



Memorandum



Miami-Dade County Office of the Inspector General
A State of Florida Commission on Law Enforcement Accredited Agency
601 NW 1st Court ♦ South Tower, 22nd Floor ♦ Miami, Florida 33136
Phone: (305) 375-1946 ♦ Fax: (305) 579-2656
Visit our website at: www.miamidadeig.org

To: The Honorable Carlos A. Gimenez, Mayor, Miami-Dade County
The Honorable Audrey M. Edmonson, Chairwoman
and Members, Board of County Commissioners, Miami-Dade County

From: Mary T. Cagle, Inspector General

Date: May 29, 2019

Subject: County Contractor Sentenced to Federal Prison for False Statements Made on Low Income Housing Contracts IG17-0004-I

The president and vice-president of County contractor Aaron Construction Group (Aaron Construction) were sentenced last week to 51 and 41 months, respectively, in federal prison. The pair were earlier convicted at trial, in February of this year, on multiple counts of Conspiracy to Commit Wire Fraud, Wire Fraud, and False Statements related to work on county construction contracts for the Public Housing and Community Development Department (PHCD). The work involved renovation and repairs for low-income housing units and was federally-funded.

The case involved Aaron Construction's bids and work coming from the County's 7360 Miscellaneous Construction Contract. The evidence at trial established that, between June 2014 and December 2016, the defendants engaged in a scheme to unlawfully enrich themselves by securing PHCD bid awards and then falsely representing in the payment requisitions that workers were paid the correct wages as required by prevailing Davis Bacon wage rates, including overtime rates. Other false statements involved the employment status of the workers, in that Aaron Construction represented that the workers were its employees, when they were not; instead the workers were hired by subcontractors.

The Miami-Dade County Office of the Inspector General was a member of the joint investigation that involved the U.S. Department of Labor Office of the Inspector General, the U.S. Housing and Urban Development Office of the Inspector General, and the Miami-Dade Police Department. The criminal case was prosecuted by the United States Attorney's Office for the Southern District of Florida, and attached is its press release with additional details about the sentencing.

Attachment

cc: Alex Ferro, Chief of Staff, Office of the Mayor
Michael Liu, Director, Public Housing and Community Development Department
Juan J. Perez, Director, Miami-Dade Police Department
Cathy Jackson, Director, Audit and Management Services Department
Yinka Majekodunmi, Commission Auditor



United States Attorney Ariana Fajardo Orshan Southern District of Florida

FOR IMMEDIATE RELEASE

May 25, 2019

<https://www.justice.gov/usao-sdfl>

CONTACT: Marlene A. Fernandez-Karavetsos
Special Counsel to the U.S. Attorney
Public Information Officer
Marlene.Fernandez-Karavetsos@usdoj.gov

South Florida Construction Company Executives Sentenced Friday for Defrauding a Low Income Housing Development Program

Following a six-day trial before U.S. District Judge Ursula Ungaro, a Miami jury convicted **Javier Estepa**, 48, of Davie, and **Diego Alejandro Estepa Vasquez**, 37, of Boca Raton, of conspiracy to commit wire fraud, wire fraud, and false statements to a federal agency. Estepa and Vasquez were the president and vice-president, respectively, of Aaron Construction Group, Inc. (“Aaron Construction”).

Ariana Fajardo Orshan, U.S. Attorney for the Southern District of Florida, and Rafiq Ahmad, Special Agent in Charge, U.S. Department of Labor, Office of the Inspector General (DOL-OIG), Nadine Gurley, Special Agent in Charge, U.S. Department of Housing and Urban Development, Office of the Inspector General (HUD-OIG), Mary T. Cagle, Inspector General, Miami-Dade County, Office of the Inspector General (OIG), made the announcement.

On May 24, 2019, Judge Ungaro sentenced Estepa to 51 months in prison to be followed by three years of supervised release; and sentenced Vasquez to 41 months in prison to be followed by three years of supervised release.

The evidence at trial established that, between June 2014 and December 2016, the defendants engaged in a scheme to unlawfully enrich themselves by securing Miami-Dade Public Housing and Community Development (PHCD) bid awards and causing payments on those contracts by making materially false and fraudulent representations, and by the concealment of material facts concerning, among other things, the utilization of subcontractors, the number of workers employed on the construction projects, the hours worked, and the status of those workers as employees of Aaron Construction.

Estepa and Vasquez submitted bids to PHCD, on behalf of Aaron Construction, for specific renovation and repair of low income housing in various locations throughout Miami-Dade

County. In the bids, Estepa and Vasquez falsely and fraudulently represented that (1) no subcontractors would be utilized in connection with the contract, (2) that each worker would be paid for each hour worked, including for overtime, according to the Davis Bacon prevailing wage rates, and (3) that Aaron Construction would obtain workers' compensation insurance, in accordance with state laws. However, immediately after being awarded the contracts, Aaron Construction entered into agreements with subcontractors which set a fixed payment at very low amounts for their work, regardless of the number of hours worked. In addition, Aaron Construction required subcontractors to provide the information of two or three subcontractor employees so that they could be placed on Aaron Construction's certified payroll to appear as if they were Aaron Construction employees. The evidence at trial established that Aaron Construction failed to report accurately the hour employees worked on the job sites or the specific categories of work performed.

In order to obtain payment from PHCD, Estepa and Vasquez submitted Periodic or Final Estimate for Payment packets to PHCD containing false and fraudulent certified payroll records that listed fewer workers than were actually employed on the project and falsified the number of hours worked. In addition, the evidence at trial established that the workers were not paid the appropriate wages under the Davis Bacon Act, nor were the workers paid overtime. Estepa and Vasquez falsely and fraudulently stated that they had no subcontractors working on the project, falsely characterizing the workers as employees of Aaron Construction, when in fact they were subcontractors and subcontractor employees. In addition, Estepa and Vasquez submitted with the Periodic or Final Estimate for Payment packets sworn statements of compliance that falsely and fraudulently certified that the information submitted was true and correct. Due to these false and fraudulent submissions, PHCD transferred over \$3.9 million dollars in funds to bank accounts controlled by Estepa and Vasquez.

U.S. Attorney Fajardo Orshan commended the investigative efforts of DOL-OIG, HUD-OIG, and Miami-Dade County, Office of the Inspector General. The case was prosecuted by Assistant U.S. Attorneys Joshua S. Rothstein and John Gonsoulin.

A copy of this press release may be found on the website of the United States Attorney's Office for the Southern District of Florida at www.usdoj.gov/usao/fls. Related court documents and information may be found on the website of the District Court for the Southern District of Florida at www.flsd.uscourts.gov or on <http://pacer.flsd.uscourts.gov>.