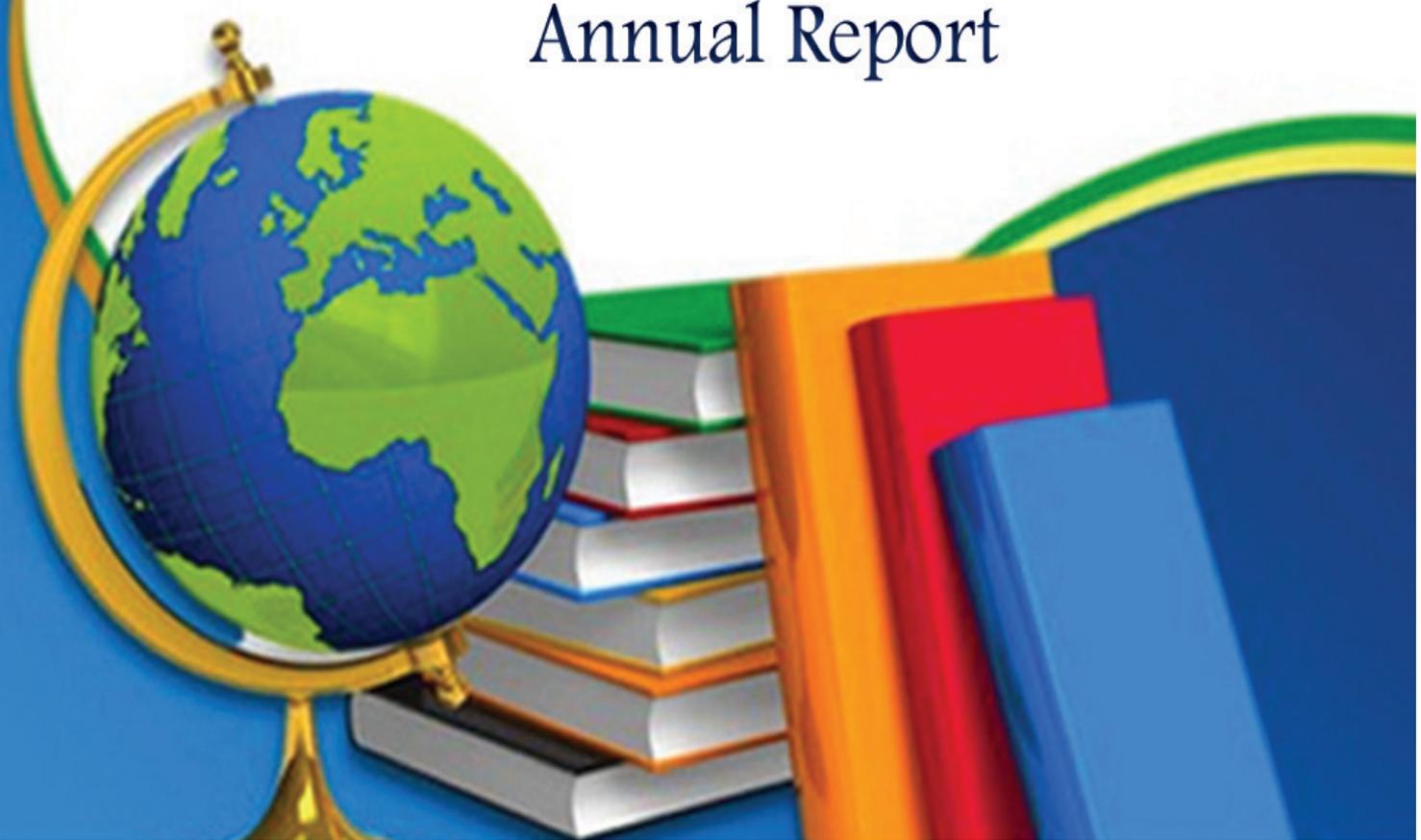




Office of the Inspector General  
Miami-Dade County Public Schools

2016-2017  
Annual Report



# Message from the Inspector General



*“Our commitment to the School District is to provide clear and objective findings after thorough review and investigation.”*

I am pleased to present the Miami-Dade County Public Schools Office of the Inspector General’s 2016-2017 Annual Report. This Report summarizes the activities of the M-DCPS OIG for the period of July 1, 2016 through June 30, 2017. In addition to reviewing and handling complaints, we support the overall mission of M-DCPS by conducting independent, objective analysis of programs and operations. Audits, investigations, and other related work in this report represent the OIG’s continuing commitment to promoting accountability, transparency, efficiency, and effectiveness through our findings and recommendations for corrective actions. As we perform these functions, we are committed to working cooperatively with other compliance arms of the School District, while ensuring our objectivity and independence. It is our independence from the School Board and the Administration that provides the needed credibility when performing our oversight function. Our commitment to the School District is to provide clear and objective findings after thorough review and investigation. It is our goal to provide recommendations that drive positive change. It is always a privilege to work in an environment where the public officials welcome oversight.

This year’s Report details some of our activities regarding oversight of the General Obligation Bond Program, our investigation into misconduct by school employees and provides an overview of how we function.

We look forward to another year of service.

Sincerely,

A handwritten signature in blue ink that reads "McLagle". The signature is fluid and cursive, with a long, sweeping tail on the final letter.

Mary T. Cagle

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# WHAT WE DO

The Miami-Dade County Public Schools Office of the Inspector General (M-DCPS OIG) is authorized to detect, investigate and prevent fraud, waste, mismanagement, misconduct and abuse of power through independent oversight of School District affairs. The organization and administration of the OIG is independent to assure that no interference or influence external to the office adversely affects the objectivity of the OIG.

An Interlocal Agreement (ILA) between the School Board of Miami-Dade County and Miami-Dade County initially executed in 2007, authorizes the operations of the M-DCPS OIG. The ILA sets forth the responsibilities, functions, authority and jurisdiction of the M-DCPS OIG. The third renewal of the ILA was approved by the School Board on October 18, 2016, and by the Board of County Commissioners on December 6, 2016.

The M-DCPS OIG is a central point in promoting accountability, integrity and efficiency through its efforts in conducting audits, investigations and oversight activities involving School District employees, contractors, projects and programs. All matters referred to the office are handled with the goal of improving the School District's performance.

Under the terms of the ILA between the School Board and the County, the M-DCPS OIG is required to submit an annual report covering its activities for the preceding fiscal year. We present this report which provides information on the M-DCPS OIG activities during the fiscal year of July 1, 2016 through June 30, 2017.



## THE MIAMI-DADE COUNTY OIG EXECUTIVE TEAM



Inspector General Mary T. Cagle heads the OIG's executive team comprised of two direct reports. Deputy Inspector General Felix Jimenez is charged with leading the Investigations Unit and directing specific functions of detecting and investigating both criminal and administrative violations. As General Counsel, Patra Liu heads the OIG's Legal Unit, which includes the office's

contract oversight function. In addition to executive leadership, the Miami-Dade County OIG provides administrative support including a portal for School District-related website for complaints. Our hotline also serves both Miami-Dade OIG and M-DCPS OIG for telephone complaints.

## THE MIAMI-DADE COUNTY PUBLIC SCHOOLS OIG TEAM

The M-DCPS OIG became operational in January 2008 and is currently under the management of Supervisory Special Agent Thomas Knigge with five full-time School District employees. The investigative staff has extensive law enforcement background.



The office is located on the third floor of the Annex Building of the School Board Administrative Complex, at 1501 NE Second Avenue, Suite 343, Miami, Florida. Investigative, audit, contract oversight and legal staff from the Miami-Dade County OIG works jointly with M-DCPS OIG as needed, ensuring productivity and maximizing efficiency. In accordance with the ILA, all services provided to the District by the Miami-Dade County OIG are billed quarterly.

*(left to right) Larry Riley, (Special Agent); Angie Evans, (Administrative Assistant); Frank Trujillo, (Special Agent); Thomas Knigge, (Supervisory Special Agent)*

## THE NEWEST MEMBER OF THE M-DCPS OIG



This year the M-DCPS OIG welcomed a new member to its team. Special Agent Jose Gonzalez enjoyed a distinguished 30-year career with the federal government. He had a stellar 24 years with the U.S. Postal Inspection Service serving in a law enforcement capacity. Prior to his law enforcement career, he served honorably in the U.S. Navy. He is a Certified Fraud Examiner and recently became a Certified Inspector General Investigator.

During his law enforcement career, he developed and led numerous high profile international fraud investigations while serving as Program Manager and Task Force Leader for the Global Securities and Investigations Group of the U.S. Postal Inspection Service. His primary area of investigative responsibility covered Latin America and the Caribbean. Special Agent Gonzalez was a recognized

Mail Fraud Subject Matter Expert and received numerous investigative awards and commendations. In 2006, he was recognized as the Lead International Fraud Investigator during the Department of Justice, "Operation Global Con" initiative. As a result of his investigative accomplishments he was featured during a 2010, ABC News 20/20 investigative report.

Special Agent Gonzalez also has extensive security experience having served as the Security Consultant for the Universal Postal Union, a specialized agency of the United Nations representing 192 member countries, and the Postal Union of the Americas, Spain and Portugal (PUASP). He represented the security interests of the United States as a delegate to international forums, consultative and executive committee meetings at the 2009 PUASP Congress in Santiago, Chile and the 2013 PUASP Congress held in Havana, Cuba. He also served as the Acting Chairman of the PUASP Security Action Group and during his tenure wrote and established the only international security certification model utilized throughout Latin America and the Caribbean. His knowledge and experience will be an asset to the M-DCPS OIG and should contribute greatly to the service provided to the School District.

# M-DCPS OIG BUDGET AND STAFFING LEVELS

The M-DCPS OIG is funded annually by the School Board through its adopted budget to provide inspector general services to the School District. Additionally, through an Interlocal Agreement between the School Board and Miami-Dade County, a hybrid staffing model was established recognizing the utilization of personnel from both Miami-Dade County OIG staff and School District contracted employees.

All personnel costs are funded under an annual budget allocation. The M-DCPS OIG's budget for FY 2016-2017 was approved by the School Board at \$785,408 to cover operating needs and personnel staffing. The sub-account, Other Purchased Services, funds reimbursements to Miami-Dade County for staffing services provided to the School District under the terms and conditions of the ILA. All M-DCPS OIG employees are contracted managerial exempt personnel (MEP) and serve at the will of the Inspector General. The M-DCPS OIG is overseen by the Inspector General and her executive team and operate under the direction of the M-DCPS OIG Supervisor in charge.

## PROFESSIONAL DEVELOPMENT

The OIG recognizes the value of a strong, diverse and highly skilled staff and continues its commitment to professionalism by supporting its workforce with training and development. M-DCPS OIG staff are encouraged to, and eagerly participate, in ongoing professional training to develop their skill sets in support of the OIG mission.

All investigators are active members of the Association of Inspectors General (AIG) and attend AIG-sponsored training and certification programs. All members of the investigative staff attend the AIG Certified Inspector General Institute. Other training activities not only enhance investigative skills and knowledge base but also provide the added benefit of satisfying the required continuing educational credits in their field. Some of the more noteworthy conferences include the Annual Institute of Internal Auditors/ Association of Certified Fraud Examiners Fraud Conference; Preventing and Detecting Payroll Fraud; Effective Auditing of Construction Activity sponsored by the Construction Audit and Cost Control Institute; and The Impact of the Underground Economy and Internal Investigations: Understanding Evidence Rules and Legal Elements. In addition, investigators attended an in-house training on the topic of the Fundamentals of Public and Private Partnership.

# COMPLAINT INTAKE AND PROCESSING

The M-DCPS OIG receives complaints in various ways: by mail, via website, through the OIG fraud hotline, or reported in person. All complainants can be assured that investigators are trained to ensure the confidentiality of the information provided and maintain the confidentiality of the complainant's identity pursuant to applicable laws and ordinances. All complaints received by the M-DCPS OIG are logged and each complaint undergoes a review process to determine jurisdiction in the matter and assess what action is warranted. Some complaints undergo a preliminary inquiry that may resolve the matter or may require the initiation of an investigation, audit, review or referral. Complaints may also be referred to the School District's administration or other governmental agencies. In the case of a referral, the receiving agency is requested to provide the OIG with its findings.

In accordance with Section 3(h) of the ILA, the M-DCPS OIG is the School District's designee for purposes of receiving Whistleblower Act disclosures under Florida Statutes, Section 112.3187(7), and for investigating them in accordance with Florida Statutes, Sections 112.3187-112.31895. Whistleblower disclosures are those disclosures that allege violations or suspected violations of law, rule or regulation that endanger health and public safety or allegations of gross mismanagement, malfeasance, misfeasance, gross waste of public funds, or gross neglect of duty by persons in an agency or independent contractors. Any individual who makes such a disclosure is entitled to have their identity kept confidential pursuant to state law.

We strive to provide a voice to all complainants. Complaints involving personnel matters and other similar issues, as well as matters beyond the M-DCPS OIG's jurisdiction, are referred to the appropriate parties. Due to limited resources, not every complaint can be investigated. The M-DCPS OIG makes every effort to have every complaint addressed, either through an investigation, a preliminary inquiry or a referral. During this reporting period, the M-DCPS OIG opened a preliminary inquiry on 28 complaints. The information gathered from the preliminary inquiries warranted the opening of 14 investigations. Forty-six percent of the complaints received were from an anonymous source.

During fiscal year 2016-2017, the M-DCPS OIG received 100 complaints, of those complaints:

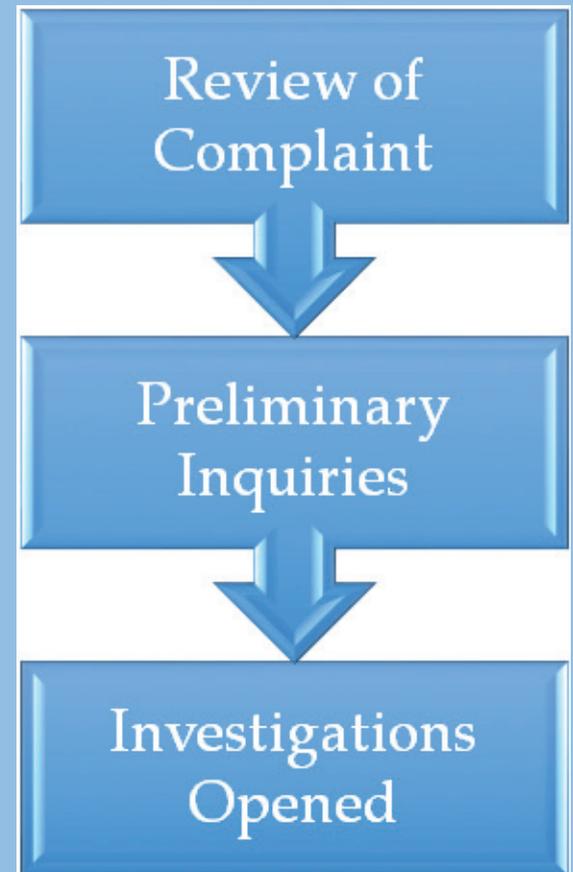
- 70 were made using the OIG on-line complaint form and website
- 17 were received either by mail and/or fax
- 9 were received via the OIG hotline
- 4 were received from individuals who came into the office and met with an investigator

## COMPLAINT REFERRALS TO THE SCHOOL DISTRICT

For the past two years, the M-DCPS OIG and the administration have established a process to address complaints referred to the administration's attention. Upon review of the complaint and a determination by the OIG that a referral is appropriate, it is forwarded to the corresponding M-DCPS administrative officer. The complainant's identity and information that may lead to the identity of the complainant is redacted in the referral – unless the complainant has authorized that his/her identity be released – and will remain confidential as permitted by law.

Most often, the complaints are referred to School Operations, Charter School Compliance and Support, Region Offices, Office of Exceptional Student Education, Office of Risk and Benefits Management, Civilian Investigations Unit, Department of Safety and Energy Management, and the Miami-Dade County Public Schools Police.

During FY 2016-17, 62 complaints were referred to the administration. The M-DCPS OIG relies on the professional competencies of these offices to address non-compliant activities and requests a written response documenting their findings on the matter and, if warranted, what action was taken. To properly account for all referred complaints, the M-DCPS OIG maintains a log of the complaints routed to the administration and closely monitors responses. Based upon the response, the M-DCPS OIG may close the complaint, return it to the administration for additional clarification, or open an investigation into the matter.



## INVESTIGATIVE HIGHLIGHTS

The OIG investigates a variety of criminal and administrative violations. Our investigative findings and recommendations, when applicable, are shared with the School Board, the Superintendent, and other appropriate School District officials, with the goal of improving operations and procedures. This fiscal year, 28 preliminary inquiries initiated by our special agents resulted in the opening of 14 new investigations, in the following areas: unauthorized/undeserved extra period teaching supplements to teachers; misclassified grade book entries; inappropriate accounting of money from sales or school fundraising activities; improprieties in procurement practices; allegations of receiving gratuities from vendors; violations of small/micro business enterprise (S/MBE) and minority/women business enterprise (M/WBE) programs; misuse and misappropriation of grant funds; and cone of silence violation(s). In several investigations, the M-DCPS OIG has collaborated with the Office of Management and Compliance Audits and the Schools Police. A summary of the investigations can be found in the following pages.





## **Former Principal of Miami Jackson Adult Center Arrested**

In July 2016 the M-DCPS OIG and the Miami-Dade State Attorney's Office, Public Corruption Unit, initiated a joint investigation upon receipt of information from a confidential source, alleging misconduct on the part of Joey Bautista, Principal of the Miami Jackson Adult Center (MJA Center). The MJA Center is an adult education center operating out of Miami Jackson Senior High School. Mr. Bautista has been employed by M-DCPS since 1998 and has been the Principal of the MJA Center since July 2011. The MJA Center is open to adults and continuing education students Monday through Thursday, during afternoon and evening hours.

As principal of the MJA Center, Mr. Bautista was responsible for supervising the operation and management of the MJA Center. He was also responsible for hiring personnel to staff the MJA Center and satellite facilities, some of which are located within other M-DCPS schools. During his tenure as principal, Mr. Bautista hired Adeline Joseph for the position of Community-School Activity Leader II at the MJA

Center. An Activity Leader II is responsible for supervising students, preparing and planning activities and interacting with the students during activities. MJA Center payroll records indicate that Ms. Joseph was assigned to Toussaint L'Ouverture Elementary School from January 22, 2013 to March 21, 2013, and later assigned to the MJA Center, the main location, from March 29, 2013 through September 24, 2015. Investigators learned that during Ms. Joseph's assignments at Toussaint, she worked as a custodian, while holding the title of Community School Activity Leader II. The records also revealed that M-DCPS paid Ms. Joseph bi-weekly for this time period. However, the investigation determined that Ms. Joseph never performed the duties of Community School Activity Leader II at any school, and did not work at the MJA Center main campus. Instead, the investigation uncovered that while on the MJA Center's payroll—for two and a half years—Ms. Joseph was cleaning, cooking and taking care of Mr. Bautista's children at his home. Ms. Joseph acknowledged that while she worked at Mr. Bautista's home she was paid by M-DCPS, and her pay was direct deposited into her account.

For the time period investigated, Mr. Bautista's housekeeper/nanny was paid over \$41,000 with taxpayer funds. Mr. Bautista was arrested and charged with one count of Organized Scheme to Defraud, a felony in the second degree; three counts of Official Misconduct by a Public Servant, a felony in the third degree; and three counts of Grand Theft, a felony in the third degree. Mr. Bautista is presently out on a \$45,000 bond and awaiting trial.

## Gross Mismanagement, Payroll and Fundraising

The M-DCPS OIG received an anonymous complaint regarding allegations of mismanagement, payroll and fundraising improprieties against the former principal of South Hialeah Elementary School (South Hialeah) from July 2009 to July 2014. The OIG's investigation substantiated the allegations, finding the principal to have committed the following:

1. Authorized a part-time employee to be paid his school salary while on vacation for two years in a row, when hourly part-time employees are not entitled to annual leave (vacation) benefits.
2. Authorized an evening shift custodian to attend citizenship classes in the Community School's Adult Education Program at South Hialeah when she should have been performing her custodial duties at the school, causing the supervisor to have someone else perform her duties.
3. Had the same evening shift custodian cleaning her house.
4. Had non-certified substitute teachers and Florida International University (FIU) interns covering classes alone without a supervising teacher present, as required by School Board and FIU Policies.
5. Used the Before and After School Care Program funds to pay employees that were not performing any work related to the program.
6. Failed to ensure that monies collected from fundraising activities at the school were properly accounted; failed to provide receipts to the students; and failed to deposit funds in the school's internal fund account in accordance with School Board Policies on Internal Fund Accounting. (This last finding was determined with the assistance of the School Board's Office of Management and Compliance Audits, who conducted a forensic audit of South Hialeah Elementary School's accounts.)

The M-DCPS OIG investigation revealed that employees, with the principal's knowledge and under her supervision, disregarded School Board Policies to the point that during her tenure a cell phone purchased for the principal with funds collected from school fundraisers remained missing and unaccounted for.

## ing Improprieties at South Hialeah Elementary

In her statements to the M-DCPS OIG, the principal denied having school-sponsored fundraising activities even when shown emails from her directing employees to hold fundraisers. The principal additionally allowed her employees to collect monies at PTA-sponsored fundraisers, contrary to school board policy and then denied that she had any knowledge they were doing it. She allowed her employees to keep the funds collected in a collection box, without turning it over to the treasurer as required. The most troubling part was that throughout the investigation, the principal refused to acknowledge any responsibility for her actions. Instead the principal made statements in direct contradiction to her employees' statements and emails to her and from her. The principal either denied or stated she had no knowledge of writing any emails or receiving emails addressed to her. The principal went as far as denying she signed and authorized the Payroll Final Rosters in order to cover up that she had paid the part-time employee's vacation.

M-DCPS OIG Special Agents also discovered that the principal had solicited and received—from the part-time employee that received the inappropriate vacation pay—a loan for more than \$3,000 to buy furniture and pay a debt. As a result of the many complaints brought against the principal, M-DCPS demoted her twice and transferred her to another school. She is currently employed by the School District as a 1st grade teacher. The M-DCPS OIG has referred this matter to the Florida Department of Education.



## Cutler Bay Senior High School Athletic Director Caught Stealing Fees Paid by Student Athletes



The M-DCPS OIG, upon receiving an anonymous complaint from a parent, initiated an investigation of Cutler Bay Senior High School's Athletic Director, Alphonso Thomas.

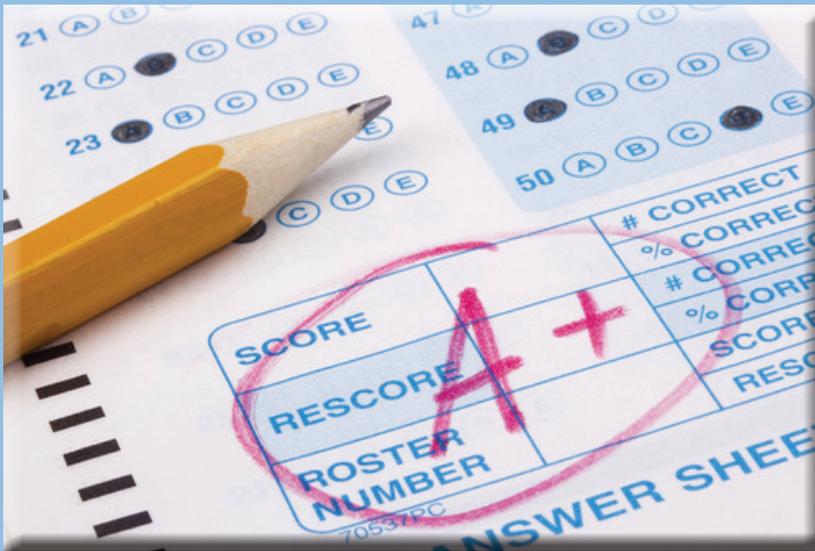
The M-DCPS OIG investigation determined that Mr. Thomas, for at least two years, while working as the athletic director, was stealing funds from student athletes. The investigation found that during the 2014-2015 school year, Mr. Thomas collected funds from 60 student athletes to purchase School

Board approved health insurance. He deposited, however, only the insurance premiums for 38 students, keeping \$660 for himself and leaving 22 students uninsured. Furthermore, during the 2015-2016 school year, Mr. Thomas collected funds from 80 student athletes, \$30 for the health insurance per student athlete and \$20 for an unapproved "athletic fee" from approximately 78 of those student athletes. However, Mr. Thomas failed to purchase the insurance, failed to place the collected money into the school's internal funds account as per School Board Policy, and by his own admission, placed this money into his personal account, which he was not entitled to.

Mr. Thomas was arrested on October 24, 2016, and charged with one count of felony grand theft in the third degree. A plea was negotiated and Mr. Thomas was referred to a diversion program. As part of his plea agreement, Mr. Thomas permanently surrendered his teaching certificate to the Florida Department of Education, surrendered his terminal benefits to Miami-Dade County School Board in the sum of \$6,967, and paid restitution and investigative cost in the sum of \$2,826 for a total of \$9,793. Mr. Thomas successfully completed his diversion program on June 12, 2017, and his case was nolle prossed.

# OTHER INVESTIGATIONS

## No Falsification of Student School Grades



The M-DCPS OIG received a complaint alleging that a teacher, with the consent of the school principal and assistant principal, was giving a student school grades without the student attending the school. The complaint also alleged that the teacher had taken the student on recruiting trips the previous year. The M-DCPS OIG interviewed the principal and the teacher and reviewed the teacher's gradebook, student schedules, and other documents. The M-DCPS

OIG determined from its review that the student was a dual enrollment student taking courses at Miami-Dade College Wolfson Campus, and was only registered at the home school for study hall—a non-credit course. The course title was only used so that the student would appear as an active student at the school and would be able to graduate with his class. The M-DCPS OIG also determined that the student was representing the school as a Student Ambassador during the recruiting trips throughout the School District. All recruiting trips were properly documented and approved by the administration. The allegations were unfounded and the case was closed.

## Gradebook Not For Sale

The M-DCPS OIG looked into a complaint regarding several questionable activities in a charter school. The complaint alleged that a teacher was selling her gradebook login credentials to two students—identified in the complaint only by initials—for a \$300 fee. The second allegation centered on a former student and employee, who allegedly had obtained student personal information to commit credit card fraud and/or tax fraud. The M-DCPS OIG interviewed the former employee, the charter school principal, the superintendent of the charter school, and the school registrar. The M-DCPS OIG also spoke to M-DCPS Charter School Compliance & Support staff, and the North Miami Police Department which had been investigating a similar allegation. In addition, M-DCPS OIG reviewed gradebook software applications and access levels at the school. As to the first allegation, the M-DCPS OIG, after meeting with the charter school principal, determined that the teacher in question did not have access to the gradebook. In addition, the principal reviewed the student list to see if there were any current

students with the initials used in the complaint, and there were none. As to the second allegation, during the course of the investigation the M-DCPS OIG confirmed that social security numbers were not used to identify or register students during the admissions process, or for any other process. Accordingly, the former employee would not have had access to social security numbers. In conclusion, the two allegations investigated by the M-DCPS OIG were determined to be unfounded.

## **Supplemental Payment Dispute**

The M-DCPS OIG received an anonymous complaint alleging fraud at a senior high school. The complainant alleged that there were teachers and administrative personnel receiving unfair “supplemental” payments not afforded to others. The complainant specifically identified a teacher receiving extra pay for teaching a subject matter, however, the school did not offer that program. The M-DCPS OIG investigation substantiated that the teacher was getting paid a teaching supplement as if she was teaching the course. The investigation revealed that the teacher was actually serving as a club sponsor, but was receiving the supplement for teaching instead of the supplement for club sponsor. The teacher was receiving a supplement of \$1,576 per year when she was only entitled to be paid \$660. A two-year review of the supplements received by the teacher revealed an overpayment of \$1,506. Recovery efforts were initiated through the Office of Compensation Administration, and a bi-weekly repayment schedule was initiated on June 9, 2017.

## **Misuse of Grant Funds Unfounded**

The M-DCPS OIG investigated a complaint alleging the misuse of grant funds awarded to M-DCPS by the U.S. Department of Education. Specifically, the complainant alleged that the funds, earmarked for training and IT hardware at her school, were not being spent appropriately. The grant was identified as a Magnet Schools Assistance Program Grant in the amount of \$10.7 million to be awarded over the course of three years for STEM (Science, Technology, Engineering and Math) education. The complainant alleged that only \$33,000 of approximately \$500,000 allocated to the school during the first year had been spent. The complaint centered on the alleged failure to purchase a computer server valued at \$250,000, failure to use \$100,000 allocated towards training, and the reduction of her yearly salary and that of another teacher that accompanied her during her statement. The teacher that accompanied the complainant also alleged misappropriation of funds after her review of the Annual Performance Reports for years 2013-2014, 2014-2015, 2015-2016.

The M-DCPS OIG reviewed numerous documents, audits, annual performance reports, and interviewed numerous individuals. During the course of the M-DCPS OIG investigation, it was revealed that the complainant and the teacher that accompanied her, in their positions as teachers, did not have access and were not privy to purchase orders and actual expenditures that may have been pending, encumbered or had been appropriately reallocated. It was also learned that the reductions in pay were due to some teachers receiving supplemental pay inappropriately paid through the grant. When it was discovered, the principal immediately stopped the payment of supplements. With the assistance of the M-DCPS Office of Management & Compliance Audits an audit was conducted of equipment purchased with grant funds. The computer server that the complainant alleged to be unaccounted for, was physically located in the school building and appropriately tagged. The total costs for the server and its components was confirmed at \$228,554. Utilizing purchase orders, a total of 987 pieces of equipment with a total value of \$561,060.03 were physically located, identified and accounted for.

The M-DCPS OIG contacted the U.S. Department of Education and they provided positive feedback regarding the management practices of the grant funds by M-DCPS staff. Based on the findings of this investigation, the M-DCPS OIG determined that the allegation of misappropriation of grant funds was unfounded and closed the case.



## Failure to Disclose Outside Employment



Based upon an earlier recommendation from the OIG that consultants on the General Obligation Bond (GOB) Capital Improvements Program be required to sign a Conflict of Interest Affidavit and advise his/her employer of any other outside

employment, the Office of Capital Improvement Projects (CIP) contacted the M-DCPS OIG. CIP advised that two consultant employees were terminated for failing to notify their employer, Parsons Brinckerhoff, of their outside employment. However, there was still a concern that these individuals may have participated in activities—namely Selection Committees—that affected the School District’s interests. The M-DCPS OIG contacted the Executive Director of A/E Selection and Negotiations for information and documentation and determined that one of the project managers had served on two Selection Committees as an alternate member but neither Selection Committee involved his outside employer as a competing vendor. The other project manager never served on a Selection Committee. While the evidence garnered from the inquiry did not indicate that their misconduct went any further than the omission of the mandated notifications, in an abundance of caution, the M-DCPS OIG performed a due diligence process for all project managers to ensure that they were not participating in outside employment that would conflict with their obligations to the School Board. The M-DCPS OIG’s due diligence process did not reveal any indication of misconduct by any of the other project managers.

## Bidding Dispute

The M-DCPS OIG received a complaint from a general and electrical subcontractor alleging that although he was the lowest bidder on an electrical bid proposal related to the General Obligation Bond Program (GOB), M-DCPS changed the scope of the awarded contract to another electrical subcontractor (second bidder) who the complainant suspected was allowed to revise their bid before the award. The complainant, who had provided a detailed bid proposal, alleged that the second bidder had submitted a “lump sum” bid proposal and should have been required to submit a detailed breakdown of their bid prior to the bid opening and prior to the scope being changed. The complainant also alleged that representatives of his company were not allowed to attend the bid



# CONTRACT OVERSIGHT AND AUDITS

## Prevent Fraud, Waste and Abuse



Protect the GOB Capital Program  
for 21st Century Schools

## General Obligation Bond Inspector General (GO BIG)!

The M-DCPS OIG's GO BIG oversight initiative of monitoring procurement and construction activities is in its fourth year. Since 2013, the OIG has been assisting the School District in monitoring and preventing fraud, waste and abuse in the 21st Century Schools Capital Improvements Program, funded by the issuance of \$1.2 billion in general obligation bonds. M-DCPS OIG monitoring of this program has been in the form of audits, reviews, inspections, investigations, and

contract oversight. Key components of our monitoring include outreach to consultants, contractors and School Board employees via attending pre-bid conferences; monitoring of selected procurements, design and construction activities; monitoring of small business enterprise utilization goals; and attending project scope review meetings, and construction progress meetings.

Below is a summary of the M-DCPS OIG oversight activities completed in Fiscal Year 2016-2017.

## M-DCPS OIG Final Report Of Inspection of Selected Con- tracts' S/MBE Utilization Goals

The M-DCPS OIG initiated an inspection of selected Small/Micro Business Enterprises (S/MBE) construction utilization goal percentages as reported to the 21st Century Bond Advisory Committee at its meeting on November 29, 2016. At the meeting, a briefing packet was presented wherein eight current GOB projects were identified as having S/MBE construction utilization goals well above the amounts originally established by the M-DCPS Goal Setting Committee (GSC). These newly established S/MBE construction goals (resulting from the awarding of subcontracts through the guaranteed maximum price [GMP] bid process) ranged from 29% to 89% of the construction value – compared to the 15% to 25% range originally established by the GSC.

From the eight projects highlighted in the packet, the M-DCPS OIG selected four Construction Manager At-Risk (CMR) projects for inspection and testing. Our objective was to obtain independent assurances that the identified S/MBE firms actually had agreements with the CMR prime firm, and that those agreements contained an identified scope of work for an identified and mutually agreed to dollar amount.

Our inspection looked at key aspects of each project's GMP process, including subcontractor-submitted bids, the CMR's bid tabulations, the subcontractor participation Letters of Intent (LOIs), and the final GMP amounts. We also contacted several S/MBE subcontractors from the four projects and asked them questions relating to their firm, their bid on the project, their written agreement with the CMR firm; their monetary expectations, and the genuineness of their signature on the supplied LOIs. The subcontractors were also asked to provide copies of their signed contract agreements and LOIs.

Our inspection resulted in no exceptions relating to how the goal amounts were reported to the Bond Advisory Committee. We did find, however, several discrepancies where subcontractor's bid amounts did not match the final GMP amount, and some instances where the S/MBE's subcontract agreement amount did not match the final GMP amount. These discrepancies, however, did not have a material impact on the overall

projects' goal, and when brought to the attention of M-DCPS' Office of Capital Improvement Projects, they, along with the CMR contractors were able to provide sufficient documentation to explain the discrepancies. Support provided for discrepancies where subcontractor's bid amounts did not match the final GMP amount included correction of errors on subcontractor's bid, negotiated reduced amount in subcontractor's bid, and revision of scope after bids were provided. Support for instances where subcontractors' agreement amounts did not match the subcontractors' amounts noted in the final GMPs were the result of project scopes being transferred from one subcontractor to another, and reduction in subcontractor's scope after the final GMP was approved.

It is important to note that this M-DCPS OIG inspection was to verify pre-construction activities. We did not verify actual construction work and payments, as the projects were incomplete at the time.

## Fronting By M/WBE Electrical Contractor

We began an investigation on information received from the M-DCPS Office of Economic Opportunity (OEO) that it suspected Complete Power Systems (CPS), a certified Minority/Women-Owned Business Enterprise (M/WBE) of being a “front” company. OEO contacted the M-DCPS OIG after receiving information that CPS’s 51% minority owner, Jubert Lowe, was no longer affiliated with CPS. OEO attempted to confirm whether Mr. Lowe was still the 51% minority owner of CPS by contacting CPS’s non-minority co-owners. However, they were unable to confirm Mr. Lowe’s status with the company. Based on OEO’s contact with CPS’s non-minority owners, OEO became suspicious that Mr. Lowe may have been used as a “front” in order for CPS to receive certification as a M/WBE.

The M-DCPS OIG substantiated the allegation that Jubert Lowe was a “front” for CPS. On the application for certification, Mr. Lowe was designated as the 51% owner of CPS and identified as an African-American, causing OEO to certify CPS as an African-American M/WBE firm. Mr. Lowe, however, really never owned 51% of the company. He was brought in by the two incumbent owners who “verbally” gave Mr. Lowe enough of their shares to make it look like Mr. Lowe owned 51% of the company. Mr. Lowe neither paid for the shares nor made a capital investment into the pre-existing company. There are no records demonstrating the transfer of shares to Mr. Lowe and no operating agreement between the three owners detailing each owner’s rights and responsibilities. The two existing owners gave Mr. Lowe their shares via a verbal agreement. CPS was a pre-existing electrical firm prior to Mr. Lowe’s association with it. It was never really an African-American owned business enterprise. According to Mr. Lowe and the two incumbent owners of CPS, its certification as an M/WBE firm would help it get more work through the School Board’s GOB Program. This was a misunderstanding on their part because the School District’s Program did not have M/WBE set asides but a race and gender neutral based program for Small/Micro Business Enterprises (S/MBE) based on the size of the company and revenues generated over a three-year period. CPS would have qualified as an S/MBE without Mr. Lowe.

Our investigation also revealed that CPS should not have been certified as an African-American M/WBE in the first place because Mr. Lowe did not qualify under School Board Policy as a minority person. School Board Policy defines a “minority person” as a person born or naturalized in the United States. Resident aliens and holders of permanent visas are not U.S. citizens. Mr. Lowe is a citizen of Jamaica and a permanent resident of the U.S., not a citizen.

During this investigation, the M-DCPS OIG also learned that Mr. Lowe applied for and was awarded certification as an M/WBE for a second company under the name RNH Electrical, LLC (RNH) on June 5, 2015—only four months after CPS was certified, even though he did not qualify under the policy. Mr. Lowe additionally applied for a third certification as an M/WBE for a company by the name of State Building Contractors LLC (SBC), which he formed in March 2016. While SBC obtained GOB work as an electrical subcontractor having been substituted for CPS, SBC was eventually denied M/WBE certification.

In its rush to get as many M/WBEs certified to do business with the District, OEO staff failed to scrutinize and verify the information on the applications and documents. Moreover, even OEO staff acknowledges that they based the certification on the affidavit provided by the companies, which was defective and lacked an oath from the affiant.

The findings from this investigation will serve to strengthen the review process in the program for certification of M/WBEs, SBEs and MBEs. The M-DCPS OIG will provide oversight support to OEO as they carry out their mandates to provide fair and equitable contracting opportunities to local contractors.



## COLLABORATIVE PARTNERSHIPS

Section 4 of the ILA recognizes the importance of forming collaborative and professional relationships with internal and external entities. While maintaining our level of independence, the M-DCPS OIG works with the Office of Management and Compliance Audits (OMCA), the Schools Police, and several offices under the umbrella of Human Capital Management; particularly the Office of Professional Standards and Compensation Administration, the Civilian Investigative Unit, the Office of Civil Rights.

The M-DCPS OIG attends all Audit and Budget Advisory Committee meetings and Ethics Advisory Committee meetings. Through these forums, we present the findings of our reviews, inspections, investigations and audits. Additionally, we also attend the 21st Century Bond Advisory Committee meetings, where the Inspector General sits as a non-voting member of the committee. Attendance at these meetings keeps us apprised of the activities of partner agencies and facilitates opportunities for communication and teamwork.

The M-DCPS OIG continues to develop relationships with external entities, recognizing the synergistic value of these partnerships. Our external partners have included the:

- Corporation for Public Broadcasting OIG
- Federal Bureau of Investigation
- Internal Revenue Service
- U.S. Department of Homeland Security
- U.S. Department of Education OIG
- Florida Department of Education OIG
- Florida Department of Financial Services, Division of Insurance Fraud
- Florida Department of Law Enforcement
- Florida Auditor General
- Florida Department of Business and Professional Regulation
- Miami-Dade State Attorney's Office
- United States Attorney's Office of the Southern District of Florida

These relationships are vital to advancing our respective oversight missions and ensuring successful case outcomes.



# Study the 1 Primary 2 Numbers 3

**M-DCPS is the 4<sup>th</sup> largest  
school district in the nation**

\$5,132,479,756	M-DCPS Budget for 2016-2017
\$1,186,473,144	\$ Paid Out to M-DCPS Vendors
\$785,408	M-DCPS OIG Budget for 2016-2017
356,086	# of Students
38,324	# of Employees
4005	# of Vendors
340	# of Public Schools
127	# of Charter Schools

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1 Watchdog

# THE MANY WAYS TO REPORT FRAUD



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