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

# Memorandum

To: Marvin O'Quinn, President & CEO  
Public Health Trust/Jackson Health Systems

Received By \_\_\_\_\_ Date \_\_\_\_\_

From: Christopher Mazzella  
Inspector General

cc: See Distribution List

Date: June 22, 2005

Re: Final OIG Report of Review of the Consultancy Arrangement between the Incident Management Group, Inc. and the Public Health Trust

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Please find enclosed a copy of the above-captioned final report. All responses received from parties issued a copy of the draft report are included in the attached Appendix. No changes have been made to the body of the report, except for Section II Summary Findings, which was purposefully left blank in the draft report.

The OIG requests to be provided with a written status report in 90 days on or before September 23, 2005 relative to the PHT's internal review and any actions taken in this matter, including the seeking of monetary recovery.

## Distribution List

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And PHT Trust Board Members c/o Office of the Chair  
Mr. George M. Burgess, County Manager  
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Clerk of the Board (copy filed)

**MIAMI-DADE COUNTY**

**OFFICE OF THE INSPECTOR GENERAL**

***OIG Final Report***

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*Review of the Consultancy Arrangement between  
the Incident Management Group, Inc. and the Public Health Trust*

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June 22, 2005

**MIAMI-DADE COUNTY OFFICE OF THE INSPECTOR GENERAL**  
*OIG Final Report of Review of the Consultancy Arrangement between  
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**I. BACKGROUND TO THE OIG'S REVIEW**

During the course of the OIG's investigation of Cardinal Health's pharmacy management contract with the Miami-Dade County Public Health Trust (PHT) / Jackson Health System (JHS),<sup>1</sup> we became aware of certain consultant services provided to the PHT by the Incident Management Group, Inc. (IMG).

Our initial inquiries revealed that this consultant has been paid in excess of \$1.9 million over a three-year period, yet a written contract and/or professional services agreement(s) between the PHT and IMG was never executed. The OIG determined that this consultancy arrangement warranted further review.

On October 28, 2004, by audit engagement letter, the OIG informed the PHT of our review. We informed the PHT of our audit objectives and requested access to all documentation relative to this vendor. Subpoenas were eventually issued for the documents and executed on the PHT because it was unable to produce the documents in an efficient and timely manner.

The PHT's Office of Compliance is also conducting a review of the IMG consultancy engagement, however, the OIG review focused on various aspects of the relationship between IMG and the PHT that, in our assessment, appeared irregular. Selected topics reviewed include the procurement process used to select IMG as a security consultant, IMG's principals and their relationships with PHT Trustees, the types of services provided, deliverables furnished to the PHT, and payment requisitions submitted to the PHT for services during the period November 7, 2001 through April 1, 2005.

**II. SUMMARY FINDINGS**

Our review found serious abuses committed throughout the duration of the consultancy arrangement. Most notably, this series of engagements were procured without competition. A cumulative total of \$1,974,222 was approved by the PHT Board through thirteen (13) resolutions; however only five (5) resolutions amounting to \$461,140 were expressly presented before the Board as bid waivers. The other eight (8) resolutions authorizing of over \$1.5 million were all *de facto* bid waivers, although not expressly stated as such.

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<sup>1</sup> The Miami-Dade County Public Health Trust (PHT) is the governing body, which oversees the operations of the Jackson Health System (JHS), one of the largest public health systems in the country. Jackson Memorial Hospital (JMH) is the single largest facility of the JHS. For purposes of this report, members of the Trust Board are referenced to the PHT, as well as executive and managerial staff members. Specific hospital facilities will generally be referenced to JMH.

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Of all the “services” purportedly provided by IMG, the single most egregious engagement was IMG’s provision of project management services involving informants. These services included paying at least one confidential informant for information without employing any procedural safeguards in the documentation of the payments or the information received. These incidents occurred while IMG in its informant management project was working hand-in-hand with members of the Miami-Dade Police Department. IMG’s response to the OIG on this matter alone is quite troubling as it attempts to distinguish its investigative activities as those allowed under private sector standards not bound by adherence to constitutional standards required of law enforcement. IMG, as an agent of a public-employer entity, is subject to many of the same constitutional constraints.

With respect to issues relating to matters involving the Miami-Dade Police Department (MDPD), those issues were referred to the MDPD’s Professional Compliance Bureau by Director Robert Parker.

In another egregious engagement, we found that certain payments totaling \$83,000 for what was purported to be “recruitment or finder’s fees” to be completely duplicitous. While not pre-authorized, IMG apparently felt as if it was entitled to this fee as compensation for its lost profits when two of its pass-through consultants—already on board providing services to the hospital--were hired directly by the PHT. For a third individual, IMG just went ahead and submitted an invoice for no services rendered and without any agreement that IMG was to have provided any services. While the mere presentation of this invoice by IMG to the PHT is bad enough, the circumstances on how the invoice was ultimately paid might be worse. PHT management, including its former Internal Auditor, questioned the propriety of such a fee; yet several months after receiving the invoice, staff submitted a resolution to the Board to authorize payment for recruiting fees. There was no explanation that the positions were filled months earlier and that for three individuals no recruitment had taken place.

The OIG’s review of IMG invoicing also showed that a PHT Trust Board member acted improperly. His directions to staff regarding payment of these invoices (invoices which were already considered problematic) were in violation of the PHT’s by-laws restricting individual Board members from engaging staff on administrative affairs.

One final observation is in order. The abhorrent arrangement between the PHT and IMG accentuates how important it is for PHT Board Members to be much more vigilant when acting upon the recommendations of staff. We encourage the PHT Board to exercise its oversight authority aggressively.

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**III. METHODOLOGY AND SCOPE OF REVIEW**

As noted above, the OIG's review focused on the aforementioned topic areas, which are reported herein. We examined evidence supporting transactions between IMG and the PHT. We reviewed resolutions of the Board of Trustees, purchase orders, requisitions prepared by departments and IMG's invoices submitted to the PHT. Initially, we attempted to obtain tangible deliverables from all departments that used IMG's services through voluntary compliance. However, due to the wide spectrum of services provided by IMG and considering the turnover of senior management who are no longer employed at the PHT, we were only partially successful. We decided to issue subpoenas to all PHT user departments for records and other documentation related to all of the services provided by IMG.

We reviewed all contract deliverables provided by the user departments. Deliverables provided to us consisted of reports, summaries, memos and spreadsheets, emails, etc., produced and provided by IMG to various user departments.<sup>2</sup> We interviewed user department former and current personnel to gain an understanding of IMG's involvement with each department, to assess the services provided to those departments and the mechanism used by IMG to communicate the results and recommendations of its engagements to management.

The OIG also requested from IMG documentation relating to certain "security services" provided to the PHT. OIG personnel also interviewed IMG's sub-consultants who provided services under this consultancy relationship and interviewed IMG's principal-in-charge.

**IV. COMMENT ON THE OFFICE OF COMPLIANCE'S DRAFT REPORT**

On March 21, 2005, we were provided with a copy of a draft report titled *Incident Management Group Review* prepared by the Jackson Health System's Office of Compliance. The draft report contains a total of thirty three (33) findings corresponding to a total of six (6) departments. We have reviewed the draft report and we concur with its findings relative to the convoluted nature of how IMG-related PHT resolutions, purchase orders, invoices and the resulting check vouchers did not fully reconcile. There was no clear relationship between each resolution (authorizing the expenditure of funds for a particular service/purpose) to the purchase order encumbering said funds, which is necessary for payment approval. Invoices for different types of service may have been paid through the same purchase order even though the initial authorizations were based on different board resolutions.

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<sup>2</sup> It is still unclear whether the OIG received all deliverable items. During our interviews, we were informed of varying types of reports, write-ups, assessments, etc., that we had not received or had not seen in the format described by the interviewees.

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We also concur that, overall, the procedures themselves were so disjointed that it is impossible to fully piece together all of the paperwork to account for what transpired during this three-year arrangement. For example, invoices were submitted prior to PHT Board authorization or before purchase orders were created for said services, services were allegedly rendered based upon oral authorizations to proceed, payments were approved by a department other than the user department, etc.

The OIG's review of all the documentation that was made available led us to focus our efforts on some of the flagrant irregularities that occurred while IMG was providing services to the PHT.

**V. OIG SELECTED AREAS OF REVIEW**

**A. THE PROCUREMENT PROCESS USED TO SELECT IMG**

OIG personnel interviewed Mr. Phil Rosenberg, a former Vice-President of the Human Resources Department, as part of our review. Mr. Rosenberg began employment at JHS in October 2000.<sup>3</sup> He stated that during his employment, he had been concerned about the lack of security at the hospital and had often raised this issue at executive staff meetings, where he would present his concerns and concepts for needed change.

Mr. Rosenberg stated he was so concerned about the lack of security that in the summer of 2001, he requested that Mr. Christopher Hagon, a security consultant whom he had known since approximately 1995, visit the JHS campus.<sup>4</sup> Mr. Rosenberg was aware that Mr. Hagon was affiliated with IMG, a security consulting firm. At that time, Mr. Rosenberg requested that Mr. Hagon conduct a walk-thru security assessment. Mr. Rosenberg advised that both he and Mr. Hagon had been guest speakers at several conferences involving workplace violence. Mr. Rosenberg stated that Mr. Hagon's appraisal of the security situation at JHS was that it was deficient and needed improvements.

In the aftermath of the 9-11 terrorist attacks, Mr. Rosenberg was successful in persuading the JHS administration to hire a security consulting firm. He took the initiative to write a Request for Proposal (RFP) to seek such services. Mr. Rosenberg

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<sup>3</sup> Mr. Rosenberg ended his employment with the PHT in March 2002.

<sup>4</sup> Mr. Hagon denied to OIG personnel that he had been to the JMH campus (other than his children being born at the hospital) prior to receiving an invitation to submit a response to the October 2001 proposal. OIG personnel also interviewed Mr. Phil Gravino, former Director of Security, who recalled that Mr. Rosenberg had invited Mr. Hagon to the campus in June 2001 to study workplace violence issues. Mr. Gravino noted to the OIG interviewers that Rosenberg and Hagon have for several years been speakers at conferences concerning workplace violence and he opined to the OIG that a friendship had developed between them.

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then consulted Mr. Tom Przybylski, former Vice President of Logistics and Materials Management regarding the procurement requirements to obtain the services of a security consulting firm. Mr. Rosenberg stated that it was determined that a formal RFP was not required due to emergency concerns, and that in order to expedite the procurement process, an informal Request for Proposal needed to be prepared and at least four companies should be invited to submit responses.

This informal RFP was not publicly advertised and Mr. Rosenberg himself selected four security companies to which JHS sent an invitation to submit a response. Invitations were sent on October 9, 2001 and responses were due on October 24, 2001. Purportedly, four firms were invited to submit responses; however, only three responses were received and no documentation exists to verify if a fourth firm was invited to bid.<sup>5</sup> Responses were received from the Incident Management Group (IMG), Kroll, Inc., and IPSA International. Albeit an informal RFP process, an ad hoc security consultant review panel consisting of nine (9) JHS administrators was formed on October 26, 2001, four days before the panel heard presentations from two of the security firms. (See **Exhibit 1.**)

The only documentation relative to the selection of the two firms invited to give oral presentations is a memorandum prepared by Mr. Rosenberg, in which he prepared a one paragraph synopsis for each of the proposals. (See **Exhibit 2.**)<sup>6</sup> The memorandum appears in a binder regarding the selection of the security consulting firm that was provided to the OIG by the JHS security department. Mr. Rosenberg's review memorandum is not addressed to anyone and it is unclear who, if anyone, saw it. In the memorandum, Mr. Rosenberg selected IMG and Kroll as the two security firms to make presentations before the review panel. Yet the memorandum clearly establishes IMG as the most qualified. Mr. Rosenberg wrote that "[t]his was the most impressive response." His assessment of IMG also noted that:

The Managing Partner himself visited repeatedly, expressed an understanding of the organization's needs, asked appropriate questions and made valuable initial observations even before the response was submitted. The respondent's Managing Partner indicated a personal

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<sup>5</sup> Mr. Rosenberg was not able to provide us with the name of the fourth security firm invited to present a proposal.

<sup>6</sup> The OIG found no documentation regarding the selection committee's involvement and/or input in reviewing the three written responses received. While Mr. Rosenberg and Mr. Phil Gravino both stated to the OIG in interviews that the selection committee reviewed all three proposers, the OIG finds the timeline for these events unlikely. The committee was formed on October 26, 2001. The memorandum seeking approval to form the committee states that presentations will be heard by two firms. The presentations took place on October 30, 2001, leaving only 4 days to notify selection committee members, review the written proposals, receive feedback, invite the firms to make oral presentations and hold the oral presentations.



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commitment to the project based upon having had children  
born at Jackson.

Mr. Rosenberg's memorandum also contained a disclosure that he had previously participated in a variety of programs with Mr. Hagon, one of IMG's managing partners and the managing partner to be in charge of the JHS engagement.

As previously disclosed, this reviewer has been on a variety of programs with IMG Managing partners, including conference presentations and teaching situations as an HR consultant. At no time in the past have any of these contacts been in a compensated circumstance. Disclosure is important to this reviewer to avoid any appearance or reality of conflict of interest. However, the direct observation of the principal's approach and attitude gives this reviewer high confidence that the organization's advice and support will be credible, innovative and timely. (Emphasis added by OIG)

Again, it must be noted that the memo is not addressed to anyone and it is not clear to whom the disclosure was made known to. Even given this disclosure, the OIG questions Mr. Rosenberg's impartiality and his participation as a member—if not the head—of the selection committee.

In addition to the undated, unaddressed memorandum, the *PHT Report Sheet for Purchasing Services* identifies the requesting department as the "Executive Office (through the Vice-President for Human Resources)." On the second page of the *Report Sheet* it states: "The Executive Staff review [sic] the responses and selected two of the most responsive firms to make presentations." What is not clear is who, other than Mr. Rosenberg, was involved in this review. (See Exhibit 3.)

The panel's sole function was to select between the two security firms (Kroll and IMG) that had previously been selected by Mr. Rosenberg. Also present at this meeting was a member of the Board of Trustees, Mr. Andres Murai, as well as other individuals interested in the selection process. One of the panel's members, in a sworn statement provided to the OIG, stated that he was not aware how the security firms were solicited for proposals and that he was not involved with the drafting of the PHT's service requirements provided to the security firms. This is not surprising, as members of the security consultant review panel were not selected until after the security firms submitted their proposals. The security consultant review panel met on October 30, 2001, and heard presentations from both IMG and Kroll.

The panel then voted using screening criteria prepared by the Mr. Rosenberg. Paper ballots using a point system were used and the panel awarded the security

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consultant engagement to the Incident Management Group. A review of Mr. Rosenberg's selection score sheet shows that he awarded IMG forty-five (45) points compared to twenty-nine (29) points for Kroll.<sup>7</sup>

The OIG questions whether IMG had an unfair advantage in preparing for the presentation before the review panel. IMG, at the request of Mr. Rosenberg, had been on the JHS campus only a few months earlier for the purpose of assessing the security of the campus. The other three firms invited to submit proposals were not provided the same opportunity to survey the campus for such an extended period of time.

The OIG recognizes that in the aftermath of 9-11, an expedited selection for emergency reasons may have been justified. But even though exigent circumstances may have existed, there was no reason not to have tape-recorded the selection committee meeting of the oral presentations and discussions between committee members and proposers, as required by Section 2-8.1.1.1 of the Code of Miami-Dade County. This is particularly true since the lead PHT official in charge of the selection disclosed his own association with IMG—an association close enough that even Mr. Hagon of IMG mistakenly believed that Mr. Rosenberg had recused himself.

A resolution was then prepared and presented as an Add-on Item to the PHT Board meeting. Resolution Number PHT 11/01-361, which provided for obtaining consulting services regarding the PHT's security system, was approved at a Board meeting on November 7, 2001. This resolution was awarded by waiving the competitive bidding process for professional services. At this Board of Trustee meeting, Mr. Andres Murai, Jr., a Trustee, stated that he was personally impressed with Mr. Hagon's personal and professional qualifications. Mr. Rosenberg did the bulk of the talking. While he explained the purpose of the consultant services and the contemplated future physical security needs of the campus, for example perimeter fencing, he did not disclose to Board members his long-standing association with IMG and its partners. As a result, the PHT Board members were ostensibly unaware of a potentially flawed selection process.

**B. REPRESENTATION VERSUS REALITY**

IMG's presentation and PowerPoint presentation made before the selection panel on October 30, 2001, contained misrepresentations about itself that surely had an effect on its initial selection. IMG represented in its presentation that it is a worldwide security firm with highly trained professionals that has served various clients. Pictures and detailed biographies of all four managing partners are prominently displayed in the proposal. Also contained in the proposal are other individuals mentioned as employees/staff members of IMG accompanied by their biographies. The proposal

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<sup>7</sup> Incidentally, Mr. Hagon stated to the OIG that Mr. Rosenberg recused himself from voting because of their association.

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overtly states that IMG is based in South Florida with an office located in Plantation, Florida (Broward County). When considering the contents of IMG's proposal, one would logically conclude that these individuals were IMG staff, and thus its purported employees and resources would be made available to work on the engagement for which they were hired. Furthermore, it would be reasonable for the security consultant review panel to assume that a global firm, such as IMG, would be well versed in the administrative protocols for solidifying both an agreement for professional services and the procedures and required support documentation necessary in the invoicing for such compensation.

Our review shows that only Mr. Hagon, one of the IMG's partners, was involved in providing services to JHS. Most baffling, the interim Security Director who functioned as a subcontractor of IMG for fourteen (14) months, in a sworn statement, said that he never met any of the IMG partners, except for Mr. Hagon.

Mr. Hagon stated in an interview and our review confirms that, in reality, each of the so-called partners actually operated their own corporation and that IMG was used as a shell corporation. Furthermore, Mr. Hagon is not local and lives in Central Florida.

The OIG attempted to visit the firm's office in Plantation (Broward County). On several occasions, we found the door locked (office closed) during regular business hours. We were unable to ascertain whether the office itself was furnished.<sup>8</sup> Our review also determined that IMG has no employees. Rather, all individuals, including those that were mentioned in IMG's proposal as employees, were actually subcontractors. A check with the State of Florida Secretary of State shows that many of the individuals provided sub-consultant services to IMG through their own companies. A further review of invoices presented for payment shows that those individuals who provided services to JHS on behalf of IMG submitted their own corporate invoices to IMG at rates considerably lower than those for which IMG was compensated.

Our review showed that the IMG affiliated individuals who were engaged with the JHS had no South Florida presence and that the only relationship with Miami or Miami-Dade County was a post office box which functioned as a depository with a local bank where JHS was instructed by IMG to send its voucher payments.

Resolution Number PHT 06/02-148 authorized IMG to provide staffing services to JHS in the form of an interim Security Director. Dr. Joseph Macri was hired as the interim Security Director in June 2002, but really functioned as an independent subcontractor of IMG for fourteen months. Through sworn statement provided to the OIG, Dr. Macri stated that he was paid biweekly, and that no taxes were withheld from his paycheck.

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<sup>8</sup> Suite 212 was empty and a note directed that IMG had moved to Suite 109. Suite 109 is the office referred to above that was locked.

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The invoices presented by IMG were confusing and omitted critical information, which staff needed in order to process payments. We reviewed all invoices provided to us by the Accounts Payable Department. Invoices included only the names of subcontractors who had provided services for the period appearing on the invoice. Invoices state services provided for the period ending, but do not state when the billing period started. No supporting documentation for reimbursable expenses was attached to the invoices as required by Florida Statute 112.061, Miami-Dade County Administrative Orders 6-1 and JHS Policy and Procedure No. 331.

The OIG has come to learn of at least six PHT employees of various occupational ranks who were all involved at one point or another with sorting through the IMG invoices. These are not necessarily the individuals who would normally be responsible for such an accounts payable review, but the state of the invoices were so confusing and lacking in basic detail of information that extraordinary amounts of time were expended by staff to review them for payment.

Moreover, all three of the above-cited references governing travel expenses presuppose that travel-related expenses are “incurred in the conduct of official County business.” (A.O. 6-1) Specifically, as it related to JHS, expenses must be “related to authorized business travel in accordance with Florida Statute 112.061 and [County A.O.] 6-1.” (JHS Policy and Procedure No. 331) Reasonably, authorized travel-related expenses would not include travel to and from one’s place of employment, nor does it include regular meals when on the job locally or in the immediate vicinity of Miami-Dade County. Intuitively, travel-related expenses refer to when one travels away from the place of employment to another destination for official business. The above-cited statutory and administrative references apply to consultants as well. And in IMG’s case, when it represents itself as headquartered in South Florida, the OIG is shocked to find that JHS paid over \$40,000 in ground transportation expense (i.e. mileage), over \$30,000 in hotel accommodations and over \$14,000 in meals.<sup>9</sup> These expenses, as far as the OIG can tell, are all based on expenses incurred in Miami-Dade County; ground transportation expenses relate to travel to and from the consultants’ homes to Miami.

Paul Gannon, the primary sub-consultant to the PHT, commuted from St. Lucie County approximately one hundred (100) miles north of Miami. Both Hagon and Gannon, as well as other IMG affiliates, consistently invoiced for mileage from their homes to JM. The per mileage rate invoiced by both Mr. Hagon and Mr. Gannon was \$0.50 per mile, in Mr. Hagon’s case, his commute from Central Florida to JM consisted of 544 miles roundtrip, costing the PHT, an average of \$272 per trip. Again, the security consultant review panel was informed that IMG’s headquarters was local, and the review panel was not informed that limited funds would be used to pay for excessive commuting expenses. On other days, we found that the consultants would stay the night(s) in the

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<sup>9</sup> Cumulative totals from Office of Compliance Draft Report, March 2005, Attachment II.

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Miami area and these hotel expenses were claimed on the invoices submitted to the PHT for payment.

The invoices also listed expenses for airfare and meals. We generally found no supporting documentation for the listed expenses and no description relating to the expense on the face of the invoice, e.g. who the plane ticket was for, dates, etc., and for whose meals the public was paying for.

The global security firm headquartered in South Florida, as represented to the ad hoc security committee, bore very little resemblance to the real IMG—a mix of sub-consultants that ingratiated itself to the PHT over the past three years.

**C. SUBSEQUENT RESOLUTIONS, PURCHASE ORDERS AND AMOUNTS PAID**

The original IMG resolution passed as a bid waiver authorized JHS to spend \$18,500 for Phase I and \$100,00 for Phase II consulting services. Moreover, these services were limited to security system consulting services. After passage of a resolution, the user department is then authorized to prepare a purchase order for the services to be rendered and thus authorized to be paid. The two attached schedules (**OIG Schedules A and B following the end of this report**) illustrate how the initial resolution and subsequent purchase orders rapidly erupted into a series of additional bid waivers encompassing various aspects of the JHS facility including conducting investigations, managing informants, supervising and reorganizing the JHS security unit, conducting background investigations, recruiting senior level employees for the JHS, and conducting function reviews of accounts payable, logistics, asset control and asset management. Only four (4) of the twelve (12) resolutions, excluding the initial resolution, expressly stated that the procurement was a bid waiver. The majority of the resolutions referred to a pre-existing resolution and characterized the new spending authority as just an extension of other services and/or an increase in the overall authorized dollar amount. Often times, they were in fact bid waivers.<sup>10</sup>

After the initial informal, expedited selection process described above, no other procurement processes, e.g. bids, request for qualifications, requests for proposals, etc., were ever utilized to procure IMG services. Not surprisingly, three years, thirteen (13) resolutions, twenty-three (23) purchase orders and 101 invoices later, the amount paid to this consultant totaled \$1,924,101.

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<sup>10</sup> One flagrant example of this loose practice is described more fully in Section V. (B) of this report. Resolution 1/04-009 authorized just over \$300,000 in fees to IMG (\$156,000 increase to for overall asset management, \$128,000 for recruitment services to fill positions and \$17,000 for program management of the campus-wide security and access control system). While not expressed as a “bid waiver,” it most certainly was one.

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It cannot go without enough emphasis that during the three-year period, IMG did not have a contract with the PHT. Some individuals have attempted to downplay this fact by suggesting that a PHT Board resolution and/or purchase order is an adequate substitute—which it is clearly not. Board approved resolutions only authorize amounts to be spent vis-à-vis a certain vendor and for a specified purpose. Purchase orders are the mechanisms that departments utilize to process vendor requisitions in accordance to certain budgetary indexes and allocations. The passage of a resolution and the creation of a purchase order should normally precede the rendition of services and the submittal of a vendor's invoice. But that frequently did not happen here. Many of the resolutions and purchase orders were approved and created after the receipt of an IMG invoice. In fact, we found that some purchase orders were opened as a "one-time PO," specifically to pay invoices that could not otherwise be paid. All of these conditions noted gives rise to the question of whether the services were ever authorized in the first place.

Without such a written authorization to proceed, it is not even clear that the PHT requested IMG to perform or supply many of the services that IMG billed the public hospital for. IMG appeared to, on an invoice-by-invoice basis, create new rates of pay for certain individuals. At one point, we found day rates for certain individuals not previously utilized by IMG at rates of \$2,000 per day. Because there was no contract, it is not even clear how many hours of service make up one day, and whether the "day" included commuting time.<sup>11</sup> At times, IMG appeared to invoice on a phased-in lump sum basis without any indication of what has been done or the percentage of the task completed.

Without a contract laying out the scope of services included under the engagement, IMG could find new ways to insert itself at JHS. Mr. Hagon has repeatedly stated that he wanted a contract and that he requested that JHS prepare one.<sup>12</sup> And while Mr. Hagon, in his statements to the OIG, relays his concern about the lack of a contract, his concern apparently did not deter him from seeking additional opportunities at the PHT. Even with several outstanding invoices that were still under review by PHT staff, Mr. Hagon, as IMG, steadily continued to be involved in PHT affairs and continued to bill for services. And most distressing, the PHT indulged by paying for un-contracted, un-documented services.

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<sup>11</sup> Chris Hagon traveled from Leesburg, Florida to Miami, an approximate three-hour drive each way. It is not clear whether his commute time is included in his day rate of \$1,500, as there are no contract documents defining what comprises a day's work.

<sup>12</sup> When the OIG interviewed Mr. Macri about his engagement with IMG and asked whether he had a written contract, Mr. Macri stated that he had asked Mr. Hagon for a contract but was told "I don't deal with written contracts, but I have never had problems."

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**D. IMG SUB-CONSULTANTS AND THE PROVISION OF SECURITY SERVICES**

The Security Services Department primarily consists of uniformed security guards that patrol the campus of Jackson Memorial Hospital (JMH) and its satellite medical facilities. Beginning around the time of the IMG engagement, the department had approximately 125 assigned personnel. In addition to the security guards, the department had administrative support staff, technical personnel and two investigators. Other than technical vendors, such as alarm and other electronic devices and the personnel provided by them, IMG was the sole provider of security consulting services to the department during this time frame.

The Miami-Dade Police Department (MDPD) also has a General Investigations Unit (GIU) of the Police Operations Bureau assigned to JMH. This GIU squad is the law enforcement agency which would investigate criminal affairs and make arrests arising from matters related to JMH. This Unit is located at 3465 NW 2<sup>nd</sup> Avenue, Miami, Florida.

In February 2002, the former Director of Security, Phil Gravino, resigned from the PHT. Phil Rosenberg, Vice President of Human Resources, oversaw that department for a short time. By the summer of 2002, when Joseph D. Macri arrived at JMH as the new Director of Security,<sup>13</sup> the department was under the jurisdiction of Paul Glasser, Vice President of Facilities. Prior to Macri's arrival, IMG sub-consultants Paul Gannon and Ed Bailey were placed in charge of the department. Collectively, the two sub-consultants were referred to as "interim security director."

The OIG's review of this time frame and the events that took place do not concern the daily operations of the uniformed security guard patrol—the primary operation of the department. Instead, our concerns have sprung from the investigative services program areas of the department—most notably, the creation, funding and management of special informant programs and the department's interaction with police on investigations.

**1. Managing and Paying Informants**

During our review of the invoices submitted by IMG for payment, we came across certain supporting documentation attached to the invoices which indicated that certain expenses were related to informants and police entertainment. One document revealed the name "Project Informant Management." The invoices associated with these

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<sup>13</sup> The position of Director was filled on or about June 15, 2002 by Joseph D. Macri. Mr. Macri, a resident of Michigan, entered into an oral agreement with Mr. Hagon of IMG to fill the position as an IMG sub-consultant. From June 2002 to September 2003, Mr. Macri, albeit not a PHT employee, was conferred the job title of Director of Security Services. From September 2003 through July 2004, he held this position as a permanent PHT employee.

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documents were vague as to the description of services rendered. This necessarily was an area that the OIG felt warranted additional review.

We came to learn that IMG, through its sub-consultant, paid a certain individual to be an informant. Mr. Paul Gannon told the OIG that he was asked by Mr. Ron Ruppel (the former CFO) to manage the informants. He stated that Mr. Ruppel advised him that he did not want the Security Department managing the informants. Mr. Gannon explained to the OIG that his use of the term “informant” applied to both a paid informant and PHT employees who wanted to provide information confidentially.

We requested all documentation from IMG, including the sub-consultant invoices, expense reports, etc., which would shed light on “Project Informant Management.” What we received and reviewed was troubling. In essence, a sub-consultant to the PHT, who is not officially associated with a criminal justice agency<sup>14</sup> and where no agreement or contract exists for professional services, was put in charge of conducting covert, undercover operations. These criminal investigations were based on information supplied by informants, including the individual who received remuneration for such information. Mr. Gannon was responsible for cultivating them. According to an IMG memorandum on this operation, Mr. Gannon would be in constant contact with the informants by telephone; he was there to guide them and provide them reassurance. For one informant, Mr. Gannon paid this person \$240 per week over the course of almost one year. Mr. Gannon paid this person from his own funds, invoiced it to IMG, who then invoiced the amount (sometimes including an administrative fee) back to the PHT. These amounts were billed as “general investigative services.”

The OIG, through review of requested back-up documentation on this project, has ascertained that this individual—the confidential informant—received payments totaling \$12,875. The monies paid to this informant were traced back to invoices paid by the PHT. Additionally, as an “administrative fee,” Chris Hagon netted an additional \$1,452.

For the paid informant mentioned above, Mr. Gannon told the OIG that he was given the go-ahead to pay this individual from Tom Przybylski, former Vice President of Logistics and Materials Management. For all the informants that were “managed” by Mr. Gannon, which included the individuals who did not receive monies, Gannon received a one-day rate of \$700<sup>15</sup> for “management services” rendered for the entire week.<sup>16</sup> The OIG has ascertained that during this same period, Mr. Gannon invoiced \$27,300<sup>17</sup> in fees

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<sup>14</sup> This statement actually applies to both Mr. Gannon as the sub-consultant and IMG as the prime consultant.

<sup>15</sup> P.G. Administrative Services Inc., Mr. Gannon’s company, charged IMG \$700 per day. IMG, in turn, invoiced the PHT for Mr. Gannon’s services at a daily rate of \$1,500.

<sup>16</sup> According to an email from Mr. Gannon, “[his] fees for managing all the informants was [sic] approved by Ruppel [sic] and Glasser and was fixed at a maximum of two days per week.”

<sup>17</sup> Based upon documentation supplied by IMG pursuant to the OIG’s subpoena.



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related to these informant program services. On the other hand, the PHT paid IMG \$72,750 for Mr. Gannon's informant management services, i.e., liaisons with police and remaining in telephone contact with the informants, etc., resulting in a total net payment to Mr. Hagon in the amount of \$45,450.<sup>18</sup> This cultivation and reassurance of informants also necessitated dining and other "entertainment" expenses, which were reimbursed back to IMG by the PHT. The OIG has been able to trace \$5,490 in these reimbursed expenses. **(See OIG Schedule C for a complete breakdown of these fees.)**

The OIG recognizes the need and value of information provided by employee whistleblowers and other types of informants. We understand the need to protect their identities. The information provided must be treated confidentially. With all this said, however, we question the operational decision to place this charge in the hands of a sub-consultant. This is especially true, where as in this case the Security Services Department has a close working relationship with the MDPD. Adherence to procedures and strict record keeping is the key to receiving and maintaining confidential information.

According to the Miami-Dade Police Department's standard operating procedures (SOPs) referencing CALEA<sup>19</sup> standard 42.2.9:

The use of individuals who furnish information with the expectation that their identity will not be disclosed; i.e., confidential informants (CI), requires detailed documentation and administrative control. All actions by the CI must be carefully supervised to provide investigative integrity.

The SOPs go into great detail regarding the types and procedures for documenting informants. Another section provides the additional procedures when payments are made to informants.<sup>20</sup> Most importantly, there must be written authorization by a superior for each payment made and for each transaction; it must be witnessed by two officers where the informant signs an official receipt. That receipt is then affixed to the request for payment/authorization and maintained accordingly.<sup>21</sup>

The OIG requested from IMG all documentation concerning the Informant Management Project. In response to our subpoena, we received a small stack of documents covering the Informant Management Project. This included not previously

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<sup>18</sup> Of this \$45,450, it is the OIG's contention that \$14,250 is attributable to IMG's inflated billing of the number of days of informant coverage. **(See OIG Schedule C, footnotes 2 and 3.)**

<sup>19</sup> CALEA stands for the Commission on Accreditation for Law Enforcement Agencies, Inc.

<sup>20</sup> See Ch. 25, Part 1, Section II (H) of the MDPD Departmental Manual: Standard Operating Procedures.

<sup>21</sup> These strict procedures are employed in all law enforcement agencies to prevent and detect potentially abusive or illegal conduct by informants or their operators.

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obtained emails and expense reports detailing the informant payments as noted above. However, what was not included was any type of documentation that would meet the requirements of detailed documentation and administrative control. In fact, several emails between Mr. Gannon, Mr. Hagon and others referred to the informants by first name. Other emails contained information told to Mr. Gannon by informant(s) related to suspected criminal activity. The lack of real documentation turned over by IMG, in conjunction with the other haphazard information that we were provided during our review, clearly illustrates that there was no administrative control.

Mr. Gannon told the OIG that he “fronted” the money to pay the informant and that the payment was made by check. When asked about other control documentation, he referred to the fact that payment was by check and that these were included in his expense reports submitted to Mr. Hagon. In our assessment of the entire IMG engagement, this one area—the operation of a paid informant program—disturbs us the most.<sup>22</sup> Most notably, follow-up review of the prosecutorial notes and official memoranda of the State Attorney’s Office (SAO) reveal that information provided by this informant was relied upon in the decision to initiate a proactive, covert investigation. The SAO “close out” memorandum of this particular investigation refers to the confidential source’s uncorroborated information. According to the close out memorandum, weeks of proactive investigation did not result in developing any evidence and it was concluded that the target had learned of the investigation.

The potential civil liabilities the PHT and, ultimately, Miami-Dade County are exposed to through the operation of this program are remarkable. This informant received almost \$13,000 in additional income<sup>23</sup> (ultimately paid from a public institution) without any accountability-related documentation. The approval to pay the informant came from PHT executives, without the independent assessment of the law enforcement agency that conducted its investigations in reliance on information presumably provided by the informant. While working in close relation with law enforcement investigators, the paid informant was handled by a PHT sub-contractor who, himself, received substantial sums for “managing” the individual. JMH administrators knew enough about this “Program” to process the invoices. They, however, failed to grasp the seriousness of this misconceived arrangement.

Furthermore, JMH’s payment of over \$70,000 in fees to provide management cover of informants is just plain ludicrous. Even if one could fathom a justification for

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<sup>22</sup> Joseph Macri, the interim Director of the Security Services Department, was unaware of this program and the fact that Mr. Gannon was paying informants. He relayed to the OIG his discomfort in not having the Miami-Dade Police Department handle these transactions. The OIG certainly shares his concerns.

<sup>23</sup> It is not clear what, if any, instructions were told to the informant as to how to report the payments for federal tax purposes as income. In any respect, IMG was not able to provide us with any “control” documents relative to the payments made to this informant.

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such a fee, what is more troubling is the over \$40,000 in pass-through compensation to IMG (Chris Hagon) for “informant cover” provided by Paul Gannon. Our review of documentation provided to the OIG shows that aside from the one administrative function of invoicing, IMG provided no supervision of or participation in Mr. Gannon’s informant project.

**2. Police Activity**

IMG provided sub-consultants to the hospital in the areas of security and investigative services. One individual in particular, Mr. Gannon, was relegated as the lead liaison to work with the Miami-Dade Police Department. Mr. Gannon was, from the initial IMG engagement at the PHT until September 2003, a sub-consultant to IMG.

During our review of documentation relative to the entire engagement, we came across a substantial number of MDPD investigative reports regarding an undercover surveillance initiative at the JHS Medley warehouse, where it was believed that JHS employees were stealing thousands of dollars in supplies. The case initiation report credits the basis for initiating this particular case on Sergeant Lee Michaud of the MDPD Police Operations Bureau (POB). As previously mentioned, this squad is assigned the task of investigating general criminal cases arising from the hospital. This particular investigation, however, was initiated through the MDPD Public Corruption Investigation Bureau (PCIB), ostensibly referred from Sgt. Michaud. According to one of the unsigned police reports the OIG was provided with (see below for further discussion), “Gannon stated he is aware the POB General Investigations Bureau (GIU) does not have the manpower and resources to conduct the investigation on their own, and asked that PCIB work with POB to accomplish this investigation.”

While not rehashing the details of the investigation, our review determined that 300 overtime hours were spent by the MDPD PCIB on surveillance of the Medley facility. As noted above, the SAO close-out memorandum of this investigation stated that no evidence was developed through the surveillances, and it was concluded that the target(s) had learned of the investigation and ceased the criminal activities. In short, thousands of dollars were expended by MDPD on an investigation that was initiated as a result of uncorroborated information supplied by a paid informant of the PHT who was not supervised by the law enforcement entity conducting the investigation or, for that matter, by any law enforcement agency.

But what is really troubling of the entire situation is revealed through other collateral documentation touching on this investigation. First, the Assistant State Attorney’s interview notes of Mr. Gannon dated April 10, 2002 reveal that Gannon stated that he reports to Andres Murai on the Board of Trustees. Apparently, the JMH Security Services Department was completely by-passed and one individual, a sub-consultant no less, without supervision and without any express authority from the PHT, became a one-

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man show. As reflected in one of the police reports, it was written that Gannon stated that he accepts all responsibility for losses, etc., that could have resulted during the undercover operation.

Second, a three-ring binder provided by the PHT to the OIG in response to our subpoenas contains numerous un-signed police reports of investigation relative to the PCIB case discussed above. It is troubling that these materials—unsigned investigative reports—were received by a PHT sub-consultant and passed on through him to other JHS administrators.

Third, our review revealed that IMG's main police contact, Sergeant Lee Michaud of the MDPD POB GIU, upon his retirement from the County, became another IMG "pass through" consultant providing security services to the PHT.

According to Mr. Macri, "we" wanted to hire Mr. Michaud for an investigator position in the Security Services Department; however, in light of his recent separation from County service there were retirement benefit issues that prevented him from being hired directly by the PHT. Mr. Macri told the OIG that "we" hired him through IMG. When asked who "we" included, Mr. Macri said that it was Mark Aprigliano,<sup>24</sup> with some input from Mr. Hagon and Mr. Gannon, who were very familiar with Michaud, having had worked closely with him on other PHT matters.

When interviewed by OIG personnel, Mr. Michaud stated that Mr. Macri had offered him a full-time position at JMH, but because of the retirement issue, Mr. Macri had suggested to him that he [Michaud] contact Chris Hagon of IMG and that he could work for the Security Services Department as an independent contractor of IMG. An agreement was reached by Mr. Michaud and Mr. Hagon of an annual base salary of \$60,000, plus mileage at \$.50 per mile (including both commuting mileage and work-related mileage). The agreement also included reimbursement for meals.

For the period 9/15/03 through 6/14/04, the PHT paid \$72,625 in professional service fees for Mr. Michaud, \$4,414 for mileage and \$952.60 for meals. For this same period, Mr. Michaud billed and was paid by Chris Hagon<sup>25</sup> the same amounts for mileage and meals, and \$49,000 in professional services fees. As a "pass-through" consultant, Mr. Hagon effortlessly netted \$23,625 on the Michaud invoices. Neither IMG nor Mr.

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<sup>24</sup> Mark Aprigliano became employed with the PHT in September 2003. Mr. Michaud began providing services to the PHT on or about September 15, 2003. His proposal to Mr. Hagon, however, is dated June 5, 2003 and IMG's Draft Letter of Engagement is dated August 19, 2003. Clearly, Mr. Aprigliano could not have been involved in the decision to hire the former MDPD Sergeant. He also told the OIG emphatically that he was not involved. Mr. Macri's statement to the OIG may be seen as an attempt to downplay the other two individuals' input on this hiring decision.

<sup>25</sup> Mr. Michaud was paid by Global Security Logistics Services, Inc., Chris Hagon's company.

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Hagon were responsible for Mr. Michaud's work; Mr. Michaud worked directly under Mr. Macri. And other than the administrative expense of submitting invoices to the PHT, neither IMG nor Hagon incurred any overhead expense.

We feel that it was completely inappropriate for Mr. Macri to have suggested that Mr. Michaud seek Mr. Hagon's company as the conduit for PHT work. Macri, himself a former IMG pass-through sub-consultant, should have realized that such a suggestion gives rise to a potential conflict of interest. As a Vice-President of the Public Health Trust, he is making an express recommendation for professional services. Moreover, this arrangement may be seen as a means to circumvent the Florida Retirement System (FRS) requirement of a twelve-month separation from a FRS participating agency.<sup>26</sup>

When interviewed on this matter, Mr. Macri stated that after a few months he came to learn that in fact there was no authorization to pay for Mr. Michaud's services and that "not wishing to continue that, [he] shut it down." Mr. Macri told the OIG that he paid a couple of months of invoices from his department's budget line item for "professional services." The OIG's review of this particular matter reveals that two invoices encompassing four months of service were paid by Mr. Macri through that budgetary account. But an additional six monthly invoices were submitted and paid by the PHT with monies authorized by Resolution 01/04-009 (see footnote 10). This resolution authorizes funding for asset management, recruitment fees and program management fees relating to the campus-wide security and access control system. It clearly does not authorize the type of consultancy services provided by Mr. Michaud. The payment for these additional six months were authorized by former Vice-President Al Cook and the current CFO, Frank Barrett.<sup>27</sup>

Mr. Macri may have been correct when he told the OIG that he came to learn that the funding for Mr. Michaud's services was never authorized. Apparently, the subsequent six months of services were also not Board authorized. Nevertheless, a means to pay these invoices, which included Mr. Hagon's approximate 45% mark-up, commuting mileage at \$.50 per mile and meals, were found.

**E. RECRUITMENT AND HEADHUNTING SERVICE FEES**

The PHT in January 2004, by way of Resolution No. 01/04-009, approved special service fees to IMG of \$128,000, plus reimbursable expenses for "professional services rendered in conjunction with the identification and recruitment of key positions and

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<sup>26</sup> See Fla. Statutes Section 121.091(9)(b)1.

<sup>27</sup> Mr. Michaud stated to the OIG that during June 2004 Mr. Macri told him that he, Macri, was resigning his position from the PHT, and that the funding for his [Michaud's] position was exhausted. Mr. Michaud confirmed this with Mr. Hagon, and shortly thereafter his engagement with IMG came to an end.

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associated background investigations...” (See also footnote 10.) As also noted by the Compliance Office in its draft report, the four positions which were invoiced by IMG were filled in May and September 2003. The four individuals that the fees relate to are: Alston L. Cook (Vice-President, Logistics and Distribution), Paul Gannon (Manager, Capital Assets, Control and Protection), Joseph D. Macri (Vice President-Safety, Security and Emergency Management) and Mark Aprigliano (Assistant Administrator III-Assistant Chief of Security Services). IMG submitted two invoices to the PHT for payment relating to these four individuals.

Our review of this particular matter gives rise to question all of these fees. Indeed, we are so concerned with these fees that we are requesting that the State Attorney’s Office review them.

**1. IMG Invoice No. A-200300215 Re: A. Cook**

The first invoice, dated 7/14/03, addressed fees and expenses related to the hiring of Alston Cook. IMG invoiced a lump sum fee of \$40,000 and listed out expenses totaling \$5,508.75 (14% of the lump sum amount). The expenses include hotel accommodations (\$940), airfare (\$817), ground transportation (over \$2,000), background investigations (\$1,141) and meals, including meals with prospective candidates (\$535). As with other engagements between the PHT and IMG, there was no written agreement or written authorization to proceed. There is nothing to indicate that the fee for this service was supposed to be \$40,000 and that it would be exclusive of expenses. There was no supporting documentation to sustain any of the expenses claimed. Surely hotel, airfare and meal receipts could have been and should have been submitted. Moreover, expenses relating to the conducting of background investigations and candidate profiles would reasonably be included in the lump sum recruitment fee.

A review of Cook’s personnel file revealed: 1) He was offered the position of Vice President-Logistics and Distribution by letter from Ira Clark on 4/8/03; 2) He applied for the position on 4/25/03<sup>28</sup>; 3) He was hired 5/12/03; 4) Recruitment for this position was handled by Ron Ruppel, per a letter in the file; 5) Hirecheck performed multiple searches, a consumer credit report, and background checks for JMH. The effective date of his resignation was 9/17/04.

OIG personnel interviewed Mr. Hagon regarding the recruitment fees. For this particular position, Vice-President, Logistics and Distribution, he explained that the fee was invoiced incorrectly as a lump sum fee and that it should have been billed on an

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<sup>28</sup> These dates, while not in chronological order, are the dates that appear on the associated documentation in his personnel file.

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“actual time” basis.<sup>29</sup> Given that six months lapsed since the submission of the invoice to the passage of the resolution that authorized payment for such services, the invoice could have and should have been corrected. Furthermore, it was over four months after the approval of the resolution, on June 17, 2004, that the invoice was finally approved and processed for payment. Surely there was enough intervening time to correct the invoice and provide the requisite receipts supporting the requested reimbursable expenses.

**2. IMG Invoice No. A-200300234 Re: J. Macri, P. Gannon and M. Aprigliano**

IMG’s second invoice connected to the January 2004 recruitment fee resolution was submitted in November 2003 for \$83,000. The invoice lists three lump sum payments relating to J. Macri (\$40,000), P. Gannon (\$22,500) and M. Aprigliano (\$20,500). All three individuals became employed by the PHT in September 2003. The description on the invoice states: **“Security services – fees for IMG consultants hired by JHS, period 11/01/03.”** On its face, the invoice is silent on the service of its recruitment. It appears to be compensation to IMG for the PHT hiring away its consultants. The resolution and the accompanying recommendation memorandum, however, do tie both invoices, totaling \$128,000, specifically for “identification and recruitment of key positions and associated background investigations...”

**a. Joseph D. Macri**

Mr. Macri performed services to the PHT through IMG. From 6/15/02 to 9/15/03, he was designated the Director of Security Services on an out-sourced basis. Mr. Macri was not an employee of IMG; he himself had an oral one-year contract with IMG for \$125,000. As the Director of Security Services, his main tasks were to restructure the department and oversee its operations. Mr. Macri advised the OIG that he reported directly to Mr. Paul Glasser, Vice-President of Support Services.

As it related to compensation, Mr. Macri explained that he was paid bi-weekly by IMG [ $\$125,000 \div 26$  pay periods = \$4,808]. Mr. Macri was unaware of the fee charged by IMG to the PHT for his services. He was surprised to learn that IMG netted almost \$6,000 per month from the PHT to serve as a “pass-through” for his employment. IMG had absolutely no overhead related to Mr. Macri’s services. IMG provided no payroll functions, other than to issue Mr. Macri a check; no taxes were withheld and no benefits were provided. Mr. Macri operated out of the Security Services Department; his office

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<sup>29</sup> The OIG was provided with an email response by Mr. Hagon to Mr. Raul Rios, Office of Compliance, dated March 18, 2005. Mr. Rios had also inquired as to the basis for these invoices. Regarding the A. Cook invoice, Mr. Hagon replied that it was a “finder’s fee,” yet the reply also states that the fee was invoiced on the “actual amount of time we spent on this effort.” This contradicts the statement given to OIG personnel.

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and desk were located there. Neither IMG nor Mr. Hagon himself provided any supervision for Mr. Macri's activities. Other than IMG's own submission of its monthly invoice of \$16,667 to the PHT, no other administrative tasks were performed or overhead incurred that warranted IMG's net monthly fee of approximately \$6,250. During the entire period that Mr. Macri's services were passed-through IMG (sixteen months), IMG (or in this case, Chris Hagon) profited an astoundingly \$103,000.

Mr. Macri advised the OIG that he was contacted by Dr. Gerald Kaiser about permanent employment with the PHT, which he eventually decided to accept. He stated that he was not aware of any services performed by IMG or Mr. Hagon to recruit him for the permanent PHT position. He was not interviewed by Mr. Hagon and his background check was performed by the PHT. Mr. Macri was unaware, until told to him by the OIG, of the fee paid to IMG for supposedly recruiting him. During our first interview with Mr. Macri, he told OIG personnel that Mr. Hagon was not pleased to learn that he had taken the permanent position with the PHT. In a subsequent interview, he clarified his statement that Mr. Hagon was happy for Mr. Macri professionally, but perhaps disappointed that he was leaving IMG. Upon learning of the \$40,000 fee, Mr. Macri expressed to the OIG that he felt that this was totally inappropriate; this was even before he learned of the approximate \$100,000 that was netted during the period of the out-sourced arrangement.

**b. Paul Gannon**

Mr. Gannon, likewise, was an IMG sub-consultant who rendered services to the PHT through IMG. Mr. Gannon's engagement with IMG was through his own firm, P.G. Administrative Services, Inc. Mr. Gannon charged IMG a day rate of \$700, plus expenses. IMG invoiced its sub-consultant at day rates ranging from \$1,200 to \$1,500,<sup>30</sup> plus expenses.

Mr. Gannon advised the OIG that during the summer of 2003, he became aware that the hospital had a position open for a Capital Assets Manager. The OIG's review of his personnel file confirmed that he applied on 7/15/03 for the posted position of Manager-Capital Assets, Control and Protection. He stated that he was interviewed by

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<sup>30</sup> The majority of IMG's invoices bill Mr. Gannon at \$1,500 per day. There are a few invoices that show his rate as \$1,200. One invoice has an accumulation of 23 days, where the first eight days are invoiced at \$1,500 per day. The thirteen days following are invoiced at \$1,200. Following this particular invoice are several others that bill \$1,500 per day for Mr. Gannon. When Mr. Hagon was questioned by the OIG about the inconsistency in rates, he was unsure of the reason for the rate fluctuation but opined that it could have to do with the department that the services were rendered to. In the OIG's assessment, these fluctuations show the haphazard billing tendencies of IMG, again with emphasis that there was never any written terms and conditions of the service arrangement.



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Mr. Alston Cook and personnel from the Human Resources Department. His background check was conducted by the hospital and he was hired for this position on 9/2/03. He told the OIG that he is unaware of any recruitment services or background check services performed by Mr. Hagon or IMG relative to his obtaining employment with the PHT.

**c. Compensation to IMG for the loss of fees generated by sub-consultants Macri and Gannon**

While the agenda item seeking authorization for the above-related funding is worded as services related to recruitment, it is clear from the face of the invoice itself that the fees were really for compensation for the loss of IMG fees. Mr. Hagon also confirmed this reason during an interview with OIG personnel, where he stated that this resulting invoice included compensation for IMG's loss of income.<sup>31</sup> He stated that former CEO Mr. Ira Clark and Al Cook agreed to the finder's fees. Hagon also expressed some degree of guilt for these fees, but stated to the OIG personnel during the interview that he was never expressly told that he could not bill for this compensation, and that he rationalized the fee by considering that the PHT saved the expense of recruiting and processing other individuals for these positions by hiring IMG's sub-contractors.

Again, as with all of IMG's services, there was never a written professional services agreement or written authorization to proceed. In these examples there was also no authorization to pay for these "services," until several months later when the Resolution was brought before and approved by the PHT Board.

**d. Mark Aprigliano**

While this individual is listed on the invoice as if he were an IMG consultant that had been hired away by the PHT, Mr. Aprigliano had no association with IMG or Mr. Hagon. The cause for the need of an Assistant Administrator position in the Security Services Department was Mr. Macri's doing. It was his assessment for the need of a deputy director-type position. Mr. Macri, in his capacity as Director of Security Services, arranged for the position to be posted through the Human Resources Department (HR). HR provided the resumes to Mr. Macri for his review. He recalls conducting a first round of interviews and selecting Mr. Aprigliano for a call-back, second interview. He stated

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<sup>31</sup> Referring to the email reply referenced in footnote 29 above, Mr. Hagon explains the justification for Mr. Macri's fee. "IMG paid Joe Macri as a consultant for the agreed upon one year and afterwards we were asked to extend this, since Ira told me that Jackson wanted to hire him, but couldn't do so immediately. I wasn't too happy about this, since we had other plans for Joe, but we agreed subject to an appropriate finder's fee." While expressed as a "finder's fee," Mr. Macri had already been found and working in that position for sixteen months. Mr. Hagon's reply does not address the fee paid relative to Mr. Gannon other than to note that it was not in his "plan" that Paul leave the services of IMG.

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that Mr. Hagon was not involved in the selection of candidates or the decision to hire Mr. Aprigliano.<sup>32</sup> However, Mr. Macri later came to learn that a third interview took place—that Mr. Hagon also interviewed him. Mr. Macri expressly told the OIG that there was no need for a third interview. He had been satisfied with the two, and that it was not done on his behalf. Mr. Macri stated that the sole decision to select Mr. Aprigliano for the position was his.

Mr. Aprigliano stated to OIG personnel that he responded to a public announcement for the position. His personnel file shows that he applied for the position of Assistant Administrator III- Asst. Chief of Security Services on 6/19/03. He was hired 9/2/03. His background check was conducted by the PHT, evidenced by the Hirecheck reports in his personnel file. Except for one interview that he had with Mr. Hagon, Mr. Aprigliano is not aware of any action by IMG that would warrant the fee charged. Moreover, when Mr. Macri was told by the OIG in March 2005 about the fee charged by IMG for himself and Mr. Aprigliano, he expressed that both fees were totally inappropriate.

**3. The Fees Invoiced By IMG And Paid By The PHT Were Grossly Inappropriate.**

Without exception, an invoice for payment of professional services fees should be based on an agreement of performance, after services are rendered and payment of that fee should be in accordance with the terms and conditions of that agreement. In other words, there should be performance which would entitle one to compensation. A justification of lost profits may only be warranted in some of the most specific of contractual situations. Surely this is not one of them. Moreover and most importantly, it presupposes that there is a contract. There is no such evidence of a contract, let alone a contract that even contemplates lost sub-consultant profits.

The apparent duplicity involved with the recruitment fees invoiced by IMG and paid by the PHT, give rise to serious concerns of abusive conduct. The \$83,000 invoice from IMG regarding Macri, Gannon and Aprigliano was outright unwarranted. There were no services performed, and no agreement to pay IMG for these amounts or any amounts related to these three individuals. This egregious expenditure of public funds

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<sup>32</sup> According to the Hagon email reply of March 18, 2005, Mr. Hagon credits the recruitment of Mark Aprigliano to IMG. He states: “We [IMG] eventually came up with Mark Aprigliano. We learned of Mark from the security director of one of our pharmaceutical clients. I do not recall anyone from the [T]rust requesting, suggesting or recommending Al, Joe, Paul or Marc.” This statement is directly contradicted by Mr. Aprigliano, who stated that he was not contacted by IMG or Mr. Hagon and that he responded to a public job announcement, which is confirmed by the documents in his personnel file and Mr. Macri’s statement that he interviewed and selected Mr. Aprigliano from the resumes provided by the HR Department.

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warrants additional scrutiny by appropriate law enforcement officials. Of the other amounts paid relative to Cook's hire by the PHT, payment for those expenses, as with any expenses not supported by receipts and other documentation, should be questioned. As for the Cook recruitment fee, which according to Mr. Hagon should have been based on actual time instead of as a lump sum fee, the PHT should require Mr. Hagon to adjust it accordingly accompanied by support to document the time spent on those services. For the entire amounts addressed by this section, the PHT should, at the very least, seek redress and restitution.

**F. A BOARD MEMBER'S INFLUENCE OVER STAFF TO PAY INADEQUATELY PREPARED INVOICES**

At the onset of the OIG's inquiry, the PHT CEO provided the OIG with an email from a PHT internal auditor dated October 3, 2003, and addressed to her supervisor, Mr. Gus Alonso, former Director of Internal Audit. (**Exhibit 4**) The email's subject matter is titled *IMG Invoice investigation* and it documents the events that had transpired in a 24-hour period relative to the Internal Audit Department's role and the task assigned of her in reviewing IMG invoices. This email revealed the extent of the efforts mustered to pay IMG invoices and provided insight to the level of tensions involved in assuring that IMG invoices were ultimately paid.

During the course of the OIG review, witnesses have characterized, and an independent review of relevant documents by the OIG confirmed that, IMG's invoicing was disorganized, in disarray, and very unusual. Basic elements that would be expected on an invoice, such as purchase order (PO) number, board resolution number, name of the user department/project manager, project name and dates of service, were generally missing. Overall, there was a lack of back-up documentation. But when it was provided, it often did not match the face of the invoice. For example, dates of receipts did not correspond to the time period referenced on the face of the invoice. In other instances, important supporting detail was blacked out. But foremost, there were no control documents, such as a contract, that laid out the terms and conditions for compensation which the invoice could be measured against.

At the beginning of its engagement, we found that IMG's invoices were approved and paid without scrutiny. The OIG has reviewed these original invoices obtained from the Accounts Payable Department. We found that expenses were routinely approved without any supporting documentation. We found one voucher payment<sup>33</sup> in the amount of \$199,624.11, encompassing nine (9) IMG invoices, where \$20,756 in expenses was paid without one shred of supporting documentation. In another example, one IMG

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<sup>33</sup> JHS check no. 628012 dated August 14, 2002.

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invoice that was paid by JHS requested \$46,928 in professional fees (without detail) and a total of \$9,194.34 in expenses without one attached receipt.<sup>34</sup>

We observed several expense items listed on the face of the invoice without support that appeared highly irregular. Some examples include expenditure amounts of \$50 for airfare, \$100 for meals and \$150 for accommodations. It appears that as the engagement expanded and the volume of the invoices steadily increased, staff paid more attention to the invoices, which resulted in them not being paid as quickly.

Issues surrounding IMG's invoicing have persisted throughout the course of its three-year engagement with the PHT. The task of reviewing and reconciling the billings was an arduous one. PHT staff, including vice-presidents, the CFO and the Director of Internal Audit were all involved in the endeavor. One witness referred to this chore as a "pain job." There was overwhelming pressure on staff to get IMG paid. PHT staff has advised us that in numerous conversations and meetings with Mr. Hagon and/or IMG's accountant, David Andrade, staff would request the necessary information and back-up documentation in order to properly process the invoices. We were told that these meetings were to no avail as the requested information was not forthcoming, and resubmitted invoices did not get any better, i.e., they also failed to include the requested information.<sup>35</sup>

### **1. Mr. Murai's Involvement**

During the OIG's review, we learned of certain specific troubling events occurring in the fall of 2003 (around the same time as the auditor's email previously referenced) concerning the pressure Mr. Andres Murai Jr., PHT Board Member and Chair of the Fiscal Affairs Committee, exerted over staff to get IMG invoices paid.

Mr. Ken Meinke told the OIG that upon his employment with the PHT in September 2003 as the CFO, he became involved in the IMG invoice matter. Several invoices had come to his attention that were lacking in the required supporting documentation. After discussions with the vice-presidents of the various departments, Mr. Meinke had contacted Mr. Hagon directly about why the invoices could not be paid and had asked him to supply the back-up documentation. Mr. Meinke told the OIG that

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<sup>34</sup> IMG Invoice no. A-200200154, JHS check no. 625898.

<sup>35</sup> Mr. Hagon told the OIG that he was originally told by Glasser to hold onto the receipts. Then when requested, he did provide them to Mr. Glasser and/or Ms. Diaz. He stated that he has copies of all back up receipts for all IMG invoices. However, in correspondence to the OIG regarding the Informant Management Case, he noted that much of the documentation relating to Mr. Gannon's assignments were lost by him during the period of his divorce. Mr. Gannon told the OIG that he turned over all of his documentation to Mr. Hagon in order for him [Gannon] to be paid.

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after such conversations with Mr. Hagon, he would receive a telephone call from Mr. Murai regarding payment to IMG. Mr. Meinke recalled Mr. Murai making such statements as, "Chris tells me that the PHT owes him much money." Mr. Meinke also recalled one specific meeting that took place in his office with Messrs. Murai, Glasser, Macri and Alonso concerning the payment of IMG invoices. The OIG has additionally taken statements from Mr. Glasser and Mr. Macri who both remember this particular meeting. Mr. Murai, who was interviewed by the OIG, claims he could not recall this meeting taking place.

**2. Events Preceding The Meeting**

The OIG has concluded that this meeting took place sometime between September and early October 2003.<sup>36</sup> The meeting was preceded by an event involving Ms. Mylene Diaz, Associate Administrator in the Plant Operations Division. Ms. Diaz reports directly to Mr. Glasser and her primary responsibility is to oversee all accounting functions for the Division, including supervision over the review and processing of invoices relative to contractors, architects and engineers overseen by the Department. Ms. Diaz was given the task of reviewing a stack of IMG invoices for payment. She recalls that even after several months of discussion with IMG and its accountant, David Andrade, she still was not provided with the required information. In a statement to the OIG, Ms. Diaz recalled:

At one point they [IMG] tried to produce something but it was even worse. Didn't even match. Nothing matched with anything and it was like – I wanted to put it aside. I am so busy. I have so much to do. I probably sat two hours trying to review and nothing matched with anything. I was feeling I was wasting my time. ... They [IMG] never gave me the PO number that we are supposed to be charged to [sic]. They never referred to any resolution number. I had to guess, call them and say, "Is this bill for so and so." And sometimes they said yes. And I realized it was not – they had no clue.

Eventually, Ms. Diaz took the stack of invoices and brought them over to Mr. Macri, the new "official" Vice President of the Security Department. From her perspective, IMG's invoices were all security related so it made sense that they belonged

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<sup>36</sup> The witnesses do not recall the exact date of this meeting, but they all referred to only one meeting with Mr. Murai in Ken Meinke's office. Additionally, a stack of invoices approved by Paul Glasser and all bearing the stamped-in date of 10/10/2003 were received by the Accounts Payable Department. These details found in the payment approvals and processes match the description of what occurred during the "workout session," described in the next section.

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in the Security Department. By the time Ms. Diaz had returned to her office, her boss, Paul Glasser, had learned of Mr. Murai's anger at Ms. Diaz for what had just occurred moments earlier.

When the OIG probed as to how Mr. Murai had come to learn of this event, it was explained that Mr. Hagon had just happened to be in an adjoining room to Mr. Macri's office and had overheard the exchange. Both Macri and Glasser have concluded to the OIG that it had to have been Mr. Hagon who called Mr. Murai. This event triggered the meeting that took place in Mr. Meinke's office.<sup>37</sup>

### **3. The Meeting in Ken Meinke's Office**

Mr. Murai, when interviewed by the OIG, did not recall this meeting. However, the OIG has concluded that at least the following five individuals were in attendance at this meeting: Murai, Alonso,<sup>38</sup> Meinke, Glasser and Macri.<sup>39</sup>

Mr. Meinke recalled that Murai took charge of the meeting and "expressed frustration that the PHT owed IMG amounts, and requested that they be paid immediately. [He recalled] that Mr. Murai's frustration and anger was directed to Paul Glasser."

This sentiment is shared by Mr. Glasser, who recalls that Mr. Murai admonished him for Ms. Diaz's actions (forwarding the invoices to Mr. Macri). According to Mr. Glasser, apparently she "disrespected" Mr. Macri, a vice president, by suggesting that the invoices belonged to his department--the security department. Other than admonishing Mr. Glasser for his employee, the principle reason for the meeting was IMG's outstanding invoices as supported by Mr. Murai's statements to the effect of getting them paid.

In describing the exchange during the meeting, the OIG asked Mr. Glasser whether Mr. Murai had ever mentioned Mr. Hagon as having relayed information about the status of the invoices. Mr. Glasser, in a statement to the OIG, said:

I don't recall him [Murai] ever saying that, but it was so abundantly clear that [Murai] knew more about the status

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<sup>37</sup> Ken Meinke does not recall who requested the meeting, but he referred to it as attending a meeting in his own office. Mr. Macri also did not know who requested the meeting. Mr. Glasser refers to being summoned to the meeting as an invited guest.

<sup>38</sup> Mr. Gus Alonso resigned from the PHT on October 1, 2004 with an effective separation date of August 1, 2005. Mr. Alonso has a 10-month separation agreement with the PHT. Due to investigative issues, the OIG has not interviewed Mr. Alonso.

<sup>39</sup> While it is unlikely that anyone other than these five individuals were present, those interviewed stated that they could not recall if any other persons were there.

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of the those invoices from an outside source than he did from his own trust staff. And I made that statement to him. ... I said, I can't believe it. I never lied to you. I never deceived you. It's hard for me to believe that you know more about the status from a consultant than you know from your own staff.

When asked what was Mr. Murai's reaction to his statement, Glasser said: "He [Murai] looked over at Gus and said, "We need to get these paid." Gus was the internal auditor. According to Mr. Glasser, Murai strongly suggested that any issues concerning the outstanding invoices be resolved.

Mr. Glasser explained that while this specific meeting brought the issues to a head, he told the OIG that there were several phone conversations initiated by Mr. Murai to him during this whole timeframe regarding the status of IMG's invoices.

Mr. Macri recalls the Meinke office meeting. He recalls that Mr. Murai wanted to know the status of their [Macri, Glasser and Alonso's] efforts to clean up the IMG invoices. Mr. Macri told the OIG that he explained to Mr. Murai that it was a work in progress trying to match invoice amounts to board resolutions, etc. Mr. Murai responded suggesting that they go complete the task. He described Mr. Murai's demeanor at this meeting as "forceful."

#### **4. Subsequent Workout Session**

Both Mr. Macri and Mr. Glasser recall a workout session in Mr. Glasser's office where they were joined by Gus Alonso, who brought with him a matrix listing all the open purchase orders, the amounts paid and unused balances. The session began in the mid-afternoon (around 4 pm) and ended in the early evening (around 7 pm).<sup>40</sup>

The purpose of the meeting was to approve IMG invoices for payment. Mr. Glasser described that one by one these invoices were assigned to a purchase order that had remaining balances. The invoices were then sorted into stacks based on which of the three (he, Macri or Alonso) had knowledge of the invoiced matter, and then were signed by them. He recalled a small stack of invoices that may have been given to Ken Meinke for his signature. Mr. Glasser also told the OIG that in this session he did not approve for "reimbursement" many of the expenses that were listed on the invoices.

According to Mr. Macri, as long as an invoice related to security, it was appropriate for Glasser or himself to approve it even if the work involved another

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<sup>40</sup> This meeting seemingly took place after the meeting in Mr. Meinke's office, however, those interviewed could not recollect how many days later it took place.

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department. Mr. Macri also maintained that they would not approve an invoice if they were not aware of the services rendered, yet it was acceptable to approve another department's invoice as long as the paperwork was correct and the work had been done. When pressed about knowing whether the work was complete, especially since they were not involved in requesting the services or reviewing the quality of the deliverable product, neither had a satisfactory answer.

In subsequent statements to the OIG, Mr. Glasser characterized all of the IMG purchase orders as lump sum agreements that were due when the deliverable product was finished. He stated that there could be periodic payments against the POs. When questioned whether the PO specified the type of deliverable, it was expressed that there ought to be reports submitted relating to the services rendered. After thorough questioning by the OIG on the purchase order issue, it is still not clear to us how he and Macri could express the appropriateness of a payment when they were not involved with the service engagement. Moreover, if each PO was a lump sum agreement, we do not understand how invoices could be attributed and paid with reference to any PO that had an open balance of funds. We do know that most of the invoices were approved during this workout session. It was expressed to OIG personnel that there was a sense of urgency at this meeting to have the invoices approved for payment.

Ms. Diaz also recalls the meeting. She recalls that it began around 4 pm in Mr. Glasser's office.

And on [sic] that meeting was Macri, Gus Alonso and Paul. And they called me for the meeting. I don't know why. They were trying to review the invoices based on some statistics and some spread sheets that Gus Alonso's division put together, like trying to make sense of the invoices, and they were trying to get paid [sic]. So they did whatever they need[ed] to do and I was just there to make sure that they were going to charge something to a purchase order. That [the] purchase order had the amount of money available to charge. I didn't do anything that day. They just did whatever.

Ms. Diaz also recalls that Mr. Glasser did most of the signing that day. She had left before the three men, and in the morning she found a stack of approved invoices. She was in the process of photocopying them, prior to sending the originals to Accounts Payable, when she received an email from Mr. Alonso asking her to send the invoices to Accounts Payable for payment. Ms. Diaz also noted that not all of the invoices were ultimately approved and some expenses listed on some invoices were not approved.

Our review of one PHT check voucher, number 661543 paid to IMG in the amount \$114,813.64, is undoubtedly a result of the "workout session." This check, dated



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10/14/03, covers eleven (11) IMG invoices that were all date-stamped received by the Accounts Payable Division on 10/10/03. All the invoices were approved by Paul Glasser and from these invoiced amounts, a total of \$2,474.07 in expenses were not approved. These eleven invoices correspond to three different purchase orders.

**5. Post Workout Session Persistence**

The OIG uncovered documentation dated in December 2003, two months after the events described above, which reveal the efforts by staff to appease Mr. Murai in getting IMG's invoices paid. Coordinating the effort was former Director of Internal Audit Mr. Gus Alonso.<sup>41</sup>

There are two memorandums, dated December 5, 2003 and dated as a "draft" December 8, 2003,<sup>42</sup> addressed to Mr. Andres Murai, Jr. The memorandum states that Internal Audit reviewed all unpaid IMG invoices "to determine what actions need to be taken to process them." (**Exhibit 5 Composite**) This statement is significant as it shows that the goal of the review was to pay IMG's invoices, not necessarily to review the appropriateness of the invoiced charges. This purpose becomes even more significant when it is revealed to Mr. Murai in the memoranda that several of the invoices cannot be paid because they lack Board approval. In other words, there was no Board authorization for these services, and without such authorization, PHT staff could not open the purchase order to pay the invoices. As a Board member and Chair of the Fiscal Affairs Committee, Mr. Murai should have been outraged over the lack of authority. Instead, our review confirms that Mr. Murai was actively involved, not only in persisting staff to pay IMG's invoices, but also directly involved in several IMG assignment areas.

Both versions of the memorandum also denote that over \$9,000 in travel expenses remained unpaid for lack of appropriate support. The memorandum also contained an attached "Action Plan" listing the executive to be responsible for getting the invoices paid. (**Exhibit 6 Composite**) The plan included timelines of when they were intending to go before the PHT Board for approval, which would have had to be all retroactive.

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<sup>41</sup> The participation of Mr. Alonso, with the resources of the Internal Audit Unit to coordinate and review the invoices for payment, is of great concern to the OIG. We question the role played by the Internal Auditor in the operations of processing vendor invoices for payment. And even though Mr. Alonso may not have officially "approved" an invoice, the extent of his participation is significant. Most importantly, the Audit Unit's involvement in these operational matters compromises their independence in reviewing or auditing this entire engagement.

<sup>42</sup> Along with the two memorandums, the OIG found a signed memorandum from Mr. Alonso to Messrs. Meinke, Cook, Macri and Glasser, asking them to review the draft memo addressed to Mr. Murai. (**Exhibit 5 Composite**)

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Our review of the invoices that were eventually paid post-December 2003 reveal that even though it was previously noted that requests for expenses reimbursements were not supported by receipts, etc., we still found that payments were being approved without the required support. We also found a draft memorandum questioning the appropriateness of the \$83,000 in “finders fees” for Messrs. Macri, Gannon and Aprigliano. The memorandum addressed to Mr. Hagon states: “It is unclear why you are billing for these services.” (Exhibit 7) The Action Plan indicates that K. Meinke would be responsible for negotiating a fee reduction and that the date of expected invoice payment would be 1/31/2004. (See Exhibit 6 Composite, previously referenced.) As noted in the previous section, this invoice was paid in full, authorized by A. Cook and the present CFO, Mr. Frank Barrett, which as noted earlier, the OIG finds to be an entirely inappropriate payment.

**6. A Trustee’s Inappropriate Influence**

As previously stated, Mr. Murai does not recall the meeting in Meinke’s office. He did explain to the OIG that throughout the course of IMG’s engagement, he routinely met with Mr. Hagon to discuss the security review. In these meetings, the subject of IMG’s unpaid invoices did come up. According to Mr. Murai, he asked Mr. Hagon if he wanted him [Murai] to look into the issue. Mr. Hagon told Mr. Murai not to become involved. Mr. Murai did tell the OIG that because these issues persisted, he asked Mr. Alonso to look into them. He also told the OIG that he asked Mr. Glasser to review them, too.

According to Mr. Hagon, he requested of Mr. Murai not to be involved in this matter. In fact, he expressed to the OIG that he felt it was inappropriate for a board member to be involved.

Messrs. Meinke, Macri and Glasser have all expressed to the OIG, in one form or another, that the meeting was inappropriate as to the level of involvement by this Board member. It was also told to OIG personnel that they cautioned one another to be careful of what they said to Hagon, as it would get back to Mr. Murai. Throughout the course of the OIG’s review, sentiments were expressed to us by those interviewed that in all of the years of their tenure at the PHT, never before have they experienced the degree of involvement by a Trustee over any invoice issues. The interference here was truly unique in that there were serious concerns over the billings themselves. The invoices were all over the place – different requesters of service from different departments, no written contract, no authorizations, little to no supporting back-up documentation, etc.

Our review of these episodes clearly indicates that inappropriate influence was exerted. While Mr. Hagon on one side tells the OIG that he did not ask Mr. Murai for assistance and moreover, that it is inappropriate for a PHT Board member to be so involved, it is clear that Mr. Murai could have only learned of the Mylene Diaz incident

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from Mr. Hagon, who was in an adjoining room to Mr. Macri's office. While Mr. Murai could not recall the meeting in Mr. Meinke's office, the other three individuals present (excluding Gus Alonso, who was not interviewed by the OIG) vividly recall that meeting and Mr. Murai's frustration and anger.

At the conclusion of the meeting, PHT staff clearly understood that it was a top priority that the IMG invoices be paid. What for months could not be resolved through requests for additional supporting documentation to Mr. Hagon and the IMG accountant, was practically all approved in one meeting lasting a few hours.

While it is reasonable for PHT trustees to be concerned with issues relating to the physical security of the JMH campus, theft prevention and asset management issues, the PHT bylaws prohibit individual Trust Board members from dealing directly with staff on administrative services. PHT Bylaws, Article V, Section 9(b) *Restriction on Board Members* states: "Except for purpose of inquiry as provided in Article IV, Section 2(g)(2) of these Bylaws, the Board and its members shall deal with the administrative services solely through the President."<sup>43</sup>

It is staff's duties to manage projects, hold vendors/contractors/consultants responsible and to review and process the payment applications according to contractual terms and conditions and in accordance with established PHT guidelines and other County procedures. We hold staff accountable, and therefore it is paramount that staff be given the responsibility and authority to hold vendors accountable. As public managers, they are on the front line as the custodians of our public funds.

In short, it is abundantly clear that many invoices submitted by IMG should not have been paid for administrative and substantive reasons. Nevertheless, undue influence was exerted on staff by Mr. Murai to pay such invoices. Although the OIG is not

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<sup>43</sup> Similarly, the Miami-Dade County Charter restricts the Mayor and the County Commissioners from similar interference. "Except for the purpose of transmitting constituent inquiries to the administrative services and other inquiry, as provided in Section 1.01A(20), the Mayor and Commissioners shall deal with the administrative service solely through the County Manager's Office and neither the Mayor nor any Commissioner shall give any orders to any subordinates of the Manager, either publicly or privately.

No County employee, other than the County Manager, shall respond to or undertake any action to comply with any request by the Mayor or any Commissioner which violates the provisions of the preceding paragraph. The County Manager shall not knowingly allow the Mayor or any Commissioner to deal with the administrative services in violation of the provisions of the preceding paragraph." [Miami-Dade County Charter, Article 3, Section 3.05(B)]

During our review of invoices and relevant correspondence, we observed a few entries that described IMG services as being directed to be performed by instructions from Mr. Murai. When we interviewed the sub-consultant about the written description, he could not recall the specifics other than to make a general statement that Mr. Murai was very involved in all things dealing with security.

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drawing any conclusion as to Mr. Murai's motivations in becoming personally involved in the processing of IMG invoices, the ultimate outcome of his actions resulted in gross mismanagement of PHT procurement and fiscal responsibilities.

**VI. CONCLUSION**

The IMG consultancy arrangement, though perhaps perceived from good intentions, evolved into an enigma with pernicious tentacles. Management should make every effort to insure that such embarrassments, like this IMG episode, be avoided at all costs.

# **APPENDIX**

## **RESPONSES RECEIVED FROM THOSE ISSUED A DRAFT COPY OF THE REPORT**

- A. Response received from Mr. Marvin O'Quinn, President & CEO, Public Health Trust/Jackson Health Systems (two pages).**
- B. Response received from Mr. Andres Murai, Jr., Public Health Trust Board Member (two pages).**
- C. Response received from Director Robert Parker, Miami-Dade Police Department (one page).**
- D. Response received from Benedict P. Kuehne, Esq., on behalf of Incident Management Group, Inc. (IMG) (17 page response and 29 pages of attachments).**

No responses were received from Joseph Macri or Paul Gannon.

# **OIG SCHEDULES**

**A – C**

**AND**

# **OIG EXHIBITS**

**1 - 7**