



**Miami-Dade Commission on Ethics & Public Trust**

**Investigative Report**

**Investigator:** Karl Ross

<b>Case K 14-007</b>	<b>Case Name:</b> Ernesto Perez, Dade Medical College	<b><u>Date Open:</u></b>	<b><u>Date Closed:</u></b>
<b>Complainant(s):</b>	<b>Subject(s):</b> Ernesto Perez Jr., and senior employees of Dade Medical College	Jan. 29, 2014	<b>CASE CLOSED</b>

Date: 1/7/2016

**Allegation(s):**

COE was asked to assist an investigation launched by the Miami-Dade County State Attorney's Office Public Corruption Unit into possible fraud and money laundering involving federal educational funds and local political contributions made by employees at Dade Medical College (hereinafter "DMC") and its president and chief executive, Ernesto Perez.

Investigators at PCU suspected DMC, acting at Perez's direction and using DMC personnel, was bundling campaign contributions to support candidates for elected office in Homestead, Coral Gables and for state legislative races. Questions were also raised about whether elected officials working for DMC were involved in conflictive behavior.

Additional questions were raised as to whether DMC was adhering to federal requirements for the use of Title IV funds for higher educational purposes, including Pell grants, Perkins loans and direct student loans. In particular, it was suspected that DMC may have been manipulating financial information with respect to requirements for at least 10 percent of its funding to come from non-federal sources, as well as the possible manipulation of student default rates.

**Relevant Ordinances:**

Florida Statute 106.08, titled *Contributions; limitations on*, which states in pertinent part, Subsection (5)(a) that: "A person may not make any contribution through or in the name of another, directly or indirectly, in any election."

Section 34 of the Code of Federal Regulations, part 668.14, states in pertinent parts, that "The

institution, including its main campus and any branch campus, does not have a cohort default rate in excess of 10 percent” ... and for a for-profit or “proprietary institution,” that, “.. the institution will derive at least 10 percent of its revenues for each fiscal year from sources other than Title IV, HEA program funds, as provided in Sec. 668.28(c).”

## **Investigation:**

### ***Interviews***

On or about March 6, 2014, campaign finance reports were requested from the Miami Lakes City Clerk for the campaign of Vice Mayor Manny Cid. Those reports were obtained on the same date and shared with investigators at SAO, who requested assistance with this matter. The reports reflected financial support for the Cid campaign from DMC.

On May 21, COE conducted research into possible ties between DMC and Rep. Carlos Trujillo; Rep. Erik Fresen; Sen. Rene Garcia; Eddy Gonzalez, a former state representative and candidate for Miami-Dade County Property Appraiser; County Commissioner Esteban Bovo, who for a time worked for DMC as a consultant; and Miami Lakes Councilman Nelson Hernandez. Those findings were shared with investigators at SAO.

On June 6, COE contacted the Florida Ethics Commission and requested Financial Disclosure Statements for the following public officials: Rep. Erik Fresen, Rep. Carlos Trujillo, Rep. Eduardo “Eddy” Gonzalez, and County Commissioner Esteban Bovo. The disclosures were later obtained, reviewed and the findings were shared with SAO.

On June 9, COE contacted Special Agent Kristen Frias at the Broward County office of the U.S. Department of Education’s Office of Inspector General to discuss DMC compliance issues. She advised that DMC appears to be in compliance with federal requirements, but said the Atlanta Compliance Unit might have additional information along these lines.

On June 20, a request for information about compliance audits was made pursuant to the U.S. Freedom of Information Act to DOE regulators at the Atlanta office.

On or about June 23, COE reviewed the General Ledger for DMC, obtained by SAO pursuant to a subpoena, and reviewed potentially suspicious transactions involving compliance with the federal 90-10 requirement and other questionable activity. The findings and impressions were shared with investigators at SAO by email on this date, to develop further leads.

This review of the General Ledger further exposed payments to politicians or other individuals with political ties, including former Homestead Mayor Steve Bateman’s wife, Donna; state representatives Marcelo Llorente and Michael Bileca; County Commissioner Esteban Bovo; and political activist Al Sharpton. The findings were shared with SAO.

On or about June 25, COE assisted with research into Power Medical, a corporate entity linked

to DMC President Perez and a family member, along with other corporations linked to or thought to be controlled by Perez. Efforts were subsequently made to physically locate Power Medical, but the address provided in corporate records was no longer occupied.

On or about June 25, COE reviewed a consulting agreement between DMC and a firm belonging to County Comm. Bovo, as well as an opinion Comm. Bovo obtained from this office dated Dec. 19, 2012, establishing the parameters of any business relationship between the commissioner and DMC with respect to the County's ethics code.

On June 27, COE and SAO auditor Edward Guttman examined financial records relating to payments to Wes Maltby Construction, a Florida City-based contracting firm with ties to former Homestead Mayor Steve Bateman. Efforts were subsequently made to trace these proceeds to see if they were, in turn, used for improper payments to Bateman.

On July 30, DOE officials responded to COE's request for information and provided copies of compliance audits on file for DMC for the years 2010, 2011, 2012. Those documents were reviewed, and shared with investigators at SAO and have been added to the file.

On July 2, information was obtained about student default rates at for-profit institutions such as DMC and attendant requirements. This research was shared with SAO.

On July 12, a public records request was made to the Florida Department of Education for information about DMC's default rates. Additional research was conducted on this date, showing that DMC's default rates for 2010 and 2011 were well above the state and national averages at about 25 percent. However, they were slightly below the threshold of 30 percent, on average, over three years or 40 percent for any single year for suspending funding. Based on this analysis, it was suggested to SAO that large infusions of cash recorded on DMC's ledgers were more likely related to an attempt to meet the federal 90-10 requirements.

From late July through September, COE followed up with investigators at SAO regarding several other matters – DMC payments to Wes Maltby Construction, payments to former Rep. Eddie Gonzalez, and payments to County Comm. Bovo, also a DMC employee.

A request was made to open a separate inquiry into Comm. Bovo's possible improper use of his County staff to conduct business on behalf of DMC, but further review showed that any actions to benefit DMC occurred prior to Bovo's employment with DMC and, hence, would not be covered under the County's ethics and conflict of interest code.

In addition, efforts to trace payments from DMC through Wes Maltby Construction to former Mayor Bateman subsided following Bateman's conviction at trial on corruption charges relating to his conflicting employment at Community Health of South Florida Inc.

***Document/Audio/Video Review:***

Financial ledgers, campaign treasurer's reports, federal compliance audits, bank records, financial disclosure statements and other documents as described above.

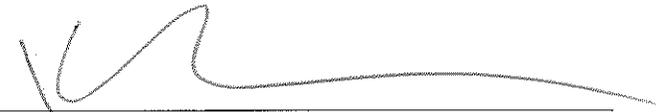
***Conclusion(s):***

COE's active involvement in the Ernesto Perez/DMC case ended on or about September 2014, or roughly the time former Homestead Mayor Steve Bateman went to trial on corruption charges. After that time, SAO had developed information leading to its recent criminal case against Perez/ DMC and no longer required assistance from COE.

Since then, COE has been consulted periodically and advised as to the status of the criminal case, which led to the November 9, 2015, surrender of Dade Medical President/ CEO Perez on a felony charge of violating campaign finance law with respect to making improper political contributions and reimbursing straw contributors, mainly employees of DMC.

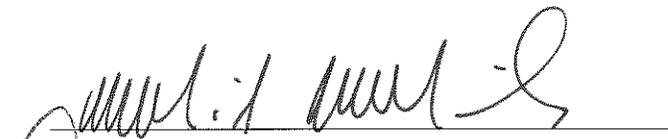
COE's contribution was noted in the Arrest Affidavit, indicating the Perez case was a "spin-off" of a previous investigation into former Homestead Mayor Steve Bateman.

Perez pleaded guilty to one count of violating campaign finance law, and agreed to pay a fine of \$200,000 and serve two months of house arrest and three years' probation.

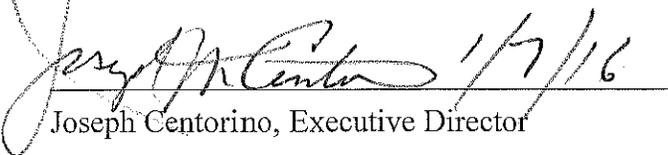


Karl Ross, COE Investigator

Approved by:



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