



Joseph M. Centorino, Inspector General

April 21, 2020

TO: Honorable Mayor and Members of the City Commission
FROM: Joseph Centorino, Inspector General
RE: Status of Investigation and Preliminary Observations, OIG No. 20-07

The city of Miami Beach has shown an impressive commitment in the last few years to addressing these flooding vulnerabilities, including identifying the funding for and beginning execution of a projected \$600 million stormwater management program, sourcing financing independently of federal and state funds...However, Miami Beach is significantly at risk, so more infrastructural advancement and investment are necessary.

Urban Land Institute Advisory Services Panel Report, April 2018

This report provides an interim response to a request by members of the Commission that the Office of Inspector General (OIG) review the Palm Island and Hibiscus Island Infrastructure Project (Hereafter "Palm & Hibiscus project") and a project to repair a segment of seawall on the east side of Indian Creek. (Hereafter: "Indian Creek project"). The limited purpose of this report is to provide preliminary observations based on facts gathered during an investigation of the Palm & Hibiscus project which is ongoing, and to a lesser extent, on evidence gathered during a preliminary review of the Indian Creek project. These preliminary observations are provided with the following caveats:

- The observations are not project specific and intended to be general in nature. Our office is constrained from disclosing the findings of fact and recommendations based on our investigation of the Palm & Hibiscus project until all persons and entities referenced in a final report have an opportunity to respond. However, the professional standards that apply to work of Inspector Generals in the State of Florida allow for the reporting to decisionmakers of time-sensitive information and preliminary observations that decisionmakers can use to carry out their oversight responsibilities and prevent wasteful expenditures or mismanagement of a program.

- The observations were developed with the objective of providing information that may assist the Mayor, members of the Commission and the City Manager in making near-term decisions about projects that are similar to the Palm & Hibiscus project in their size, scope, and complexity and designed to counter risks associated with climate change and sea level rise. These observations are not intended to apply to all projects or procurements of the City of Miami Beach.

Background of the Palm & Hibiscus investigation

In January, the first special agent joined our office. He was immediately assigned to investigate the Palm & Hibiscus project and the Indian Creek project with the goal of providing information that answered questions that were posed by Commissioners Mark Samuelian and Michael Gongora and echoed by Mayor Dan Gelber during Oct. 30, 2019 meeting of the Commission. He leads an investigative team that consists of an auditor from the Internal Audit staff and an independent professional engineer who was retained by our office to assist in reviewing construction plans and other technical documents and to participate in interviews with engineers and contractors.

During the balance of January and early February, the investigative team gathered and reviewed pertinent records associated with both projects and conducted interviews with selected city officials and regulatory personnel with direct knowledge of both projects. Evidence developed during this initial phase of fact-finding identified significant differences between the Palm & Hibiscus project and the Indian Creek project in terms of their scope and objectives; the root causes of schedule delays and increased costs; and in the genesis of the permitting issues that prompted regulatory action.

Based on the foregoing, the Inspector General took made the following decisions. First, he directed that the projects be investigated separately, and that priority be given to completing the Palm & Hibiscus investigation. Second, he determined that a more searching and rigorous investigation of the Palm & Hibiscus project was required to address the questions posed the Mayor and members of the Commission. Third, he decided to authorize several actions that were designed to expedite the investigation of the Palm & Hibiscus project and ensure that our office gained timely access to all relevant evidence. These actions included the following:

- Obtaining independent computer access to the files and folders of the Capital Improvement Program office and the departments of Public Works, Procurement, and Environment and Sustainability and independent access to archived emails stored by the Information Technology Department sufficient to enable members of the investigative team to search and retrieve city records and emails without the knowledge or involvement of city personnel.
- Issuing subpoenas to contractors involved in the Palm & Hibiscus to produce documents, emails and other records associated with the Palm & Hibiscus project and purchasing the hardware and software required to efficiently and effectively index, search, and retrieve all material emails, documents and other items that were contained in several hundred gigabytes of eDiscovery material produced in response to those subpoenas.

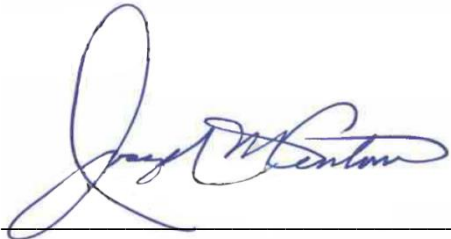
- Requiring that all significant interviews with witnesses be conducted under oath in order to elicit testimony that would assist in resolving discrepancies and clarifying inconsistencies identified in published statements or official records or in statement made in Commission hearings or during interviews by former city officials, engineers, construction personnel, and regulatory staff associated with the Palm & Hibiscus project. Preliminary observations:

Preliminary observations

The City's commitment to completing an ambitious program of neighborhood infrastructure projects and stormwater drainage improvements is dependent on several critical support struts, among them having an in-house capability to manage major construction projects that is typically found at major municipalities and in state and federal agencies.

It is important to note that the Capital Improvement Projects office (CIP) has implemented aspects of best practices for managing projects, including use of eBuilder construction management software to track changes in costs and schedule. The following observations are intended to strengthen the City's ability to manage future projects and avoid the problems that drove up costs and caused delays in Palm & Hibiscus project:

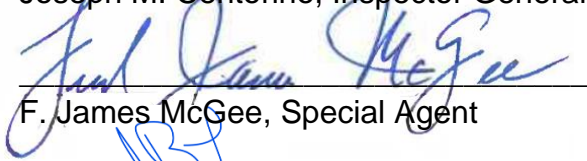
- Making significant changes to a project's design criteria or construction plans after work has begun poses a significant risk to the success of a neighborhood infrastructure improvement project and should be avoided. The Commission could consider requiring the project manager to certify that any proposed change is essential to the success of the project and provide realistic estimates of the estimated costs and impact on the project's schedule.
- The City could mitigate the risk of regulatory issues related to permits issued by the Miami-Dade Department of Environmental Resources Management (DERM) if it held key personnel accountable for obtaining permits and permit modifications. Notwithstanding contractual language that delegates this responsibility to the general contractor, the City Manager could make the senior official who signs the application for a DERM permit responsible for (a) ensuring that an permit application is accurate and complete and (b) notifying DERM of significant changes to a project's design criteria or construction plans in requesting a permit modification.
- The City could enhance its ability to provide oversight of CIP's capital improvement program by directing the City Manager to provide an annual Affordability Analysis or its equivalent based on current cost estimates and schedules for all stormwater drainage and neighborhood improvement projects. An Affordability Analysis would help decisionmakers determine if there is adequate funding to complete CIP's portfolio of projects. A reliable Affordability Analysis would depend on CIP providing current and credible cost estimates and schedule information.



Joseph M. Centorino, Inspector General

04/21/2020

Date



F. James McGee, Special Agent

04/21/2020

Date



Jessica Romero Losada, Internal Auditor

04/21/2020

Date

cc: Jimmy L. Morales, City Manager