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

Memorandum

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

From: Christopher Mazzella
Inspector General

Date: October 5th, 2005

Re: Arrest of Former Miami-Dade County Judge and Others for Defrauding County and State Grant Programs

Attached is a news release relating to the arrest of a former Circuit Court Judge who served as the Director of Miami-Dade Resident College (MDRC), on fraud related charges in connection with MDRC's receipt of grant funds from the Miami-Dade Housing Agency (MDHA). The Administrative Assistant of the MDRC, Ms. Joan Headley, was also arrested.

Former Judge Phillip S. Davis (Davis) and Joan Marie Headley (Headley) were arrested and charged with Organized Scheme to Defraud, Aggravated White Collar Crime, Grand Theft and Money Laundering following an investigation by the Office of the Inspector General (OIG). The defendants were charged with defrauding the County of **\$63,702.40** for the three grants awarded by MDHA in 2002. The total amount of false billing, including those funds defrauded from the State, is alleged to be in excess of \$82,000.00.

The investigation uncovered that Davis and Headley obtained County and State grants to fund social work services for disadvantaged youth. They developed a sophisticated scheme through the use of a shell corporation to provide MDHA and the State with phony invoices for employee payrolls. The shell company, WorkForce Management, Inc., insulated them from County and State scrutiny and allowed them to overbill MDHA and the State. Once MDHA submitted grant monies to MDRC, the employees were paid at much lower rates. The invoices submitted also falsely stated the work being done by some of the employees.

The scheme allowed Davis and Headley to pay employees in an MDRC Diversion Program, which provided pre-trial diversion to defendants in criminal court with grant funds earmarked to help juveniles. Davis and Headley were also able to increase their own salaries above the amounts allowable by the grants for their alleged work. Davis exceeded the amounts he could legitimately receive from the grants by a total of \$24,379.44 and Headley by \$43,466.28.

The investigation into further improprieties in the MDRC Diversion program continues and additional arrests are expected. The OIG appreciates the assistance that MDHA provided throughout the course of this investigation.

cc: Mr. George Burgess, County Manager
Mr. Alphonso K. Brewster, Director MDHA
Ms. Cathy Jackson, Director, Audit & Management Services

Clerk of the Board (Copy Filed)



OFFICE OF THE INSPECTOR GENERAL
MIAMI-DADE COUNTY

Former Circuit Court Judge and Others Arrested for Grand Theft and Money Laundering

The Miami-Dade County Office of the Inspector General (OIG) and the Miami-Dade State Attorney's Office (SAO) announced today the arrest of former Miami-Dade County Circuit Court Judge Phillip S. Davis (Davis) and Joan Marie Headley (Headley) for fraud and money laundering involving County and State of Florida public funds. Davis was disbarred from practicing law in the State of Florida in July 1995. Davis, age 51, of Miami and Headley, age 50, were charged with:

- Organized Scheme to Defraud – 1 Count
- Aggravated White Collar Crime – 1 Count
- Grand Theft 2nd Degree – 2 Counts
- Grand Theft 3rd Degree – 1 Count
- Money Laundering – 25 Counts

Former Judge Davis is the Director of Miami Dade Resident College (MDRC), a not-for-profit corporation established to provide disadvantaged juveniles or those within the criminal justice system with social work services. As Director, Davis sought and received a variety of grants from the County and State. Joan Headley is the Administrative Assistant of MDRC. MDRC also received revenue from its Court Diversion Services/Pre-Trial Options Program (Diversion Program). This particular program designated MDRC to provide pre-trial diversion services to defendants referred to the program by the courts.

According to an Arrest Affidavit filed by a Special Agent of the OIG, both Davis and Joan Headley were misappropriating various grant funds awarded to MDRC during the year 2002. The joint investigation revealed that MDRC received a total of \$391,519.35 in County and State grants in 2002. The Miami-Dade Housing Authority (MDHA) awarded MDRC three grants and paid a total amount of \$152,250.78 during 2002. The State of Florida paid MDRC a total of \$19,122.96. MDRC also received a total of \$220,145.61 from the Miami-Dade Department of Human Services (DHS). The DHS grant was not a subject of the OIG probe.

The MDHA and State grants were reimbursement grants requiring Davis and Headley to identify the names of the employees being paid under the grant by the submission of time sheets. Davis and Headley falsely billed both the County and State for MDRC employees in an attempt to secure the total amount of funds available from the grants.

The scheme involved inflating the amounts they actually paid the employees when billing the County. Davis and Headley falsified the entire billing to the State by billing for employees that did not perform those jobs. In perpetrating the fraud, Davis and Headley allegedly submitted employee payroll invoices from WorkForce Management, Inc., to the County and the State. The investigation uncovered that WorkForce Management, Inc. was a shell corporation used by Davis and Headley to deny any knowledge or responsibility regarding the monies they paid to their employees. The creation of WorkForce Management, Inc. also enabled Davis to hide the true amount of the salaries he was paying to MDRC employees, to himself, and to Headley. The County and State never saw the true employee salaries being paid; they only saw the higher amounts claimed on the fraudulent WorkForce Management invoices. In addition to over-billing, Davis and Headley falsified the positions and employees working the various funded positions.

Davis and Headley paid their employees less than the amounts they billed to the County and State, and used the excess funds to pay themselves and to finance the Diversion Program they initiated in early 2002. Davis and Headley used a maze of banking transactions to transfer moneys back and forth between MDRC and WorkForce Management accounts. The investigation revealed that in 2002, MDRC over-billed MDHA a total of **\$63,702.40** for the three grants.

From these MDRC accounts, MDRC paid Diversion Program employees, and paid monies to Davis and Headley above the amounts allowable by the grants for their alleged work. Davis and Headley also used grant proceeds to pay themselves additional amounts over those budgeted by the grants for their positions. Davis exceeded the amounts he could legitimately receive from the grants by a total of \$24,379.44, and Headley by \$43,466.28. The total amounts of the false billings paid to MDRC by the County and State grants total \$82,825.36.

In commenting on the arrest, Inspector General Christopher Mazzella expressed his concern that someone who has been disbarred from practicing law in this state should be given the opportunity to administer County and State grants to run sensitive Criminal Justice Programs. He indicated that the OIG is continuing its investigation into Davis' involvement in other programs and additional arrests are expected.

Copies of the Arrest Affidavit are available at the Office of the Inspector General, 19 West Flagler Street, Suite 220, Miami, Florida, telephone number (305) 375-1946, or at the State Attorney's Office, c/o Ed Griffith, 1350 N.W. 12 Avenue, Miami, Florida, telephone number (305) 547-0535.

Inspector General Mazzella will be available at the OIG for a media opportunity today between 1:00 pm and 3:00 pm at the Office of the Inspector General.