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Randy Fine
Florida House of Representatives
State Representative, District 53

May 2, 2018

Hon. Jennifer Sullivan
Chair, Joint Legislative Auditing Committee
111 W. Madison Street
Tallahassee, FL 32399-1400

Dear Rep. Sullivan,

I request that the Joint Legislative Auditing Committee authorize a targeted operational audit by the Auditor General of the City of Melbourne, a portion of which I represent, focused on questionable spending of taxpayer monies on non-profits and/or community redevelopment agencies. Specifically, I'd like to probe the internal controls, statutory compliance, and results of the City's involvement in the Honor America charity, Melbourne CRA, and Olde Eau Gallie Riverfront CRA as explained further.

Based on numerous documents which have been brought to my attention, I have grave concerns regarding the activities of the City both in respect to the Honor America relationship as well as the Community Redevelopment Agencies ("CRAs") operating within Brevard County.

The first area of my audit request relates to distributions of public funds from the City of Melbourne to a non-profit charity currently suspended by the State of Florida from soliciting contributions: Honor America.

I have been shown documents by Melbourne City Councilman Paul Alfrey that indicate the following:

- 1) As shown in Document A, a current City of Melbourne Councilwoman, Betty Moore, who was simultaneously President of this charity, in February of 2015 made a Council motion for the City to provide \$15,000 to her charity in order to qualify for a matching \$15,000 private grant for the purchase of a new, \$30,000 roof for the building being used by the charity. Councilwoman Moore not only made the motion for the funds to be distributed to her charity, but voted for it.
- 2) It appears there was no verification by the City that such a private donor ever existed, and it appears that none, in fact, did.

Committees and Subcommittees:

Vice Chairman, Careers & Competition Subcommittee -- Commerce Committee -- Joint Legislative Auditing Committee
Natural Resources & Public Lands Subcommittee -- Transportation & Tourism Appropriation Subcommittee
Tourism & Gaming Control Subcommittee
Chairman, Brevard County Delegation

- 3) As shown in Document B, rather than get a new roof, after receiving approval for the funds, the charity only procured a minor repair.
- 4) In order to justify receipt of the full \$15,000 tax dollars instead of the much-lower cost of the roof repairs, the charity engaged in a complicated and fraudulent invoicing scheme in which Councilwoman/President Moore provided inflated invoices to the City and then arranged for the roofing contractor to kick-back half of the taxpayer funds to Honor America. Two such fraudulent invoices are attached as Documents C and D; discussion of the kickback scheme is included in Honor America board meeting minutes attached as Exhibit E.
- 5) Ironically, West Melbourne City Councilman John Tice, who worked for Honor America as its Executive Director, intercepted this kick-back and had the roofing contractor rewrite the check to his own non-profit, Brevard Hall of Fame. In late March, now former-Councilman Tice was arrested for fraud in connection with this embezzlement of taxpayer funds.

While the arrest of former Councilman Tice deals with the alleged illegal embezzlement of the taxpayer funds, I believe it is necessary to audit the conditions under which taxpayer funds could be directed to a charity operated by an elected official without any of the necessary controls in place to verify the private donor or the work being conducted. It is my view that had appropriate controls been in place, Councilman Tice would never have been able to steal the funds.

I request that the JLAC direct the Auditor General to perform a targeted operational audit, which focuses on this, and any other transactions, from the City of Melbourne to Honor America and determine whether appropriate controls were in place for the request, authorization, approval, and verification of the appropriate spending of such funds.

The second component of my audit request, made after being brought to my attention by Melbourne Councilman Tim Thomas, relates to CRA expenditures deemed illegal by the Brevard County Attorney.

In late 2017, then-County Attorney of Brevard County, Scott Knox, issued a series of opinions (*see exhibits F and G*) to the Brevard County Board of County Commissioners stating that, in his professional opinion, several CRAs have misappropriated City and County TIF revenue. Following an opinion by Mr. Knox that the Town of Palm Shores CRA had illegally been paying its mayor out of its CRA funds (*exhibit F; see also exhibit H, opinion of the Brevard County Clerk of Courts' Office*), that CRA was voluntarily terminated. However, he has identified more unlawful expenditures throughout the County; unlike the Town of Palm Shores CRA, these CRAs have refused accountability for these expenditures.

In particular, two CRAs operating within the City of Melbourne, Melbourne CRA and Olde Eau Gallie Riverfront CRA, have appropriated CRA funds in order to fund festival activities. The Melbourne CRA and Olde Eau Gallie Riverfront CRA have accomplished this by funneling the funds through a 3rd party organization, which adds another layer of problematic behavior (*see exhibit I*).

However, due to the nature of these expenditures, an operational audit is needed to determine how much revenue has been misappropriated, and the source of those funds (i.e. County TIF, City TIF, or intergovernmental transfer) (*see exhibits J, K*). Furthermore, given that the expenditures on festivals were only brought to light after inquiries from a County Commissioner, it seems entirely possible (if not likely) that other questionable expenditures have taken place. While these CRAs have conducted standard annual audits, these audits typically do not examine compliance requirements specific to CRAs under Chapter 163, Part III, Florida Statutes.

For example, as mentioned above, the Town of Palm Shores CRA had been paying its Mayor an employee salary out of the CRA trust fund for years; while there is little doubt that the auditors were aware of this fact, they likely did not realize this was expressly forbidden under Florida Statute. This illustrates the need to have *operational audits*, conducted by experts familiar with the unique compliance issues of CRAs, which are designed to examine statutory adherence particularized to these agencies.

It should be noted that Brevard County does have some authority to take action regarding the expenditures of County TIF funds as to the Olde Eau Gallie Riverfront CRA. Unfortunately, Brevard County has failed to do so, despite their own County Attorney detailing the unlawful nature of their dealings. Regarding the Melbourne CRA, because this CRA predates the County Charter, the County lacks authority to take action.

For the reasons outlined above, I am very concerned that revenues are being spent in an unlawful fashion by certain CRAs within Brevard County. Without action by JLAC, however, these CRAs will continue to conduct their business in the shadows, with little fear of being held accountable, by hiding behind the complex statutory structure of their agencies and the predictable ignorance of those who audit them. As such, I request that the Auditor General's operational audit scope also include the practices of Melbourne CRA and Olde Eau Gallie Riverfront CRA.

Sincerely,



Randy Fine
State Representative, District 53