Commission meeting after the appointment. In the event that the appointment is disapproved by the County Commission, the appointment shall become null and void, and the Selection Committee shall make a new appointment, which shall likewise be submitted for approval by the County Commission. The Selection Committee shall be composed of five members selected as follows:

(a) The State Attorney of the Eleventh Judicial Circuit for Miami-Dade County;

(b) The Public Defender of the Eleventh Judicial Circuit for Miami-Dade County;

(c) The Chairperson of the Miami-Dade Commission on Ethics and Public Trust;

(d) The President of the Miami-Dade Police Chief’s Association; and

(e) The Special Agent in charge of the Miami Field Office of the Florida Department of Law Enforcement.

The members of the Selection Committee shall elect a chairperson who shall serve as chairperson until the Inspector General is appointed. The Selection Committee shall select the Inspector General from a list of qualified candidates submitted by the Miami-Dade County Employee Relations Department.

(3) **Term.** The Inspector General shall be appointed for a term of four (4) years. In case of a vacancy in the position of Inspector General, the Chairperson of the Board of County Commissioners may appoint the deputy inspector general, assistant inspector general, or other Inspector General’s office management personnel as interim Inspector General until such time as a successor

Inspector General is appointed in the same manner as described in subsection (b)(2) above. The Commission may by majority vote of members present disapprove of the interim appointment made by the Chairperson at the next regularly scheduled County Commission meeting after the appointment. In the event such appointment shall be disapproved by the County Commission, the appointment shall become null and void and, prior to the next regularly scheduled Commission meeting, the Chairperson shall make a new appointment which shall likewise be subject to disapproval as provided in this subsection (3). Any successor appointment made by the Selection Committee as provided in subsection (b)(2) shall be for the full four-year term.

Upon expiration of the term, the Board of County Commissioners may by majority vote of members present reappoint the Inspector General to another term. In lieu of reappointment, the Board of County Commissioners may reconvene the Selection Committee to appoint the new Inspector General in the same manner as described in subsection (b)(2). The incumbent Inspector General may submit his or her name as a candidate to be considered for selection and appointment.

**(4) Staffing of Selection Committee.** The Miami-Dade County Employee Relations Department shall provide staffing to the Selection Committee and as necessary will advertise the acceptance of resumes for the position of Inspector General and shall provide the Selection Committee with a list of qualified candidates. The County Employee Relations Department shall also be responsible for ensuring that background checks are conducted on the slate of candidates selected for interview by the Selection Committee. The County Employee Relations Department may refer the background checks to another agency or department. The results of the background checks shall be provided to the Selection Committee prior to the interview of candidates.

**(c) Contract.** The Director of the Employee Relations Department shall, in consultation with the County Attorney, negotiate a contract of employment

with the Inspector General, except that before any contract shall become effective, the contract must be approved by a majority of Commissioners present at a regularly scheduled Commission meeting.

**(d) Functions, authority and powers.**

(1) The Office shall have the authority to make investigations of county affairs and the power to review past, present and proposed County and Public Health Trust programs, accounts, records, contracts and transactions.

(2) The Office shall have the power to require reports from the Mayor, County Commissioners, Manager, County agencies and instrumentalities, County officers and employees and the Public Health Trust and its officers and employees regarding any matter within the jurisdiction of the Inspector General.

(3) The Office shall have the power to subpoena witnesses, administer oaths and require the production of records. In the case of a refusal to obey a subpoena issued to any person, the Inspector General may make application to any circuit court of this State which shall have jurisdiction to order the witness to appear before the Inspector General and to produce evidence if so ordered, or to give testimony touching on the matter in question. Prior to issuing a subpoena, the Inspector General shall notify the State Attorney and the U.S. Attorney for the Southern District of Florida. The Inspector General shall not interfere with any ongoing criminal investigation of the State Attorney or the U.S. Attorney for the Southern District of Florida where the State Attorney or the U.S. Attorney for the Southern District of Florida has explicitly notified the Inspector General in writing that the Inspector General's investigation is interfering with an ongoing criminal investigation.

(4) The Office shall have the power to report and/or recommend to the Board of County Commissioners whether a particular project, program, contract or transaction is or was necessary and, if deemed necessary,

whether the method used for implementing the project or program is or was efficient both financially and operationally. Any review of a proposed project or program shall be performed in such a manner as to assist the Board of County Commissioners in determining whether the project or program is the most feasible solution to a particular need or problem. Monitoring of an existing project or program may include reporting whether the project is on time, within budget and in conformity with plans, specifications and applicable law.

(5) The Office shall have the power to analyze the need for, and the reasonableness of, proposed change orders. The Inspector General shall also be authorized to conduct any reviews, audits, inspections, investigations or analyses relating to departments, offices, boards, activities, programs and agencies of the County and the Public Health Trust.

(6) The Inspector General may, on a random basis, perform audits, inspections and reviews of all County contracts. The cost of random audits, inspections and reviews shall, except as provided in (a)-(n) in this subsection (6), be incorporated into the contract price of all contracts and shall be one quarter (1/4) of one (1) percent of the contract price (hereinafter "IG contract fee"). The IG contract fee shall not apply to the following contracts:

- (a) IPSIG contracts;
- (b) Contracts for legal services;
- (c) Contracts for financial advisory services;
- (d) Auditing contracts;
- (e) Facility rentals and lease agreements;
- (f) Concessions and other rental agreements;
- (g) Insurance contracts;
- (h) Revenue-generating contracts;
- (i) Contracts where an IPSIG is assigned

at the time the contract is approved by the Commission;

- (g) Insurance contracts;
- (j) Professional service agreements under one thousand dollars (\$1,000);
- (k) Management agreements;
- (l) Small purchase orders as defined in Administrative Order 3-2;
- (m) Federal, state and local government-funded grants; and
- (n) Interlocal agreements.

Notwithstanding the foregoing, the Commission may by resolution specifically authorize the inclusion of the IG contract fee in any contract. Nothing contained in this Subsection (c)(6) shall in any way limit the powers of the Inspector General provided for in this Section to perform audits, inspections, reviews and investigations on all county contracts including, but not limited to, those contracts specifically exempted from the IG contract fee.

(7) Where the Inspector General detects corruption or fraud, he or she shall notify the appropriate law enforcement agencies. Subsequent to notifying the appropriate law enforcement agency, the Inspector General may assist the law enforcement agency in concluding the investigation. When the Inspector General detects a violation of one (1) of the ordinances within the jurisdiction of the Ethics Commission, he or she may file a complaint with the Ethics Commission or refer the matter to the Advocate.

(8) The Inspector General shall have the power to audit, investigate, monitor, oversee, inspect and review the operations, activities and performance and procurement process including, but not limited to, project design, establishment of bid specifications, bid submittals, activities of the contractor, its officers, agents and employees, lobbyists, County staff and elected officials in order to ensure compliance with contract specifications and detect corruption and fraud.

(9) The Inspector General shall have the power to review and investigate any citizen's



complaints regarding County or Public Health Trust projects, programs, contracts or transactions.

(10) The Inspector General may exercise any of the powers contained in Section 2-1076 upon his or her own initiative.

(11) The Inspector General shall be notified in writing prior to any meeting of a selection or negotiation committee where any matter relating to the procurement of goods or services by the County is to be discussed. The notice required by this subsection (11) shall be given to the Inspector General as soon as possible after a meeting has been scheduled, but in no event later than twenty-four (24) hours prior to the scheduled meeting. The Inspector General may, at his or her discretion, attend all duly noticed County meetings relating to the procurement of goods or services as provided herein, and, in addition to the exercise of all powers conferred by Section 2-1076, may pose questions and raise concerns consistent with the functions, authority and powers of the Inspector General. An audio tape recorder shall be utilized to record all selection and negotiation committee meetings.

(12) The Inspector General shall have the authority to retain and coordinate the services of Independent Private Sector Inspectors General (IPSIG) or other professional services, as required, when in the Inspector General's discretion he or she concludes that such services are needed to perform the duties and functions enumerated in subsection (d) herein.

**(e) Physical facilities and staff.**

(1) The County shall provide the Office of the Inspector General with appropriately located office space and sufficient physical facilities together with necessary office supplies, equipment and furnishings to enable the Office to perform its functions.

(2) The Inspector General shall have, subject to budgetary allocation by the Board of County Commissioners, the power to appoint, employ, and remove such assistants, employees and personnel and establish personnel procedures as deemed necessary for the efficient and

effective administration of the activities of the Office.

**(f) Procedure for finalization of reports and recommendations which make findings as to the person or entity being reviewed or inspected.** Notwithstanding any other provisions of this Code, whenever the Inspector General concludes a report or recommendation which contains findings as to the person or entity being reported on or who is the subject of the recommendation, the Inspector General shall provide the affected person or entity a copy of the report or recommendation and such person or entity shall have 10 working days to submit a written explanation or rebuttal of the findings before the report or recommendation is finalized, and such timely submitted written explanation or rebuttal shall be attached to the finalized report or recommendation. The requirements of this subsection (f) shall not apply when the Inspector General, in conjunction with the State Attorney, determines that supplying the affected person or entity with such report will jeopardize a pending criminal investigation.

**(g) Reporting.** The Inspector General shall annually prepare and submit to the Mayor and Board of County Commissioners a written report concerning the work and activities of the Office including, but not limited to, statistical information regarding the disposition of closed investigations, audits and other reviews.

**(h) Removal.** The Inspector General may be removed from the office upon the affirmative vote of two-thirds (2/3) of the whole number of members of the Board of County Commissioners.

**(i) Abolition of the Office.** The Office of the Inspector General shall only be abolished upon the affirmative vote of two-thirds (2/3) of the whole number of members of the Board of County Commissioners.

**(j) Effective Term.** The incumbent Inspector General shall, subject to the execution and approval of a contract of employment as provided in subsection (c), commence a four-year term of office upon the effective date of this ordinance.

(Ord. No. 97-215, § 1, 12-16-97; Ord. No. 99-63, § 1, 6-8-99; Ord. No. 99-149, § 1, 10-19-99; Ord. No. 00-105, § 1, 7-25-00; Ord. No. 01-114, § 1, 7-10-01; Ord. No. 05-51, § 1, 3-1-05)



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