

Miami Herald

<http://www.miamiherald.com/news/local/article106779512.html>

OCTOBER 7, 2016 5:43 PM

City raided customer deposits — \$1.7 million belonging to residents, businesses

The city of Opa-locka spent nearly \$1.7 million in deposits belonging to water customers. Among those denied their money: Luis Perez, who also says the assistant public works director threatened to have him jailed.

By Michael Sallah and Jay Weaver

In a city on the verge of economic collapse, Opa-locka leaders made a desperate decision.

Facing a multimillion-dollar budget shortfall, city officials turned to a source of funds that would close the deficit and mask the fiscal crisis.

But the money didn't belong to the city.

Opa-locka officials quietly raided the security deposits belonging to thousands of water customers — [\\$1.7 million](#) —wiping out nearly all of the funds and depriving local residents of their lawful money for years to come, the Miami Herald found.

By the time Luis Perez showed up at City Hall to collect his deposit in March, he was told it was gone.

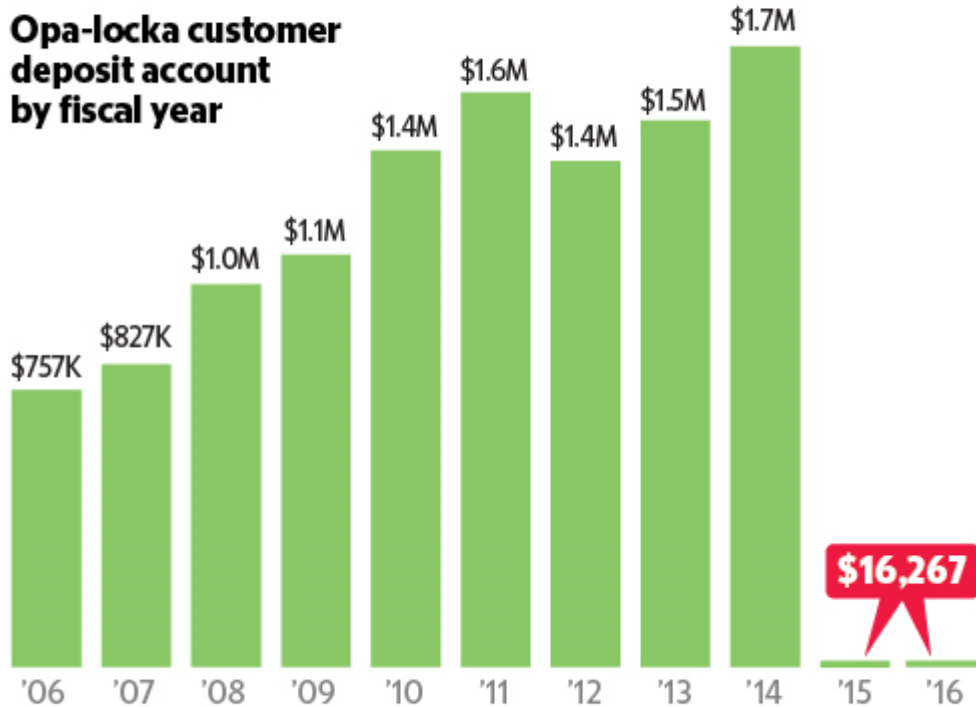
“They spent it,” said Perez, 32, the owner of a street cleaning business. “It’s sad. We work hard for our money.”

The taking of the deposits took place [while city officials were spending millions on pet projects and insider deals, running up massive debts](#) that eventually prompted the governor’s office [to take over the city’s finances in June.](#)

While Opa-locka was pulling money from the deposits, their practices were never revealed to the public. In just four months, they drained the deposits that range from \$170 for homeowners to thousands of dollars for business owners. [The amount left: \\$16,267.](#)

Customer deposits down the drain

For years, the city of Opa-locka had incremental growth in its customer deposit account, from \$757,107 in 2006 to \$1,697,818 in 2014, according to official financial audits. This is money the city is holding for its customers. Without any public debate or vote, the city nearly depleted the account by 2015, leaving many customers without their deposits, records and interviews show.



Note: The 2015 fiscal year audit is not released until Fall, 2016. That report is late.

Source: City of Opa-locka, certified financial audits

MARCO RUIZ and KARA DAPENA mrui@miamiherald.com

State law mandates the money must be refunded to customers after two years of paying their bills on time. But in this case, city officials turned the money into an open checkbook with no plan to return the funds in one of the most impoverished cities in Florida, records show.

“The only thing I see them doing is helping themselves,” said George Suarez, a chef who purchased a home in Opa-locka last year. “Now who can we trust?”

The [FBI has been steeped in a corruption investigation](#) that has led to bribery charges against the [city manager](#) and [public works supervisor](#) for shaking down business owners for permits and licenses. Both pleaded guilty last month.

But the withdrawals of the customer deposits represents a far different level of wrongdoing that has yet to be examined by federal and state agents.

Dennis Dycus, a former Tennessee auditor who investigated government fraud, said city officials not only took money that didn't belong to them, but breached their own trust with their residents. "I'd be calling the local district attorney," said Dycus. "That's fraud."

Without any public debate, the city began drawing down on the money in discreet transfers starting in August, 2014 in withdrawals that would not show up until two years later with the city close to insolvency.

State oversight board members will now be faced with the task of looking for ways the city can pay back the money to avoid potential lawsuits and even a criminal probe. "Clearly and ethically, that water and sewer account should be replenished," said Merrett Stierheim, a deputized inspector general who addressed the losses two weeks ago [in a memo to the state board](#).

A former Miami-Dade County manager, Stierheim said he was deeply troubled by the finding after it was brought to his attention by the Herald last month. "If that was a lawyer handling an escrow account, he would have been disbarred," he said.

Several top elected leaders told the Herald they did not know about the withdrawals and would not have approved them if they had been run by the city commission beforehand. "That's something you don't touch," said longtime Commissioner Joseph Kelley, a former mayor of the city.

Vice Mayor Timothy Holmes said he was riled by the disclosures. "It's not the city's money. If people pay their bills, they get it back," he said. Mayor Myra Taylor and Commissioner Luis Santiago did not respond to interview requests.

Sources who spoke to the Herald on the condition of anonymity said city administrators were under pressure to ensure Opa-locka finished the fiscal year in the black. The city was engaged in numerous projects that were funded through state programs that required the city to be solvent.

The person who ordered the withdrawals: Susan Gooding-Liburd, a CPA who served as finance director, records and interviews show. In violation of the city's rules, Gooding-Liburd ordered her staff to transfer the deposits into the city's general fund.

Now a finance officer for Lauderdale Lakes, she did not respond to interview requests. Kelvin Baker, who resigned as Opa-locka city manager last year, did not return phone calls.

The decisions to reach into the customer deposits began two years ago just as Opa-locka was confronting dwindling revenues that placed the city in peril.

Opa-locka officials had been steeped in a spending spree that included doling out hundreds of thousands for employee bonuses and entertainment while property taxes had plunged by more than 27 percent over the prior decade.

With several projects underway, including talks to purchase a new City Hall, Opa-locka began tapping into the customers' money.

The first breach was in August 2014, when city officials took \$200,000. The next month, [they reached into the bank account and took another \\$834,000](#). They followed with two more transfers in October and November for \$100,000 each.

The moves allowed city officials to show a balanced budget without divulging their actions to the public, according to confidential sources.

What's unclear is why the raiding of the customer deposits was not exposed by the city's independent auditor the next year when he released his audit, experts say. Bank records clearly showed the deposits had been wiped out.

In addition to the lack of disclosure, questions abound over just how much money the city took.

Bank records show \$1.25 million was withdrawn by city officials, but that doesn't account for all the money. The city's audit showed the customer [deposits at \\$1.7 million](#).

Roderick Harvey, a longtime CPA whose firm conducted the audit, did not respond to an interview request.

Another question is what happened to the money.

Luis Perez, who is still owed \$500, said he was told by a city employee the money was used to make the payroll for the city. "They told me they need to pay the employees," he said,

Regardless of the [city's needs](#), the deposits should not have been touched, said Michael Futterman, a Miami CPA. "They violated what's in the statute," said Futterman, a partner at Marcum LLP in Miami. "You can't just use it and replenish it when you feel like it."

One former prosecutor, who once led the public corruption unit at the U.S. attorney's office, said the taking of the deposits was an extreme step by officials who put aside "their ethical and legal obligations."

"There are statutes that specifically prohibit the movement of funds that belong to other people, whether it be for legitimate or illegitimate purposes," attorney David Weinstein said.

Perez, a Nicaraguan immigrant who realized his dream of starting a business, said he is so angry over the loss of his money that he decided to break from the past and not donate to the city's annual holiday drive.

"We can't trust them anymore," he said.

Jay Weaver: 305-376-3446, @jayhweaver

Michael Sallah: 305-962-2218, @MikeSallah7

Read more here: <http://www.miamiherald.com/news/local/article106779512.html#storylink=cpy>