



Memorandum



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To: The Honorable Carlos A. Gimenez, Mayor
The Honorable Rebeca Sosa, Chairwoman
Members, Board of County Commissioners, Miami-Dade County

From: Mary T. Cagle, Inspector General 

Date: July 23, 2014

Subject: OIG Final Report of Investigation Re: Contractual Violations and Other Findings Relating to the Management and Operation of the Miami International Airport Hotel; Ref. IG 10-51

Attached please find the Office of the Inspector General's (OIG's) final report regarding the above-captioned matter. As the OIG has previously reported, our investigation of the Miami International Airport (MIA) Hotel has resulted in the arrests of three individuals stemming from an overbilling scheme to defraud the County. Two of the criminal prosecutions are still pending. The OIG investigation, however, revealed other serious discrepancies involving purchases and expenditures and the failure to safeguard hotel assets. The Aviation Director requested that the OIG document these non-criminal findings in a report. As such, this report presents our findings related to the management and operation of the MIA Hotel.

The report as a draft was provided to H. I. Development Corp., and former and present employees that are identified in the report. The OIG received responses from H. I. Development Corp., the former manager of the MIA Hotel, and MDAD. The three responses are summarized in the final report and attached in full as appendices.

The final report is being provided to you for your review, and to MDAD for any administrative action it deems appropriate. We request that MDAD provide the OIG with a status report on any actions taken in this matter. We would appreciate receiving this response in 90 days, on or before October 21, 2014.

cc: Emilio T. Gonzalez, Director, MDAD
Anne Lee, Chief Financial Officer, MDAD
Evelyn Campos, Division Director, Professional Compliance, MDAD
Ray Diaz, Chief of Commercial Operations, MDAD
Alex Ferro, Chief of Staff, Office of the Mayor
Cathy Jackson, Director, Audit and Management Services
Charles Anderson, Commission Auditor
Andre Callen, President, H. I. Development Corp (under separate cover)
Individuals previously furnished with the draft report (under separate cover)

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INTRODUCTION & SYNOPSIS

On September 30, 2010, the Miami-Dade Aviation Department (MDAD) Office of Professional Compliance (MDAD Compliance) notified the OIG of possible fraudulent billing by a vendor at the Miami International Airport Hotel (MIA Hotel). MDAD Commercial Operations had reported the allegations to MDAD Compliance following the MIA Hotel's repeated attempts to be reimbursed by MDAD for a payment it had made to the MIA Hotel's vendor.

The OIG initiated an investigation into the allegation and, in addition to discovering criminal law violations, the OIG found concerns with H. I. Development Corporation's (HID's) overall management of the MIA Hotel. These concerns include:

- HID employees' personal use of goods and services purchased with County funds;
- HID's failure to comply with contractual provisions of the MIA Hotel's Management Agreement;
- HID employees' submissions of phony bids with replenishment requests to MDAD Finance; and
- HID employees engaging in other questionable kickback schemes.

In addition, the OIG has concerns with MDAD's oversight of HID's compliance with the MIA Hotel's Management Agreement. These concerns include MDAD's lack of knowledge regarding the MIA Hotel's procurements and expenditures, the absence of a clear chain of authorization for replenishment requests, and HID's commingling of MDAD revenues with HID revenues – in an account owned and controlled by HID.

The OIG substantiated the allegation in the initial complaint, which has resulted in multiple arrests of former HID employees. These criminal cases are currently pending prosecution. This report highlights contractual violations and HID's failure to adequately oversee the MIA Hotel's daily operations, as well as MDAD's failure to adequately monitor the Management Agreement and failure to enforce key provisions of the agreement.

OIG JURISDICTIONAL AUTHORITY

In accordance with Section 2-1076 of the Code of Miami-Dade County, the Inspector General has the authority to make investigations of County affairs; audit, inspect and review past, present and proposed County programs, accounts, records, contracts, and transactions; conduct reviews, audits, inspections, and investigations of County departments, offices, agencies, and boards; and require reports from County officials and employees, including the Mayor, regarding any matter within the jurisdiction of the Inspector General.

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BACKGROUND: INDIVIDUALS & ENTITIES DISCUSSED IN THE REPORT

The MIA Hotel – The MIA Hotel is located within the main terminal at the Miami International Airport (MIA) and is owned by Miami-Dade County (the County). All revenues generated by the MIA Hotel are the property of the County. The MIA Hotel has approximately 260 guest rooms located on the third through the seventh floors. The MIA Hotel also has a conference center and restaurant on the seventh floor.

The Top of the Port Restaurant (TOP) – The Top is a restaurant located on the seventh floor of the MIA Hotel. The TOP is also managed by HID under a separate Management Agreement with MDAD. All revenues generated by the TOP are the property of the County.

H. I. Development Corporation (HID) – HID is a family-owned and operated corporation with its corporate headquarters located in Tampa, Florida. The corporation manages privately-owned hotels in Florida and Puerto Rico. HID was incorporated in the State of Florida in December 1971. HID has managed the MIA Hotel and TOP, under two separate Management Agreements, since October 1, 1989.

HID Employees Managing the MIA Hotel and the TOP Restaurant – HID operates both the hotel and the restaurant under two separate Management Agreements – one for the hotel and one for the restaurant. The accounting for both the hotel and restaurant falls under the purview of the HID controller. The cost for this labor should be shared between the two Management Agreements.¹

The MIA Hotel's Executive Management Staff, as identified in this report, was comprised of HID employees in the following positions:

- **Mr. Douglas Rodibaugh, the former General Manager** – Mr. Rodibaugh was hired by HID on May 29, 1990. As General Manager, Mr. Rodibaugh was responsible for managing and overseeing the day-to-day operations of the MIA Hotel and the TOP. His responsibilities included making purchases and expenditures, overseeing maintenance, and hiring and firing of MIA Hotel employees. Mr. Rodibaugh was also responsible for reviewing all hotel requisitions prepared by department managers, and had the final approval authority for all purchases made by the MIA Hotel and the TOP. During his absence, the Controller had the same authority. Mr. Rodibaugh was the authorized signer on the MIA Hotel's Imprest Payroll and Operating Bank Accounts, and on most occasions, he signed the checks issued to pay MIA

¹ The OIG conducted a separate investigation of an allegation regarding labor cost allocations between the MIA Hotel and the TOP (IG11-07). The investigation found that some restaurant labor costs were allocated to the hotel and no accounting adjustments were made to allocate these costs to the restaurant, including the Controller's labor costs.

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Hotel salaries and expenses. Mr. Rodibaugh was the only HID employee whose salary and benefits were not reimbursed by MDAD. MDAD revoked Mr. Rodibaugh's airport credentials on August 17, 2011.

- **Ms. Heidrun “Heidi” Herzberger, the former Controller** – Ms. Herzberger was hired by HID on December 5, 1989. As the Controller, Ms. Herzberger reported directly to the General Manager and was responsible for managing all financial aspects of the MIA Hotel and the TOP, including accounts payable and receivable, as well as supervising the accounting and payroll staffs of the MIA Hotel and the TOP. Ms. Herzberger was also an authorized signer on the hotel’s Imprest Operating and Payroll Bank Accounts. She approved hotel requisitions and signed checks when the General Manager was not available. MDAD revoked Ms. Herzberger’s airport credentials on August 17, 2011.
- **Ms. Marta Guerra, the former Director of Sales** – Ms. Guerra was hired by HID on May 1, 1990. As the Director of Sales, Ms. Guerra reported directly to the General Manager and was responsible for advertising and promoting the MIA Hotel in both national and international markets. Ms. Guerra was also responsible for preparing requisitions for ordering promotional items and office supplies for her department. MDAD revoked Ms. Guerra’s airport credentials on August 17, 2011.
- **Ms. Patricia Correa, the former Housekeeping Supervisor** – Ms. Correa was hired on June 20, 2006. As the Housekeeping Supervisor, Ms. Correa reported directly to the General Manager and was responsible for all housekeeping services and housekeeping staff of the MIA Hotel. Her responsibilities also included preparing requisitions for housekeeping equipment and supplies, including sheets, towels, vacuum cleaners, air fresheners, cleaning carts, laundry detergent, and other cleaning machines and chemicals. HID terminated Ms. Correa’s employment on July 29, 2009.
- **Mr. Nestor Aznar, the former Chief Engineer** – Mr. Aznar was hired by HID on September 17, 1990. As the Chief Engineer, Mr. Aznar reported directly to the General Manager and was responsible for all maintenance of the MIA Hotel and the TOP. Mr. Aznar supervised seven maintenance employees. He was also responsible for all maintenance inventory and preparing requisitions for maintenance and repair supplies required to maintain the guest rooms, bathrooms, and other MIA Hotel and TOP facilities and equipment. MDAD revoked Mr. Aznar’s airport credentials on August 17, 2011. On February 21, 2013, pursuant to this investigation, Mr. Aznar was criminally charged and pled guilty to one count of Organized Scheme to

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Defraud, a 1st degree felony, for his participation in a fraud committed against the MIA Hotel. Mr. Aznar's sentence is pending.

- **Mrs. Ivy Evans-Maquilon, the former Executive Assistant to the General Manager** – Mrs. Evans-Maquilon was hired by HID on July 2, 1993. As the Executive Assistant, Mrs. Evans-Maquilon reported directly to the General Manager and was responsible for handling the flow of paperwork for the General Manager's office, as well as issuing purchase orders and assisting department heads with obtaining bids for large purchases. Mrs. Evans-Maquilon was also responsible for inspecting guest rooms for damages and/or items that needed to be replaced. Mrs. Evans-Maquilon prepared requisitions for guest room materials and supplies, as well as for general office supplies for the administrative office.
- MDAD revoked Mrs. Evans-Maquilon's airport credentials on August 17, 2011. On July 16, 2013, Mrs. Evans-Maquilon and her husband, Mr. Jorge Isaac Maquilon, were arrested on one count of Organized Scheme to Defraud, a 1st degree felony, and two separate counts of Grand Theft, both 2nd degree felonies. On August 21, 2013, additional criminal charges were filed against Mrs. Evans-Maquilon: one count of Grand Theft and one count of Organized Scheme to Defraud – both 2nd degree felonies. The cases against Mr. Jorge Isaac Maquilon and Mrs. Ivy Evans-Maquilon are pending.

MDAD Commercial Operations (Commercial Ops) – The Commercial Ops section is responsible for providing oversight of management agreements at MIA. The Chief of Commercial Ops serves as the project manager for both the MIA Hotel and the restaurant, and has direct oversight over the operations, including providing authorization for large expenditures. Commercial Ops approves the MIA Hotel's annual budget and is required to pre-approve all maintenance and repair related expenditures costing \$1,000 or more. Most of the MIA Hotel's normal operating expenses are contained within the pre-approved annual budget and do not require MDAD approval for the replenishment to occur. Commercial Ops currently provides oversight to the MIA Hotel, TOP, the Consular Lounge, Airport Parking, and the Car Rental Center.

MDAD Finance Division (MDAD Finance) – MDAD Finance is responsible for providing accounting and financial services for the Aviation Department. As it relates to the MIA Hotel and the TOP agreements, MDAD Finance is responsible for reviewing replenishment requests and replenishing the operating account upon receipt of properly documented expenditures.

MDAD Professional Compliance Division (MDAD Compliance) – The Professional Compliance Division is responsible for training MDAD staff in County and departmental procedures and professional standards. Its Management Review Section conducts

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administrative reviews of internal practices and operations, and coordinates audits, inspections, and investigations by non-departmental elements (e.g. Audit and Management Services, Police, **and** the Office of the Inspector General).

THE MANAGEMENT AGREEMENT & ITS RELEVANT PROVISIONS

On October 1, 1989, HID began to operate the MIA Hotel pursuant to a Management Agreement with the County. This one-year contract allowed for nine, one-year extensions. In 1999, the contract was extended for three additional years. In 2002, MDAD and HID agreed, in writing, to extend the contract on a month-to-month basis. HID has been operating the MIA Hotel on a month-to-month basis from 2002 to the present. For the 2013/14 Fiscal Year, HID proposed a revenue budget for the MIA Hotel of \$13,170,503. The MIA Hotel's revenues are derived from room sales, meeting room sales, movie rentals, commissions on vending and Wi-Fi, and auditorium facility usage. The proposed expenses for the 2013/14 Fiscal Year are budgeted as \$8,993,429. Therefore, the projected net revenue to MDAD for the 2013/14 Fiscal Year is \$4,177,073.

Under the Management Agreement, MDAD reimburses all hotel operating expenses, except the General Manager's salary and benefits. MDAD pays HID a management fee **that is** currently \$19,201 **per** month (\$230,412 annually). MDAD also pays HID a 5% variable fee on the amount of increase when the adjusted net income for a month exceeds the net income of the same month for the prior year.

Imprest Operating Account

At the onset of the agreement, MDAD established the MIA Hotel Imprest Operating Account. The Imprest Operating Account is a bank account owned and funded by MDAD for use by the MIA Hotel to pay operating expenses. It was initially funded with \$100,000. As expenses are paid from the account, the hotel is required to submit replenishment requests to MDAD for approval in order to maintain the initial operating balance. Upon MDAD approval, the Imprest Operating Account is credited with County funds for the continued use by the hotel. MIA Hotel expenses paid out of the Imprest Operating Account include maintenance and repair costs, cleaning supplies, laundry and other operating expenses.²

Annual Audit Requirement

The **Management Agreement**, pursuant to Section 4.10 *Annual Audit*, requires that HID provide an annual financial audit to MDAD on or before December 1 of each year for the fiscal year ending September 30. MDAD Finance advised the OIG that MDAD engages an external auditor, coordinated through MDAD Finance, to perform this function. At the time of this writing, MDAD had not received an audit for the MIA Hotel

² Salaries are paid out of a separate Imprest Payroll Account.

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for fiscal years 2011, 2012, or 2013. It should be noted that the OIG has been informed by MDAD Finance that the external audits are currently in progress.

CASE INITIATION & INVESTIGATIVE METHODOLOGY

On September 30, 2010, the OIG initiated an investigation after MDAD Compliance notified the OIG of possible fraudulent billing for \$19,813.80 worth of wallpaper that was submitted to the hotel by an MIA Hotel vendor. MDAD Commercial Ops reported the allegations to MDAD Compliance following the hotel's repeated attempts, over a 12-month period, to replenish the Imprest Operating Account for payment it had already made to the vendor without prior authorization. The OIG substantiated the allegation in the initial complaint and also discovered additional fraudulent billings, all of which resulted in criminal prosecution of the former MIA Hotel's Chief Engineer, the former Executive Assistant, and her husband (a former MIA Hotel vendor).

During the course of this investigation, OIG Special Agents interviewed employees of HID, MIA Hotel vendors and suppliers, as well as employees of MDAD's Compliance, Interiors, Finance, Construction and Commercial Operations sections. OIG Special Agents have also reviewed invoices, checks, and other documents related to the MIA Hotel.

This investigation was conducted in accordance with the *Principles and Standards for Offices of Inspector General* as promulgated by the Association of Inspectors General.

INVESTIGATIVE FINDINGS

This investigation has uncovered a number of concerns regarding HID's management of the MIA Hotel. The investigative findings are grouped into four categories. They are: (A) HID Employees' Personal Use of Goods and Services Purchased with County Funds, (B) HID's Failure to Comply with Various Contractual Provisions of the Management Agreement, (C) HID employees' MIA Submissions of Phony Bids, and (D) Other Questionable Kickback Schemes of HID Employees.

A. HID EMPLOYEES' PERSONAL USE OF GOODS AND SERVICES PURCHASED WITH COUNTY FUNDS

HID MIA Hotel Executive Management Staff Obtained Free Dry Cleaning Services at MDAD Expense – The OIG found that the former General Manager, former Controller, former Director of Sales, and former Executive Assistant to the General Manager included their personal laundry and dry cleaning in the hotel's weekly dry cleaning. Dry cleaning is a budgeted expense; however it was only meant for cleaning employee uniforms – not to give free dry cleaning to HID MIA Hotel Executive Management Staff. The former General Manager stated to OIG Special Agents that this

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policy was in place at the MIA Hotel prior to his arrival (around 1990), and that this is a standard practice in the industry. According to employees from MDAD Commercial Ops, MDAD was unaware that these HID employees were obtaining free dry cleaning.

Upon learning of the free dry cleaning, MDAD Commercial Operations reviewed past invoices and determined that HID submitted many dry cleaning invoices for reimbursement that appeared excessive. MDAD Commercial Ops provided a specific example of an excessive dry cleaning expense from March 2011. In that example, HID requested reimbursement for \$684.92. When HID failed to provide documents justifying the propriety of the expense, MDAD disallowed \$515.65. Assuming this excessive amount is indicative of HID's general overbilling practice, this would result in a loss to MDAD of approximately \$6,187.80 per year. Based upon witness statements, the OIG believes the practice of HID MIA Hotel Executive Management Staff taking advantage of free dry cleaning occurred for years. The OIG found no evidence that HID has ever reimbursed MDAD for disallowed expenses.

HID MIA Hotel Executive Management Staff Ate Unrestricted Free Meals at the Top of the Port Restaurant (TOP) at MDAD expense – The OIG found that the former General Manager, former Controller, former Director of Sales, and other department managers of the MIA Hotel ate free meals at the TOP daily. Free meals are not authorized in either the hotel or restaurant agreements. The former General Manager stated to OIG Special Agents that there were approximately ten HID MIA Hotel employees who he authorized to eat at the TOP for free. He stated that this is a standard practice in the industry.

The OIG received conflicting information regarding MDAD's knowledge of this practice. For example, while one employee from MDAD Commercial Ops was aware that these HID employees were obtaining free meals, the Chief of Commercial Ops advised that he was unaware of this activity. According to MDAD Commercial Ops, the meals were unrestricted until at least October 2011. At that time, the OIG learned that Commercial Ops restricted the food items to less expensive fare.

The Former General Manager and the Former Director of Sales Used HID Employees for Their Personal Benefit – In December 2002, the former General Manager and the former Director of Sales jointly purchased and resided in a home located in Coconut Grove.³ OIG Special Agents were told that MIA Hotel maintenance

³ The OIG learned that the former General Manager and the former Director of Sales – both HID employees – had a long-term, personal relationship during their employment at the MIA Hotel. This personal relationship appears to be in violation of the MIA Hotel's Employee Handbook, as the Director of Sales reports directly to the General Manager. The former General Manager stated to OIG Special Agents that he disclosed the relationship and obtained approval from HID Headquarters. This was confirmed by HID's Vice President/Director. HID never reassigned or terminated either employee as delineated in the MIA Hotel Handbook.

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employees, specifically the former Chief of Maintenance and his Assistant, were often used for the upkeep of the home. These MIA Hotel employees mowed the lawn, maintained the pool, built a wood pool deck, and performed other general maintenance. According to hotel maintenance employees, hotel supplies were often used at the home, including chlorine for the pool. MIA Hotel supplies are paid for with MDAD funds. The former Chief of Maintenance and his Assistant both told OIG Special Agents that this activity occurred during working hours and on their days off.

OIG Special Agents learned that the former General Manager and the former Director of Sales sold their Coconut Grove home in October 2009 as their relationship had ended. At that time, the former General Manager moved to his second home in Estero, FL (near Naples). OIG Special Agents were told that the former Chief of Maintenance and his Assistant – at the direction of the former General Manager – utilized a truck rented by the MIA Hotel to pack up and move the former General Manager's belongings from Coconut Grove to Estero. OIG Special Agents were told that the rental of the truck and the gas were paid with the MIA Hotel American Express card – which was paid with MDAD funds. Moreover, OIG Special Agents were told that this move occurred during the former Chief of Maintenance and his Assistant's working hours.

The Director of Sales Lived at the MIA Hotel for Six Months for Free – After the sale of their jointly owned Coconut Grove home, the former Director of Sales and her cat resided at the MIA Hotel in the Concorde Suite (Room 750) from September 29, 2009 to April 1, 2010, free of charge. During this time, the rate for the Concorde Suite varied from approximately **\$175** to **\$350** per night.⁴ Miscellaneous expenses incurred by the former Director of Sales, such as telephone use and Pay-Per-View movies were also paid for by the hotel. OIG Special Agents were told that the former Director of Sales also ate meals at the TOP free of charge during this stay. Based solely upon the Concorde Suite's rate, this 185-day stay resulted in a loss of revenue for MDAD of an amount between **\$32,375** and **\$64,750**.

HID MIA Hotel Executive Management Staff's Use of Credit Cards – The former General Manager, former Controller, former Director of Sales, and the former Chief of Maintenance all had American Express Corporate Cards under an account established in the name of the MIA Hotel. These bills are paid by MDAD through the Imprest Operating Account. During the course of the investigation, OIG Special Agents reviewed a sampling of the American Express monthly statements. The review revealed that these cards were used to make purchases for the hotel, including hotel-related travel, hotel equipment, and maintenance supplies. In addition to these expenses, HID employees also used these credit cards for the purchase of more questionable items.

⁴ The Concorde Suite is a hotel suite that can also be rented as a conference/meeting room. The rates varied depending upon the season and the room's use.

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These items appear to be for personal use (e.g. purchases from Ross Department Stores, Sunpass, and Home Depot).

A random review of the credit card invoices and replenishment requests reveals that some credit card purchases were disallowed by MDAD Commercial Ops pending HID furnishing back-up documentation for the expenses. MDAD Finance would deduct the amount of these questioned items from the MIA Hotel's replenishment. The OIG could find no evidence that HID provided such back-up documentation, nor ever reimbursed the Imprest Operating Account for the disallowed items.

The OIG also found an Exxon/Mobil gas card account being used by HID employees. The account was in the name of the Miami International Airport. This bill was also paid through the MIA Hotel's Imprest Operating Account. The OIG could not determine which HID employee(s) actually used the gas card. The gas expense for HID employees was not an allowable expense under the budget. The OIG could find no evidence that HID has ever reimbursed the MIA Hotel Imprest Operating account for these unauthorized purchases.

B. HID's FAILURE TO COMPLY WITH CONTRACTUAL PROVISIONS

Failure to Conduct Inventories – The Management Agreement requires physical inventories for all departments, to be conducted in the format described in the agreement. Pursuant to Section 4.08 of the Management Agreement, physical inventory reports, for each major category of merchandise, supplies, and materials, are to be prepared on a monthly basis. Further, *HID's MIA Hotel Policy and Procedure Manuals [sic]* refers to the importance of inventories and the need to purchase future tools, equipment and supplies. The manual states that care should be exercised “when purchasing large quantities of parts because inventory constitutes dollars that cannot be spent and cannot earn interest.” OIG Special Agents found that these inventories were not done until January 2011, subsequent to the OIG investigation. When questioned by OIG Special Agents regarding the lack of inventories, the former General Manager stated that MDAD had never required or requested HID to perform physical inventories until early 2011.⁵ When interviewed, the Chief of MDAD Commercial Ops stated that he was unaware that physical inventories were required by the Management Agreement and further indicated that he had never read the Management Agreement.

Failure to Comply with Conflict of Interest Policies – OIG Special Agents found that HID MIA Hotel Executive Management Staff failed to use due diligence in selecting vendors. As a result, the MIA Hotel conducted business with vendors that had close ties or were related to HID employees. Pursuant to the *MIA Hotel's Employee Handbook*, established in accordance with Section 7.04 of the Management Agreement,

⁵ HID began physical inventories in early 2011 only upon the express request of MDAD.

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HID employees are required to safeguard MIA Hotel business dealings from actual and potential conflicts of interest. In particular, they are to protect against business dealings “when an employee is in a position to influence a decision that may result in a personal gain for that employee or for a relative or friend” (*Miami International Airport Hotel/Top of the Port Restaurant Employee Handbook – Conflict of Interest Section*). For example, a former HID MIA Hotel Executive Management Staff member received a “kickback, bribe, substantial gift, or special consideration as a result of ... business dealings involving the MIA Hotel,” in violation of the employee handbook. The failure of the HID MIA Hotel Executive Management Staff to use due diligence to prevent these conflicts of interest has resulted in significant loss to the County. These transactions are the subject of the criminal fraud arrests, where it is alleged that HID employees stole approximately **\$215,584.70** pursuant to their scheme.

Failure to Deposit MDAD Revenues into the MDAD Depository Account – During the course of the investigation, the OIG learned HID Executive Management Staff entered into agreements with airlines, travel agencies, and travel sites related to the booking of rooms at the hotel. According to MDAD Commercial Ops, HID failed to obtain prior MDAD approval for these third-party contracts. The OIG notes that this failure is a violation of Section 8.14 of the Management Agreement which requires HID to obtain MDAD’s prior approval for these contracts. Further, the OIG discovered HID failed to deposit revenues generated from these third-party contracts into the MDAD Depository Account, as required by Section 3.02 and Exhibit C of the Management Agreement. According to Section 3.02, HID is required “to deposit gross revenues into a revenue depository, of and to the credit of the County, in such banks and other depositories as designated by MDAD.”

Instead, unbeknownst to MDAD Finance and Commercial Ops, HID deposited these MDAD revenues into a commercial bank account entitled “H I Development Corp dba Miami Int’l Airport Hotel Managers Account” – an account owned and controlled by HID, not MDAD. Further, HID also deposited both its management fees and variable fees into this same account. As a result, MDAD revenues were commingled with HID revenues in violation of the Management Agreement.⁶

According to the former Controller, the HID Manager’s Account was simply a “wash account” through which she passed the third-party funds. She stated that Hotel expenses were also written out of this account and then reimbursed by MDAD. She also corroborated that HID’s variable fee was deposited into this account. OIG Special Agents could not obtain any further explanations about the account from the former General Manager. According to the former General Manager, he was unsure of what

⁶ The HID Managers Account was opened by HID at Barnett Bank, now known as Bank of America. The OIG’s review of the bank records found that HID continued to write checks from this account as late as 2011, using the old Barnett Bank checks. Barnett Bank ceased its operations on October 8, 1996, when various other banks throughout the years took over operations.

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specific funds went into or out of the Manager's Account. He stated that because the hotel had so many accounts, he did not monitor what specific funds were deposited into or withdrawn out of any account. He merely ensured that there were adequate funds in an account to cover a withdrawal. He stated he just signed the checks and looked to see what was being paid.

A review of the bank statements, withdrawal items and deposit items from 2007 through 2011 reveals that HID maintained a balance in this account of approximately \$50,000 to \$100,000 each month. Further, it appears that an additional \$50,000 to \$100,000 was deposited into and withdrawn out of the account on a monthly basis. The OIG has been unable to confirm whether all of the MDAD revenues that were deposited into this account were subsequently transferred to MDAD. Accordingly, MDAD is requiring HID to provide documents related to the Manager's Account. HID has repeatedly refused to comply with the request. The OIG notes that pursuant to Section 8.13 of the Management Agreement, MDAD:

shall have the right, *without limitation*, at any time, to audit, check, inspect and review all ... books of account, records, financial reports ... and other pertinent information as may be determined to be needed or desirable by the Department (Emphasis added).

Given this fact, HID's failure to provide MDAD with the requested records appears to be a particularly flagrant violation of the Management Agreement.

C. HID EMPLOYEES' SUBMISSIONS OF PHONY BIDS

Under Article 10.06 of the Management Agreement, HID was required to consult MDAD prior to undertaking any maintenance expected to cost over \$1,000. While it appears that MDAD did not actively enforce this section, MDAD did require that the hotel obtain three bids for the purchase of goods or services.

These bids were to be submitted along with any funding requests or invoices requesting Imprest Operating Account replenishment. The OIG discovered that a number of bids submitted by HID to MDAD were forged or fraudulent. The existence of these forged or fraudulent bids caused MDAD to replenish the Imprest Operating Account for alleged MIA Hotel expenses. Detailed below are two schemes uncovered by the OIG that, because of the statute of limitations, were not criminally charged and, thus, are reported herein:

- **Conference Center Wallpaper** – On June 12, 2008, an MIA Hotel requisition was prepared by the hotel's Executive Assistant for her husband's company - Decomax Corporation (Decomax) - to provide and install 600 linear yards of Gridlock wallpaper for the hotel's conference center, which included the walls

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and room divider panels, at a cost of **\$18,216.14**.⁷ MDAD Finance records contained two bids attached to the hotel's replenishment request submitted to MDAD, however, neither one was from Decomax, the alleged lowest bidder. OIG Special Agents interviewed both alleged bidders. Both stated under oath they had not submitted a bid, nor had authorized anyone else to submit a bid in their names. Decomax purchased the 600 yards of wallpaper from a local company for **\$5,413.36**, then paid **\$2,070** to have it installed for a total cost to Decomax of **\$7,483.36**. This resulted in a Decomax profit of **\$13,816.97**.⁸ Given this huge profit, it is unlikely Decomax would have been awarded the contract had this invoice been preapproved and accompanied by two legitimate bids.

- **TOP Restaurant Chairs** – On May 28, 2008, the MIA Hotel submitted an *MDAD Commercial Ops Funding Request Fact Sheet* (fact sheet) to the Commercial Ops Project Manager to purchase 200 chairs for the TOP restaurant. The total cost of the chairs was **\$67,410**. The fact sheet did not have formal bids attached, but instead had a total of three alleged bids typed into the “Benefit” section of the fact sheet. The three alleged bids were \$67,410, \$170,986, and \$258,000. The OIG found no evidence of the original bids in MDAD Finance records.⁹

D. OTHER QUESTIONABLE SCHEMES INVOLVING HID EMPLOYEES

HID Housekeeping Supervisor Orders Supplies from Her Boyfriend’s Phony Company – OIG Special Agents discovered that the Housekeeping Department made numerous purchases from H-King Corp. (H-King), a former MIA Hotel vendor. MDAD Finance records reveal that the MIA Hotel issued 42 checks, totaling **\$87,496**, to H-King between January 2008 and June 2009, for multiple orders of housekeeping supplies and equipment. The OIG investigation revealed H-King was incorporated in the State of Florida on January 9, 2008 – just one day prior to the hotel issuing its first purchase order to H-King for supplies. The OIG investigation also found that this company was allegedly owned and operated by the live-in boyfriend of the former Housekeeping Supervisor, Patricia Correa. OIG Special Agents found that the company address was actually a residential building; no businesses were operating out of any units according

⁷ The Gridlock wallpaper is not the same style/type of wallpaper that is part of the criminal prosecution. The OIG discovered another order of Gridlock wallpaper (150 yards) totaling **\$3,084.19**, that was ordered by the hotel on June 18, 2008 (6 days after the first order). This second order was never approved by MDAD Commercial Operations and was submitted directly to MDAD Finance for replenishment. The OIG found no evidence that Decomax actually purchased an additional 150 yards of wallpaper from its supplier for resale to the MIA Hotel.

⁸ The former Executive Assistant and her husband are pending criminal prosecution in another scam involving wallpaper at the MIA Hotel.

⁹ It should be noted that the TOP has a separate budget, and all purchases for the restaurant should be made through the restaurant budget and not the hotel's.

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to the building's owner. The MIA Hotel's former Housekeeping Supervisor, in conjunction with the MIA Hotel's former Executive Assistant, prepared the requisitions for the purchase of housekeeping supplies from this company. OIG Special Agents reviewed H-King's bank records and found that the former Executive Assistant received 41 checks from H-King, totaling **\$40,630**. OIG Special Agents found no evidence of any purchases, no delivery invoices in the hotel's internal housekeeping files, and no documentary evidence that the supplies were actually received by the MIA Hotel. HID MIA Hotel Executive Management Staff failed to verify receipt of the goods, and did not witness or receive any of the alleged deliveries. Instead, HID MIA Hotel Executive Management Staff allowed the same individuals making the requisitions to verify delivery and oversee storage. This is in violation of internal controls delineated in Exhibit C of the Management Agreement. The former Housekeeping Supervisor was terminated before this scheme was discovered.¹⁰

HID Assistant Maintenance Supervisor Takes Kickbacks – During the course of the investigation, the OIG discovered that two other MIA Hotel vendors, between September 2010 and December 2010, made cash payments to Mr. Rolando Montoya, the Assistant Maintenance Supervisor.¹¹ During the course of the investigation, OIG Special Agents interviewed Mr. Montoya wherein he admitted to accepting cash payments from three MIA Hotel vendors that worked on hotel repair projects – one payment benefitting other HID employees and the other two for his benefit. In one instance, Mr. Montoya stated on two separate occasions, an MIA Hotel vendor gave him envelopes containing cash, which he believed to be approximately **\$600** that he gave to the former Chief Engineer. He stated the former Chief Engineer was expecting the payments, and the former Chief Engineer and the former Executive Assistant selected this vendor for the project. The former Chief Engineer is Nestor Aznar, and he has pled guilty and admitted to his participation in this scheme.

In the other two instances, Mr. Montoya stated he received small cash payments from the vendors – approximately **\$150** from the vendor for doing minor upgrades to some guest rooms, and about **\$50** from another vendor on a minor repair job. Mr. Montoya admitted to keeping the money he received from these vendors.

HID Payroll Supervisor Arrested for Theft of Over \$100,000 – OIG Special Agents learned that in July 2011, a former HID employee was arrested for the theft of **\$102,390.95** from the MIA Hotel Imprest Payroll Account.¹² This theft occurred over the

¹⁰ This scheme was discovered as part of the criminal fraud investigation; however, it was not included in the criminal prosecution due to the statute of limitations.

¹¹ At the time of the investigation, Mr. Montoya was the Assistant Maintenance Supervisor. He is currently the Maintenance Supervisor.

¹² The criminal case against the former Payroll Supervisor concluded in May 2012. The defendant agreed to pay restitution and was placed on 30 years probation. HID filed a claim with its insurance company for the total loss incurred, and on February 12, 2012, issued a check to MDAD for \$102,390.95. This case

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course of a 19-month period. The theft involved the former Payroll Supervisor fraudulently cashing approximately 157 unauthorized payroll checks in the names of approximately ten former HID employees. The former Payroll Supervisor also created a phantom employee and diverted payroll to that individual, for which the former Payroll Supervisor received a kickback. HID MIA Hotel Executive Management Staff could not explain how this theft occurred under its management. The OIG submits that had HID implemented and followed the procedures detailed in Exhibit C of the Management Agreement related to Payroll, the likelihood of this theft being committed and/or continuing for a 19-month period would have been reduced. Additionally, HID Headquarters and MIA Hotel Executive Management Staff failed to notify MDAD of this incident.¹³

HID Executive Assistant's Husband Receives Kickback for MIA Hotel Referral – During the course of the investigation, OIG Special Agents learned that an MIA Hotel requisition was prepared by the MIA Hotel's former Executive Assistant initiating the purchase of 20 executive style chairs for the Conference Center Board Room. The total price for the chairs, including taxes and shipping, was **\$17,676.40** (\$826 per chair). The OIG found that the MIA Hotel had also made two other purchases of chairs from this vendor – 220 chairs for the Conference Center (\$34,133) and 200 chairs for the TOP (\$67,410). The OIG found no evidence of any formal bids in MDAD Finance records, only the invoice from the vendor providing the chairs. Subsequent to the final payment for the executive style chairs, the vendor issued a check made payable to Mr. Jorge Isaac Maquilon, the former Executive Assistant's husband, for \$5,500 as a "commission" for referring the hotel to his company.

OIG Special Agents contacted the manufacturer of the executive style chairs and were advised that the same chairs could have been purchased through the County's procurement contract for Office and Non-Office Furniture (Contract #10-72-1/16-1) for an estimated cost of \$387 per chair. Because this project was not competitively bid, the vendor, in conjunction with HID employees, benefitted by setting the price – costing the County more than double the price for the chairs.

MIA Hotel Pays Vendor in Full Before Products are Ordered – OIG Special Agents discovered that the former Executive Assistant's husband owned a second company, Emporium Supplies Corp. (Emporium). MDAD records revealed that Emporium was also an MIA Hotel vendor. OIG Special Agents reviewed MDAD Finance records and found numerous questionable purchases from Emporium.¹⁴ Based on our investigation,

was investigated by the Miami-Dade County Police Department and is not part of the OIG's criminal fraud investigation.

¹³ Upon learning of this incident, the OIG immediately notified MDAD and provided them with a copy of the arrest information.

¹⁴ This scheme was discovered during the criminal fraud investigation; however, it was not pursued criminally due to the statute of limitations.

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the OIG found that while the MIA Hotel paid the full Emporium invoice price, it is unlikely that it received the total amount of product ordered. This finding is based on the lack of Emporium's own purchasing records. OIG Special Agents served a Subpoena Duces Tecum on Emporium, demanding Emporium produce any and all records evidencing the purchase of items sold to MDAD. In most cases, Emporium was unable to furnish any documents. In some cases, MDAD Finance records, along with Emporium's bank records, revealed that Emporium received full payment for items supposedly sold to the MIA Hotel before a single item was ordered. Below is a chart of four examples of this:

DATE	ACTIVITY	COST
	Example #1	
9/22/2008	Emporium billed the hotel for 90 hair dryers	\$ 2,045.04
9/24/2008	The hotel issued a check to Emporium for 90 hair dryers	
9/25/2008	Emporium ordered 48 hair dryers from an out-of-state distributor	\$ 965.88
10/03/2008	Emporium paid the distributor for 48 hair dryers	
	Profit to Emporium	\$ 1,079.16
	Example #2	
10/20/2008	Emporium billed the hotel for 540 towel bars	\$ 7,222.27
10/21/2008	Emporium ordered 400 towel bars from an out-of-state distributor	\$ 3,210.98
10/22/2008	The hotel issued a check to Emporium for 540 towel bars	
11/15/2008	Emporium paid the distributor for 400 towel bars	
	Profit to Emporium	\$ 4,011.29
	Example #3	
10/24/2008	Emporium billed the hotel for 120 mirrors and 120 clock radios	\$ 6,712.29
10/24/2008	Emporium ordered 90 mirrors and 90 clock radios from an out-of-state distributor	\$ 3,210.98
10/29/2008	The hotel issued a check to Emporium for 120 mirrors and 120 clock radios	
11/05/2008	Emporium paid the distributor for 90 mirrors and 90 clock radios	
	Profit to Emporium	\$ 3,501.31
	Example #4	
12/01/2008	Emporium billed the hotel for 100 hair dryers	\$ 3,672.93
12/03/2008	The hotel issued a check to Emporium for 100 hair dryers	
12/05/2008	Emporium ordered 1 hair dryer from an out-of-state distributor	
12/22/2008	Emporium ordered and paid for 20 hair dryers from the distributor	\$ 484.70
	Profit to Emporium	\$ 3,188.23
	Total Profit to Emporium	\$11,779.99

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RESPONSES TO THE DRAFT REPORT

This report, as a draft, was provided to HID, former General Manager Douglas Rodibaugh, former Comptroller Heidrun Herzberger, former Administrative Assistant Ivy Evans-Maquilon, former Director of Sales Marta Guerra, former Chief of Maintenance Nestor Aznar, HID employee Rolando Montoya, and MDAD for their discretionary responses. The OIG received responses from three of the recipients: HID, Mr. Douglas Rodibaugh, and MDAD. HID's response also included an affidavit from Rolando Montoya. Each response is attached hereto and incorporated herein as Appendix A through C, respectively. The responses are summarized below.

A. HID's Response (Appendix A)

Mr. Andre Callen, President of HID, provided a response on behalf of HID. In said response, HID agrees with the OIG recommendations and suggested safeguards, but then takes "serious exception" to the Investigative Findings section of the report. HID emphasizes that any persons or employees responsible for wrong-doing are all "former" employees, no longer employed by HID. HID states that despite HID's best efforts, abuses occur in every workplace and the MIA Hotel was one such place, albeit for only a limited period of time.

HID then addresses fifteen separate issues raised in the OIG Draft Report. The itemized responses to specific issues are summarized as follows:

1. **Free Dry Cleaning.** HID states free dry cleaning was the policy of the Hotel since 1989 because management was required to dress formally. HID notes that "business casual" did not exist when the policy was originally implemented. HID objects to the OIG using one-month of expense to extrapolate annual loss. Lastly, HID states that it reimbursed MDAD for any disallowed expenses.
2. **Free Meals.** Like dry cleaning, free meals for hotel staff have been in place since 1989 and is common practice in the industry.
3. **Use of Free Labor.** HID was unaware of this practice and basically infers that it never happened, as the "alleged activities appear to be unsubstantiated and based upon unproven assertions from very questionable sources."
4. **Free Six-Month Hotel Stay by Marta Guerra.** HID maintains that hotel managers have discretion to offer complimentary rooms at no charge. HID states that there are "any number of reasons" to grant this perk to a member of the Executive Team. Lastly, HID asserts that the revenue loss to the Hotel is irrelevant as the practice is standard in the industry. HID posits that there is genuine value in having senior management periodically on-site to gain first-hand experience of hotel operations.

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5. **Credit Cards.** HID claims that while the name stamped on the front of the American Express cards was "MIA Hotel", the account was a personal account of the former Controller, Heidrun Herzberger. HID states that only allowable expenses were replenished by MDAD. Because only allowable expenses were replenished, HID would never have reimbursed the Imprest Operating Account for funds improperly paid. HID similarly argues that the use of gas credit cards was appropriate and in furtherance of hotel operations.
6. **Lack of Inventories.** Per HID, annual inventories were completed in accord with MDAD procedures from 1989 through 2011. However, HID limited the inventories to food and liquor. HID claims that the inventory of the hotel linens was completed by tracking the amount of linens sent to and returned from a third-party laundry service. HID argues that conducting any other inventories, completed on an arbitrary and unrealistic schedule, would be a waste of public assets, spending dollars to track pennies.
7. **Conflict of Interest.** HID admits that violations of conflict of interest may have resulted in alleged losses to MDAD, but casts HID as a victim of rogue, former employees despite HID's care in selecting vendors.
8. **Manager's Account.** HID states that the Manager's Account exists to facilitate the handling of revenues generated by guests paying via ACH or electronic funds transfer. HID claims that wire payments cannot be made into the MDAD Depository Account. HID admits to co-mingling funds in the account, but denies its refusal to comply with MDAD requests for documents related to the account. HID maintains that it has been cooperative and provided all requested documents to the OIG, MDAD, and MDAD's external auditors and suggests that any claim to the contrary is offensive.
9. **Conference Room Wallpaper.** HID attached to its response a purchase quotation for 600 yards of Gridlock wallpaper. HID then states that it does not know what to make of the allegation.
10. **Top of Port Chairs (lack of bids).** HID claims that the cost of the chairs was a bargain. HID cannot be responsible for MDAD misplacing copies of three original bids.
11. **Supplies ordered by former Supervisor of Housekeeping.** HID notes that this involved a former employee whom they terminated for cause. HID states it had no knowledge of any relationship between the vendor and the former employee. HID also states that since the draft report does not assert that the purchased items were not delivered, HID is uncertain what to make of the matter.

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12. **“Small Cash Payments” and Rolando Montoya.** HID claims that it was unaware of any employees taking kickbacks and therefore HID interviewed Mr. Montoya after receipt of the OIG draft report, which resulted in a notarized statement. The OIG notes that this “affidavit” is not sworn to by Mr. Montoya. In it, Mr. Montoya denies ever receiving \$600 in cash. Instead, Mr. Montoya reports receiving only small amounts of cash for work performed on personal time.
13. **Activities of Former Payroll Supervisor.** HID claims that it discovered this theft, reported it to authorities, and any monies lost were fully recovered by HID. HID claims that its criminal payroll supervisor was assisted by a sympathetic, collaborating Bank of America teller working out of MDAD’s chosen, on-site bank. Lastly, HID notes that it cannot understand why HID has not received its cut of the insurance proceeds that were paid to compensate MDAD for the funds stolen by HID’s criminal employee.
14. **Activities of former Executive Assistant.** HID provides a quote for the purchase of chairs claiming that the cost paid was not unreasonable. HID speculates that MDAD has lost the bids related to this purchase. Lastly, HID claims that payment to vendors of a “commission” for a sales referral is not unusual and is a common practice.
15. **Payments to Vendors.** HID denies any knowledge of any improprieties committed by the former Executive Assistant and her husband via Emporium Supplies. HID states that there is no evidence that items were not delivered by Emporium and that HID cannot be held responsible for Emporium’s lack of records.

B. Mr. Douglas Rodibaugh’s Response (Appendix B)

Mr. Douglas Rodibaugh, the MIA Hotel’s former General Manager, provided a response through his attorney. Mr. Rodibaugh’s response addresses only a limited number of issues raised in the OIG Draft Report. His response is summarized as follows:

1. Free Dry Cleaning, Free Meals, Free Employee Labor.

Mr. Rodibaugh states that the programs of free dry cleaning and free meals were in place when he began working at the Hotel. He states that neither MDAD, the OIG, nor any external auditor objected to these practices. Regarding the use of free labor, unlike Mr. Callen who denies that Hotel labor was improperly used and who cites to unreliable sources making the claim, Mr. Rodibaugh admits that he and Ms. Guerra did use Hotel labor for personal use. However, Mr. Rodibaugh attempts to justify the use by stating that the Hotel employees were not supposed to work for him on company time. Instead, he states that the Hotel employees were supposed to be working for him on personal time. Mr.

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Rodibaugh states that he compensated the employees for their time. When employees refused compensation, Mr. Rodibaugh states that he would give them a cash gift at the end of the year, paid with his personal funds.

2. **Marta Guerra's free stay at the Hotel.** Mr. Rodibaugh admits that Ms. Guerra did stay in the Hotel for six months. He justifies this by stating that she was able to supervise Hotel operations. He notes that at that time, there was no Night Manager, no Rooms Manager, and no Asst. Food and Beverage Manager. He also admits that her staying there allowed her time to find the right place in which to move.
3. **Credit Cards.** Mr. Rodibaugh admits that he was issued a credit card, but turned it in as he had no use for it. He states he has no knowledge about any other credit card purchases and directs the OIG to inquire with the former controller.
4. **The bid process.** Mr. Rodibaugh states that the purchasing process in place at the Hotel was the same one in place when he was first hired. He states general audits which occurred through the years requested a purchasing department to be established several times, but MDAD Commercial Ops refused any increase in payroll and rejected the establishment of a purchasing department.

C. MDAD (Appendix C)

The OIG received a response from MDAD. While the Department did not comment on any of the specific findings of the report, the Department states that it has taken or is in the process of taking the following steps to strengthen internal controls over all of its management companies:

1. The Department is reassessing the risk associated with management companies in general. The Department states that it initially adopted the management company model in the mid-twentieth century, as it was thought to provide a higher rate of return than concession agreements and shifts much of the risk and responsibility for operations to the management company. MDAD admits that experience has shown that this is incorrect and that the risks are higher than originally anticipated. Therefore, while the Department will continue using management companies in some cases, it is identifying and implementing new internal controls to help minimize the risk of loss.
2. The Department is soliciting bids from management companies for future management of both the MIA Hotel and the TOP, individually. The Department states that the new contracts are much more specific than the existing contracts and are designed to reduce the likelihood of abuses.

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3. The Department is taking steps to augment staff and improve fraud detection skills by adding a second Senior Fraud Examiner to the staff and requiring that each be a certified fraud examiner as a pre-requisite of employment. Further, the Department is implementing a training program for Finance staff to increase their awareness of fraud indicators and standardize the review process to increase controls. Lastly, the Department is engaging the Audit and Management Services Department to perform regular (monthly) random testing of transactions and controls.
4. The Department will reassess and refine authorization procedures as suggested in the OIG report.

OIG COMMENTS TO THE RESPONSES

In their responses, HID and Mr. Rodibaugh, (1) deny knowledge of criminal activity, (2) deny knowledge of gross mismanagement, and/or (3) blame former employees or MDAD. There is no acknowledgement of their own failure to follow or implement key portions of the Management Agreement, especially related to internal controls. It is this very failure to manage that allowed much of the fraud, waste and abuse to occur.

Both HID and Mr. Rodibaugh claim that free meals, free dry cleaning, use of hotel credit cards, personal use of hotel employees and allowing a sales executive to live at the Hotel for six months is “standard in the industry” and/or insignificant. This position is untenable due to the fact that the MIA Hotel is 100% publicly financed. It was HID’s and Mr. Rodibaugh’s duty to not only safeguard Hotel assets but also to increase revenue. A general manager “requesting” underlings to work at his house, whether on or off company time, is a gross conflict of interest that neither HID nor Mr. Rodibaugh recognizes.

Both HID and Mr. Rodibaugh fail to address the fact that no one on the Hotel’s Executive Management staff was tracking Hotel purchases, deliveries or inventories. HID’s assertion that monthly inventories are a waste of taxpayer funds is particularly disturbing. It is this very lack of oversight that allowed virtually every member of the Hotel’s Executive Management staff to either steal from the Hotel or otherwise benefit from “perks” that no one was tracking.

Regarding the Manager’s Account, HID insists that account records have been provided, but fails to state when or to whom the records were given. The OIG re-interviewed witnesses. As of this date, HID has failed to provide specific documents related to the reconciliation of the Manager’s Account to either MDAD or MDAD’s outside auditor.

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Lastly, HID states that HID cannot be held responsible for MDAD misplacing bids. This assertion totally ignores the fact that, of the bids that do exist, many are forgeries that were furnished to MDAD by HID employees.

Regarding MDAD's response to the OIG Draft Report, MDAD does not question or deny any of the OIG investigative findings. Instead, MDAD details how they are trying to change their mode of operations in an effort to (1) decrease the possibility of this happening in the future, and (2) increase the likelihood of detection should fraud and abuse occur. The OIG is encouraged by MDAD's position.

CONCLUSION & RECOMMENDATIONS

HID has been managing the MIA Hotel since October 1989. Since October 1, 2002, HID has been operating the MIA Hotel on a month-to-month basis. It appears that this lengthy relationship between HID and MDAD has gone unattended for far too long, to the detriment of the County. The OIG's investigation has substantiated the initial allegations of fraudulent vendor billing. These allegations are currently the subject of an ongoing criminal prosecution. Additionally, the OIG found substantial issues concerning HID's compliance with the Management Agreement, including HID employees' personal use of goods and services purchased with County funds, HID employees' submissions of phony bids for replenishments, and HID's commingling MDAD and HID revenues in an account owned and controlled by HID. It should be noted that this report does not include every concern known to the OIG, however, it does provide insight into improprieties, mismanagement and a lack of oversight at the MIA Hotel on behalf of HID, its employees, and MDAD.

During the course of the investigation, the OIG presented some of the concerns mentioned in this report to MDAD management, at which time they were addressed. The changes implemented by MDAD since the inception of this investigation have been beneficial to the MIA Hotel's operation. These changes include:

- Revocation of the former HID MIA Hotel Executive Management Team's MIA credentials, which effectively barred them from working at the MIA Hotel;
- Termination of the free dry cleaning for HID MIA Hotel Executive Management Staff;
- Termination of the practice of HID employees using MIA Hotel rooms free of charge;
- Restriction of free meals at the TOP for HID MIA Hotel Executive Management Staff to specific, less expensive selections;¹⁵
- Enforcement of the monthly physical inventory requirements of all MIA Hotel supplies; and

¹⁵ The OIG still questions this practice because the TOP has operated in a deficit for several years.

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- Termination of all MIA Hotel credit card accounts.

Pursuant to an MDAD request, on August 18, 2011 HID sent a transition team from its headquarters to take over the management and operation of the MIA Hotel. Prior to any arrests in the investigation, OIG Special Agents met with the HID transition team. HID transition team members indicated to the OIG that they were unaware of the problems at the MIA Hotel and stated they were repeatedly assured by the former General Manager that operations were going well. However, upon their review of the operations, deficiencies with internal controls, inventories, and accounting procedures were quickly discovered. The OIG learned that the HID transition team, in conjunction with MDAD, made significant changes to the hotel operations in an effort to mitigate future losses and increase revenue to the hotel.

While the criminal case has not concluded, there are clear areas of concern that have emerged regarding HID's management and MDAD's oversight. The OIG stands by its investigative findings detailed above, and recommends, at a minimum, the following changes:

1. Require an external audit of the HID Manager's Account to ensure all MDAD revenues were in fact remitted to MDAD. HID's continued refusal to comply should be handled in accordance with the penalty provisions of the Management Agreement.
2. Require HID to reimburse MDAD for expenses HID improperly paid using MDAD Imprest Operating Account funds.
3. Require that all persons responsible for and/or associated with any management agreement or contract, read the Management Agreement and have a working knowledge of its requirements, including MDAD Division Directors and Finance Account Clerks.
4. Require that any modifications or deviations from the Management Agreement's policies or requirements be supported, in writing, with approval from MDAD Executive Management and the management company.
5. Modify the *Funding Request Form* to include a review by MDAD procurement or other in-house contractors prior to any large MIA Hotel purchases.
6. Establish a clear chain of authorization for MIA Hotel procurements to include designating a backup for the final authority for emergency purposes.
7. Modify all forms requiring signatures to include the date and the printed name of the MDAD person providing authorization.

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8. Establish and execute a procedure between Commercial Ops and Finance for reviewing and approving replenishment requests that exceed contractual limits.
9. Ensure that Finance does not replenish requests that exceed contractual limits without the proper authorizations.
10. Ensure that annual external audits are reviewed by the Aviation Director, Finance, and Business Development Division.
11. Mandate that MDAD be notified, in writing, of all management company employee hiring and terminations.
12. Require that any vendor contracting with the MIA Hotel or TOP sign an affidavit detailing its relationship (or lack thereof) to any MDAD employee or to any employee of the management entity.
13. Require that all persons working at the MIA Hotel, TOP, and any other facility operated and managed by an outside entity obtain training on the Miami-Dade County Code of Ethics regarding conflicts of interest, nepotism, and unauthorized use of County property.

In conclusion, the OIG requests MDAD provide a status report within 90 days detailing specific measures it has taken to implement the above-referenced recommendations. We respectfully request this status report on or before October 21, 2014.

Miami-Dade County Office of the Inspector General

Appendix A

H.I. Development Corporation's Response to the OIG Draft Report

**OIG Report of Investigation
IG10-51**



h.i. development

Hospitality runs in the family.

June 23, 2014

VIA FACSIMILE (305/579-2656) and USPS

Mary T. Cagle, Esq.
Inspector General
Miami-Dade County
Biscayne Building, Suite 220
19 West Flagler Street
Miami, FL 33130

Re: OIG Draft Report, IG10-51

Dear Ms. Cagle:

This is the invited response to the above-referenced document, transmitted to me by your letter dated May 23, 2014. Thank you for your willingness to extend our response deadline to the close of business today, June 23, 2014.

H. I. Development (HID) is very proud of its partnership with the Miami-Dade County Aviation Department (MDAD), our years of loyal service to Miami International Airport (MIA), and our collective achievements operating and maintaining the Miami International Airport Hotel (MIA Hotel) and MIA's Top of the Port Restaurant. We are committed to continuing to provide outstanding service to MDAD and to the residents and tourists who utilize MIA and its facilities.

Although we concur with your various recommendations and safeguards on Pages 18 and 19 of your document – many of which already have been implemented – we take very serious exception to many of your "Investigative Findings" on Pages 6 through 16. Our response to each component of those "findings" follows, and we respectfully request that you incorporate our explanations completely and entirely in your final report.

As a general observation, by far the most-repeated word in your document is "former;" as in former General Manager, former Controller, former Director of Sales, former Executive Assistant to the General Manager, former Chief of Maintenance, former Chief Engineer, former Payroll Supervisor, former HID employee, former MIA Hotel Executive Assistant, former MIA Hotel Housekeeping Supervisor, and a former MIA Hotel vendor. Some of the behavior of those ex-employees of HID clearly was troublesome and unfortunate and deserved appropriate response. Despite our best efforts to recruit, train and retain high-quality employees, and to provide jobsite supervision of them, abuses occur in every workplace and HID's at MIA regrettably was one of them, even if only for a limited period of time.



h.i. development

Hospitality runs in the family.

In response to the document's various "findings," we offer these facts and observations:

1. Dry-cleaning services for former H. I. Development Executive Team (Page 7). This was a practice and expense known to and approved by MDAD from 1989 until sometime in 2011. Our Executive Team at the hotel was expected to maintain a professional appearance. In 1989, men were attired in full suits with neckties and women often wore skirted suits or slacks and a blazer. "Business casual" simply did not exist in our workplace, when our management agreement originated. Although acceptable workplace attire has evolved since then, we always have operated the hotel in a first-class manner, employee uniforms and appearance included, to create the best possible image for the property. When MDAD initiated a new policy in 2011 that dry-cleaning "was only meant for the cleaning of employee uniforms," H. I. Development promptly implemented this change to its procedures that MDAD had approved for the prior 22 years.

Like other "findings" in the document, this lacks any appreciation for historical context and MDAD policies and approvals which have changed over time. Worse, the extrapolation of an arbitrary, one-month financial snapshot into a projected annual loss to MDAD is neither mathematically justified nor intellectually supportable. H. I. Development in every single instance has reimbursed MDAD for any and all disallowed expenses (including some expenses that we vigorously have contested as even being disallowable), and the "finding" that there is "no evidence that HID has ever reimbursed MDAD for the disallowed [dry-cleaning] expenses" is disingenuously misleading and wrong.

2. Meals at Top of the Port Restaurant for former H. I. Development Executive Team (Pages 7-8). Again, this was a practice and expense known to and approved by MDAD from the origins of our management agreement in 1989, when a number of our employees were provided a daily meal. In some hotels, this remains a common practice. When, as a matter of company policy, we discontinued providing meals to employees other than for our Executive Team at other managed hotels, those employees were compensated financially for the loss of that benefit. And, as with the change of MDAD's long-standing policy regarding dry cleaning, H. I. Development modified and limited this benefit for our Executive Team when requested to do so by MDAD.

3. Use by former H. I. Development executives of employees (Page 8). Prior to receiving this document, HID was unaware of these alleged activities, which appear to be unsubstantiated and unproved assertions from very questionable sources.

4. Use by former H. I. Development executive of Hotel MIA room (Pages 8-9). It is widespread, if not universal, practice throughout the U.S. hotel industry today that general managers have discretion to provide complimentary rooms at no charge. Any number of good reasons would explain why a key member of our Executive Team would be housed on-site at the property. The calculated "revenue loss" to MDAD is a mathematical exercise that bears no relevance to the real world of accepted, hotel-industry

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norms. Moreover, there is genuine value in periodically having senior management on-property to experience operations first-hand on a 24/7 basis – again, a practice not uncommon in the hotel industry – and we do not find that benefit included in the document.

5. Use by former H. I. Development executives of credit cards (Page 9). Although the "name" stamped on the front of the American Express cards was "MIA Hotel," the account was a personal one for the former Controller. Although the document speculates that some items purchased "appear to be for personal use," no documentation is provided to substantiate that allegation and, more important, nothing indicates that any personal purchases ever were inappropriately reimbursed. To be clear, H. I. Development has provided all of the documentation requested to date regarding purchases disallowed by MDAD; moreover, MDAD never paid any questioned or disputed expenses, so no reimbursement by H. I. Development to the Imprest Operating Account ever would have been necessary or paid. The document is further inaccurate with regard to the gasoline card. From time to time it is necessary to rent a truck and purchase gas to move inventoried items from the hotel to MDAD's storage facility, and those are allowable and authorized expenses pursuant to our management agreement.

6. Conduct of inventories (Pages 9-10). Annual inventories were conducted and completed in accordance with MDAD procedures from 1989 until 2011, when MDAD instructed a change in its procedures and H. I. Development complied. We cannot be faulted or held liable if MDAD's chief of commercial operations was unfamiliar with certain aspects of our management agreement. In hotels, three major categories of merchandise, supplies and materials customarily are inventoried: food, alcohol and linens. Food and beverage inventories have been conducted monthly at MIA Hotel as part of cost-calculation procedures. Linen supplies have been tracked by an inventory of turns, turns being counted as linens are sent to and returned by our third-party laundry services provider. In a hotel environment, inventories on an arbitrary and unrealistic schedule are a waste of public assets, spending dollars to track pennies. Our inventory procedures always have been approved by MDAD, and our reports always have been accepted by MDAD.

7. Conflict of interest policies (Page 10). We concur with the document's conclusion that these were "alleged" losses to MDAD, and that HID was victimized by rogue, former employees despite our care in selecting vendors.

8. Deposit of MDAD revenues into the MDAD Depository Account (Pages 10-12). Every registration card and reservation at MIA Hotel is a contract for the sale of a room, whether it is done by an individual traveler or in bulk by a third-party entity. We are in the daily business of maximizing sales and revenues from rooms at MIA Hotel: the overnight value of an empty, unsold room can never be monetized when the sun rises the next day. To my knowledge MDAD never has asserted approval right for any of our room sales.

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As for control of room-sale revenues, when our management agreement commenced in 1989 the notion of guests paying for hotel rooms by ACH or electronic funds transfer was essentially non-existent. Technology has changed rapidly and dramatically since that time, and electronic payments have become commonplace ... yet our agreement with MDAD, which has been month-to-month since 2002, never has been amended to recognize and incorporate these real-world changes. Wire payments for room nights at MIA Hotel cannot be made directly into the MDAD Depository Account; therefore, we utilized the intermediary hotel "Manager's Account" to accept those wires. Funds from that account, in turn, were deposited by check into the Depository Account. We have completely documented and accounted for all funds that were paid against the accounts receivable of MIA Hotel, and which subsequently were deposited into the Depository Account. HID made no deposits of MDAD funds into the Manager's Account; conversely, deposits were made via wire transfer from customers of MIA Hotel paying for goods and services, and those funds were paid against the accounts receivable of MIA Hotel. As owner of the account, HID did at times deposit our own funds into the Manager's Account, which are not MDAD funds.

We categorically reject and deny the statement, "Accordingly, MDAD is requiring HID to provide documents related to the Manager's Account. HID has repeatedly refused to comply with the request." That is completely false.

We categorically reject and deny the statement, "... HID's failure to provide MDAD with the requested records appears to be a particularly flagrant violation of the Management Agreement." That is completely false.

We have been completely cooperative in providing all requested documents to your office, to MDAD and to MDAD's external auditors, and any suggestion to the contrary is an offensive canard.

9. MIA Hotel Conference Center wallpaper (Pages 12-13). The document questions the expenditure of \$18,216.14 for the acquisition and installation of 600 yards of Gridlock wallpaper. Enclosed please find a purchase quotation for the same amount of the same wallpaper – pre-sales-tax and not even installed – for \$18,354. We are uncertain what to make of this matter, really.

10. Top of the Port Restaurant chairs (Page 13). A cost of \$337, including sales tax and freight delivery, for a top-quality chair installed in a high-traffic, heavy-wear-and-tear environment is a bargain. We cannot be faulted or held liable if MDAD's finance division has misplaced its copies of the original three bids.

11. Supplies orders by H. I. Development hotel former Housekeeping Supervisor (Page 13). This matter, as with so many, involves a former employee whom we terminated for cause. We had and have no knowledge, nor would we, whether the principal of H-King Corp. had any relationship whatsoever with

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the former Housekeeping Supervisor. The document does not assert that the purchased items were not delivered, so we are uncertain what to make of this matter, either.

12. "Small cash payments" to H. I. Development hotel former Chief Engineer and Assistant Maintenance Supervisor (Page 14). Prior to receiving this document, HID was unaware of these alleged activities. We then interviewed the Assistant Maintenance Supervisor, Mr. Rolando Montoya, and a resulting notarized statement is enclosed for your review. Mr. Montoya denies the document's assertion that he told your office that he received envelopes of cash totaling approximately \$600, and that he gave those funds to the former Chief Engineer.

Mr. Montoya reports that he received \$20 from one vendor and \$60 from another vendor (neither payment in the amount asserted in the document), in each instance compensation earned for completing small repairs (hanging six mirror brackets and setting sushi-bar equipment in place) done on his personal time and not during his MIA Hotel workday. We have instructed Mr. Montoya that no one is authorized to perform any work at MIA Hotel on their own time, or to be compensated in any manner by any MIA Hotel vendor or supplier.

13. Activities of H. I. Development hotel former Payroll Supervisor (Pages 14-15). This theft was discovered by H. I. Development, was reported to authorities by H. I. Development, and was fully recovered by H. I. Development. MDAD did not lose a single penny with regard to this matter. This theft was aided by a sympathetic, collaborating teller at the MIA branch office of Bank of America, MDAD's chosen, on-site banking vendor. H. I. Development fully assisted in the arrest and prosecution of the perpetrator, and was under explicit instructions from investigating authorities to inform no one (including MDAD) during the investigation.

Incidentally, payment to MDAD of the recovered funds has yet to be reflected on MIA Hotel's financial statements, and it is unclear why that accounting anomaly has persisted for so long. As well, HID still has not been paid the management fee, if any, owed to it on the funds that we recovered for MDAD from our insurance carrier.

14. Activities of H. I. Development hotel former Executive Assistant (Page 15). The document questions the expenditure of \$826 per chair, inclusive of sales tax and freight delivery, for 20 executive-style seats for the Conference Center Board Room. Enclosed please find a purchase quotation for the same chair, which is available for \$995 retail, or for \$536.77 discounted if the entire order is pre-paid. Neither quoted price includes sales tax or freight delivery. H. I. Development is not allowed to prepay for such orders and obtain a discount, nor are we authorized to make any purchases through the County's non-MDAD contracts. Again, it is lamentable if MDAD's finance division has misplaced its copies of the original bids for the three referenced sets of chairs. Still, it is apparent that the cost of those chairs is in line with current pricing for the identical or similar product. Payment by vendors of a commission for a sales referral is not unusual; in fact, the practice is quite common.



h.i. development

Hospitality runs in the family.

15. Payments to vendors (Pages 15-16). Prior to receiving this document, HID was unaware of these alleged activities. But it seems clear from the very limited data included in the document that this matter involved a rogue, former employee and her conniving husband. The document indicates that Emporium Supplies Corp. was unable to produce most of the documentation requested regarding sales to MIA Hotel; thus, this matter is entirely inconclusive. There is no evidence that Emporium did not deliver every single item, perhaps from the same or even additional but unknown distributors, shown in the document's table of four examples. Again, we cannot be faulted or held liable if a vendor (such as Emporium) has such scant paperwork in its files, each of those transactions having occurred more than five years ago.

We are extremely disheartened by the tone and by the content of this document. However, H. I. Development always has been willing to work cooperatively with our clients to improve procedures and safeguards for our mutual benefit. This is the hallmark of our company tradition, and we look forward to a continuing, productive relationship with MDAD toward that end.

I would ask that you provide me a courtesy copy of your final report prior to its publication, so that I might be prepared to respond to any inquiries that it might generate. Meantime, if you have any questions or require any additional information or explanation, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Andre P. Callen".

Andre P. Callen
President

Enclosures

cc: The Honorable Carlos A. Gimenez, Mayor, Miami-Dade County
Members, Board of Miami-Dade County Commissioners
Robert A. Cuevas, Jr., Esq., County Attorney
Mr. Mr. Emilio T. Gonzalez, Ph.D., Director, Miami-Dade County Aviation Department
Mr. Ken Pyatt, Deputy Director for Operations, Miami-Dade County Aviation Department
Mr. David R. Clement, Vice President, H.I. Development Corp.
Ms. Victoria Schrock, Director of Accounting, H.I. Development Corp.
Mr. Larry E. Collier, Director of Hotel Operations, H.I. Development Corp.
Mr. Harve Rosenthal, General Manager, Miami International Airport Hotel

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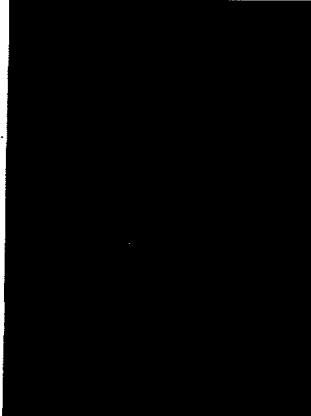
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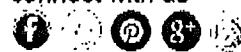
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Junio 4, 2014

De: Rolando Montoya:

To Whom It May Concern:

Rolando Montoya, assistant maintenance supervisor, confirmed that only twice received cash payments in small amounts by performing minor repair work but these were made in non-working hours and that no payment was for the benefit of another worker.

I should also clarify that the envelope received by the supplier and delivered to Nestor Aznar, ex-Chief Engineer was never open so I could not answer that was \$600. In the interview with the inspector was confirmed twice that never I knew what the envelope contained.

Without further,

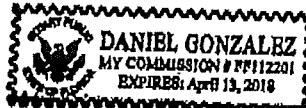


Rolando Montoya.

State of Florida
County of Miami-Dade

The foregoing instrument was acknowledged before me this 4th day of June, 2014, by Rolando Montoya, who is/are personally known or who x has/have produced a driver's license as identification.

Notary Public
My Commission Expires.



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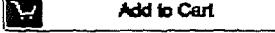
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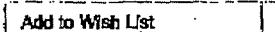
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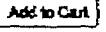
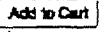


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Miami-Dade County Office of the Inspector General

Appendix B

Douglas Rodibaugh's Response to the OIG Draft Report

**OIG Report of Investigation
IG10-51**

TIMOTHY W. SCHULZ, P.A.
ATTORNEY AT LAW

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DIRECT DIAL: 561-659-1808

OF COUNSEL: ATHERTON LAW GROUP

June 23, 2014

Mary T. Cagle
Miami-Dade Office of the Inspector General
19 West Flagler Street, Suite 220
Miami, Florida 33130

Re: Douglas Rodibaugh
OIG Draft Report, IG10-51

Dear Ms. Cagle:

Please accept this correspondence as Mr. Rodibaguh's written response to the above listed OIG Draft Report, and the allegations/statements contained therein. Mr. Rodibaugh wanted to personally respond to the Draft Report, and his comments are set forth below. I believe it better that you hear directly from Mr. Rodibaugh in his own words on the areas outlined in the report.

Response

FREE DRY CLEANING AND FREE MEALS: These programs were set in place before I started working at MIA HOTEL. We have had a yearly Audit, an Inspector General review 10 years ago, and no one has ever said anything about these benefits. There now seems to be a new policy.

USED HIS EMPLOYEES FOR PERSONAL BENEFITS: The Chief of Maintenance, Nestor Aznar, did do work around my home. Just as he did for others, some who work for MDAD. Nestor always had a Key to the house, but he knew that he was not to go there during Hotel working hours. This had happened about 15 years ago and we had a very serious talk about it. To my knowledge this has never been a problem since. Employees did not maintain the lawn and they did not maintain the pool. I personally did both of these jobs. Referring to the building of a Wood Pool Deck, this was a project that Marta Guerra had Nestor do. It was a high wooden bench outside on the second floor to cover the AC units. I did buy Chlorine from Nestor. He had a pool license and got special prices. I always paid him cash. To my knowledge, hotel supplies were never used at our house. Marta wrote several checks to Nestor over the years for

supplies. Nestor never wanted money for himself for labor. So every year at Christmas time I would give him a card with \$500.00 cash. This was my thank you!!

THE MOVE: Yes, Nestor and Rolando helped us move. Rolando was to be working off the clock and Nestor was taking a few days comp time. This was Saturday through Wednesday I believe. I wrote Rolando a check for \$500.00 for labor and another check to Nestor for \$1,000.00, \$500.00 for Labor and \$500.00 for the truck. I have no knowledge of the hotel paying for this truck. Nestor often rented trucks to go to the warehouse and the dump.

MARTA GUERRA STAYING IN THE HOTEL: She did stay in the in Room 750. This is a Meeting Room and not one of the Hotel Inventory Rooms for sleeping. This room was used for sleeping only in emergency situations. It had a Murphy bed that pulled out of the wall. At this time we had no Night Manager, no Rooms Manager, and no Assistant Food and Beverage Manager. We thought Marta would be able to keep an eye on things at night while giving her time to find the right place to move to. Her staying in the Hotel proved very valuable.

There were a few things that I recall she found out about during her time in the hotel. She learned that the Lobby Bar was closing early, that Bellman were asleep at their station, and that no one was at the Front Desk on many occasions. This information was then passed on to the supervisors for correction. If it wasn't for Marta we would not have known these things. The Hotel looked at this as a positive not a negative. Marta was there during the Haiti disaster. The demand for group rooms, and traffic through the hotel, was very high during the evening hours at this time. The Hotel was lucky to have had someone in place to help coordinate. As far as lost revenue, lost Revenue would only come about if every Hotel Room was full and Room 750 was used as emergency over flow.

CREDIT CARDS: I had one when we first got them but, after a short time, I returned mine. I didn't use it and didn't have a need for it. This dates back 8-10 years ago. I am sure Heidi can answer any questions about credit card purchases.

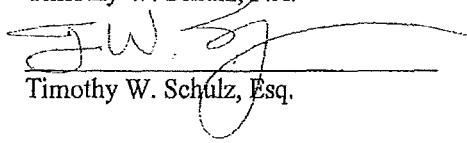
THE BID PROCESS: The system that was used was the same system that was in place when I started at the hotel. Over the years the General Audits asked for a Purchasing Department to be established several times. This suggestion was taken to Commercial Operations each time. Commercial Operations said no to any increase in payroll and signed off on it every time.

I would be happy to answer whatever questions your office may have on these or any other issues involving the Hotel. I feel very betrayed by the accusations by employees, although I know they are only trying to deflect blame to others in order to protect themselves. I hope you can understand how hurtful this is for me personally.

END OF PERSONAL COMMENTS

Please do not hesitate to call me office should have any questions or concerns.

Very Truly yours,
Timothy W. Schulz, P.A.


Timothy W. Schulz, Esq.

TWS/

Miami-Dade County Office of the Inspector General

Appendix C

MDAD's Response to the OIG Draft Report

**OIG Report of Investigation
IG10-51**

Memorandum

MIAMI-DADE
COUNTY

DATE: July 3, 2014

TO: Mary T. Cagle
Inspector General

FROM: Emilio T. Gonzalez
Aviation Director

SUBJECT: Aviation Department response to *OIG Draft Report of Investigation Re: Contractual Violations and Other Findings Relating to the Management and Operation of the MIA Hotel*

The Miami-Dade Aviation Department thanks the Office of the Inspector General for its investigative efforts and reports culminating in *OIG Draft Report of Investigation Re: Contractual Violations and Other Findings Relating to the Management and Operation of the MIA Hotel* (the Report).

The Department has taken or is in the process of taking the following steps to strengthen internal controls over all its management companies:

- **Reassess the risk associated with management companies.** When the Aviation Department initially adopted the management company model in the mid-twentieth century, it was thought to provide a higher rate of return than concession agreements and shift much of the risk and responsibility for operations to the management company. Further, the model was intended to allow rapid, business-oriented procurement. Experience has shown that this assessment is incorrect, and that the higher financial returns are accompanied by greater risk than initially anticipated. Although the Department has chosen to continue using management companies to perform certain functions, it has also identified specific controls that it believes will mitigate these risks.
- **Solicit new hotel and restaurant management.** After a 2013 procurement was rejected by the Board of County Commissioners, the Department bifurcated the hotel and restaurant solicitations and is proceeding with both. The new contracts are much more specific than the existing agreements, and are designed to reduce the likelihood of abuses.
- **Augment staff and improve fraud detection skills.** The Department is:
 - Adding monitoring staff to the Commercial Operations Division. An additional senior fraud examiner position has been added for fiscal 2015, and the requirement that both oversight positions be certified fraud examiners has been included in the job description.

- Implementing a training program for Finance staff to familiarize them with the actual operations of the management companies, increase their awareness of fraud indicators and standardize the review process to strengthen controls.
- Engaging the Audit and Management Services Department to perform regular (monthly) random testing of transactions and controls.
- **Require all vendors to become County-certified.** The Department considers it essential that all vendors providing goods and services to management companies be registered County vendors. This requirement reduces the likelihood of fraudulent procurements, phantom vendors, rigged bids and other purchasing abuses by ensuring that all vendors have legitimate and verifiable credentials. It is also intended to make monitoring vendors more efficient.
- **Reassess and refine authorization procedures.** The Department has implemented some of the improvements suggested in the Report, the new proposed contracts contain others, and the Finance and Commercial Operations Divisions are collaborating to further refine processes and strengthen internal controls. The Department's external auditor will review the enhanced controls as part of the fiscal 2013-14 audits and controls will be randomly tested by the County's internal auditors (see above).

Prospectively, the Department is assessing the various options for moving forward as recommended in the Report and will update the OIG regularly.