



## Ken Burke, CPA

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## Division of Inspector General

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## REPORT NO. 2018-20

August 24, 2018

The Honorable Chairman and Board Members  
of the School District of Palm Beach County  
3300 Forest Hill Blvd., Suite C-316  
West Palm Beach, FL 33406

RE: Investigation of a Complaint Filed with the Palm Beach County School District (PBCSD) on May 1, 2017, Alleging Misconduct or Other Wrongdoing Involving the PBCSD Office of Inspector General (OIG) and/or Employees of the PBCSD's OIG (Respondents), Regarding the Gardens School of Technology Arts, Inc. (GSOTA), OIG Investigation Case Number 16-474

Pursuant to the Interlocal Agreement Provision of Inspector General Services between the School Board of Palm Beach County, Florida, and the Office of the Clerk of Circuit Court and Comptroller of Pinellas County, Florida, the Division of Inspector General (Division, we) received allegations of fraud, waste, and abuse. We investigated the following allegation related to the work product of Ms. Christina "Tina" Seymour (Ms. Seymour, complainant), former PBCSD OIG Audit Supervisor, during the drafting of the PBCSD OIG Final Investigative Report for Case Number 16-474, issued on July 17, 2017.

The complainant alleged the respondent(s):

- Omitted and misrepresented material facts from the Final Investigative Report for Case Number 16-474, by deleting sections of the complainant's work product, a financial audit of GSOTA.

Along with her written complaint, Ms. Seymour provided documentation to assist with the investigation:

- OIG Work Plan
- Case Status Check, dated January 18, 2017
- Agenda Prepared by C.M. Seymour, dated January 19, 2017
- Covenant Centre International, Inc. (CCI) Contribution Summary Statement 2012 to GSOTA
- OIG Emails, dated February 16, 2017
- C.M. Seymour's Draft Audit Report, dated February 16, 2017
- OIG Emails, dated February 21, 2017
- OIG Preliminary Report of Investigation, dated March 3, 2017
- Excerpt from OIG Investigation Report Showing Deletions/Omissions of OIG Audit Supervisor
- GSOTA Charter School Response, dated April 3, 2017
- American Institute of Certified Public Accountants Code of Professional Conduct

- Correspondence from the Law Offices of Kathleen W. Schoenberg, P.A. – GSOTA Charter School

To determine whether the allegation was substantiated, we reviewed policies, procedures, and any other records deemed appropriate. We also conducted interviews of staff and other parties, as needed. Our investigation was performed according to the *Principles and Standards for Offices of Inspector General* and *The Florida Inspectors General Standards Manual* from The Commission for Florida Law Enforcement Accreditation.

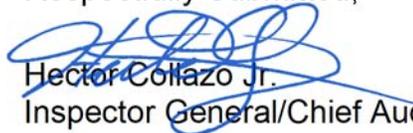
The Division uses the following terminology for the conclusion of fact/finding(s):

- Substantiated – An allegation is substantiated when there is sufficient evidence to justify a reasonable conclusion that the allegation is true.
- Unsubstantiated – An allegation is unsubstantiated when there is insufficient evidence to either prove or disprove the allegation.
- Unfounded – An allegation is unfounded when it is proved to be false or there is no credible evidence to support it.

The Division of Inspector General’s investigation of the allegation has determined that the allegation noted above is **unfounded**. Our analysis of the complaint is below.

We appreciate the cooperation shown by the staff of The School District of Palm Beach County during the course of this investigation.

Respectfully Submitted,

  
Hector Collazo Jr.  
Inspector General/Chief Audit Executive

cc:

Ken Burke, CPA  
Pinellas County Clerk of the Circuit Court  
and Comptroller  
Ex Officio County Auditor

Randy Law, Director of Audit  
School District of Palm Beach County  
Office of Inspector General

Dr. Donald E. Fennoy II, Ed.D.,  
Superintendent  
School District of Palm Beach County

Angelette Green

Lung Chiu, Inspector General  
School District of Palm Beach County  
Office of Inspector General

Christina Seymour

Elizabeth McBride, Counsel for Inspector  
General  
School District of Palm Beach County  
Office of Inspector General



## **A. THE COMPLAINT**

On May 2, 2017, via Electronic Mail from Carol Bass, Clerk of the School Board, PBCSD, the Division received a complaint related to the work product of Ms. Christina “Tina” Seymour (Ms. Seymour, complainant), former PBCSD OIG Audit Supervisor, during the drafting of the PBCSD OIG Final Investigative Report for Case Number 16-474.

Ms. Seymour addressed her complaint to Chuck Shaw, PBCSD Board Chairman, and Dr. Robert M. Avossa, former PBCSD Superintendent stating:

*“I am addressing this letter to each of you, as this matter concerns the conduct of the District's Inspector General (IG), Mr. Lung Chiu, with regards to the Office of Inspector General's (OIG) recently concluded investigation of the charter school, ‘Gardens School of Technology Arts, Inc. – GSOTA.’”*

In her complaint, Ms. Seymour alleged the matter involves:

*“...omissions and misrepresentations of material facts from the OIG's Preliminary Report of Investigation - OIG Case #16-474, which [her] financial audit uncovered and were documented in [her] original Draft Audit Report and exhibits that [she] provided to IG management on Thursday, February 16, 2017. By ‘sanitizing’ the OIG's Report of Investigation - Case #16-474, the School Board members and District management would not be provided with all of the substantive financial audit findings and conclusions which the District needs to rely upon when making a determination as to whether or not to renew the GSOTA Charter Agreement.”*

She continued:

*“Needless to say, when [she] finally read the OIG Case #16-474 report on Monday, March 6, 2017, [she] was astounded that material portions of [her] audit work were deleted from the final draft report as well as misstated in the draft report for reasons [she] cannot understand. Not only do these actions undermine the credibility of the District OIG, but it directly undermines [her] professional credibility as a Certified Public Accountant (CPA) with over twenty (20) years of experience in [her] profession.”*

The allegation is the respondent(s) omitted and misrepresented material facts from the Final Investigative Report for Case Number 16-474, by deleting sections of the complainant's final work product (the financial audit of GSOTA). In her complaint, Ms. Seymour pointed out the deleted sections; they are listed and analyzed in Section C below.

## **B. BACKGROUND AND TIMELINE OF EVENTS**

On August 9, 2016, the PBCSD OIG initiated an investigation (Case Number 16-474) of the GSOTA at the request of PBCSD Charter Department Director, James Pegg (Mr. Pegg), and PBCSD Assistant General Counsel, A. Denise Sagerholm (Ms. Sagerholm). The allegation was that GSOTA violated the terms of their current contract with the PBCSD.

According to the Final Investigative Report for Case Number 16-474, issued by the OIG on July 17, 2017:

*“The OIG investigation included a review of the following areas:*

- 1. Academic Accountability*
- 2. Financial Accountability*
- 3. Governance Accountability*

*As part of this investigation, the OIG also examined the following:*

- 4. Lease(s) Analysis Comparison*
- 5. Did GSOTA violate the terms of the current contract with the District when it entered into a fifteen (15) year rental lease agreement with its current landlord?*
- 6. Relationships between the Church (Covenant Centre International Inc.) and Gardens School of Technology Inc. (Hiring of Relatives)*
- 7. Business Relationships between GSOTA and Professional Service Providers*
- 8. School expansion.*
- 9. Fees GSOTA are charging students.”*

Former PBCSD OIG Director of Investigations, Angelette Green (Ms. Green), and former PBCSD OIG Auditor Supervisor, Ms. Seymour, conducted the investigation. Ms. Seymour reported to Ms. Green during the GSOTA investigation.

Ms. Green asked Ms. Seymour to perform a review of the below specific areas related to financial accountability:

- “Did GSOTA experience any financial emergencies as stipulated in Florida Statute 218.503?*
- Reporting of Student Full Time Equivalent (FTE) Count and Revenue Verification*
- Capital Outlay Funds*
- Expenses related to the Lease Agreement*
- Financial review of related party transactions for contracted Professional Services Providers”*

According to Ms. Seymour's complaint, on January 19, 2017, she presented her findings to:

- Lung Chiu, Inspector General, PBCSD OIG (Mr. Chiu)
- Angelette Green, former Director of Investigations, PBCSD OIG (Ms. Green)
- Elizabeth McBride, Counsel for Inspector General, PBCSD OIG (Ms. McBride)
- Randy Law, Director of Audits, PBCSD OIG (Mr. Law)

On February 16, 2017, Ms. Seymour presented her final draft to Mr. Chiu and Ms. Green. Upon completion of the investigative fieldwork, the OIG prepared a preliminary draft report and submitted it to GSOTA management for their responses on March 4, 2017, via electronic mail. On March 6, 2017, Ms. Seymour read the preliminary draft and noted some of her findings were removed from the report.

In her complaint, Ms. Seymour suggested the removal of her findings precluded the PBCSD from having all the substantive conclusions to make a determination on whether or not to renew the GSOTA Charter Agreement. However, Ms. Seymour filed her complaint on May 1, 2017, and GSOTA and the PBCSD renewed their contract on April 5, 2017. Both events occurred prior to the issuance of the Final Investigative Report for Case Number 16-474 on July 17, 2017. For the purpose of our investigation, we determined the respondents are:

- Mr. Chiu,
- Ms. Green, and
- Ms. McBride.

**This diagram depicts the key individuals referenced in the timeline on the next page.**

**Complainant in this investigation**

**Christina Seymour**  
former Audit Supervisor,  
PBCSD OIG

**Respondents in this investigation**

**Lung Chiu**  
Inspector General,  
PBCSD OIG

**Angelette Green**  
former Director of Investigations  
PBCSD OIG

**Elizabeth McBride**  
Counsel for Inspector General,  
PBCSD OIG

**Complainants in the PBCSD OIG Case #16-474**

**Dr. Robert Avossa**  
former Superintendent,  
PBCSD

**James Pegg**  
Director, Charter School  
Department,  
PBCSD

**Denise Sagerholm**  
Assistant General Counsel,  
Compliance,  
PBCSD Legal Services

**Respondents in the PBCSD OIG Case #16-474**

**Debra K. Moore**  
Board Chair,  
GSOTA

**Kevin Kovacs**  
Principal,  
GSOTA

**Jeanne Benz**  
Director of Operations,  
GSOTA

**Gary W. O'Donnell, Esq.**  
Greenspoon Marder P.A.,  
GSOTA Legal Counsel

## TIMELINE OF EVENTS PERTINENT TO OUR INVESTIGATION

|          |   |   |   |
|----------|---|---|---|
| 2016     | August  | 3-Aug   | Mr. Pegg requested to meet with Mr. Chiu regarding concerns about the review of the lease for a charter school, which was in negotiations for renewal.  |
|          |   | 9-Aug   | The OIG attended a meeting with Mr. Pegg and Ms. Sagerholm regarding GSOTA and their concerns; they requested the OIG conduct an investigation.   |
|          | October   | 25-Oct  | Ms. Seymour is assigned to Case #16-474.  |
|          | November  | 1-Nov   | Ms. Green provided Ms. Seymour with a written scope for her, "Audit Review of GSOTA" and advised Ms. Seymour she would like to have the investigation completed by November 30, 2016, due to a set time line.   |
|          |   | 7-Nov   | Ms. Green expressed concern to Randy Law, OIG Director of Audits, about Ms. Seymour being able to, "assist thoroughly" with the investigation, given her family circumstances.  |
| December | 13-Dec  | Ms. Sagerholm inquired of Mr. Chiu the expected completion date of the investigation.   |   |
|          |   | Ms. Green advised Mr. Chiu that Ms. Seymour has a few more parts to complete, but once complete, Ms. Green would, "have enough to begin the draft report."  |   |
|          |   | Ms. Green asked Ms. Seymour to meet, "in order to conduct a status check of [her] work."  |   |
| 2017     | January   | 19-Jan  | Ms. Seymour presented her findings to Mr. Chiu, Ms. Green, and Ms. McBride. During that meeting, she requested the OIG, "follow the money" and requested, "for CCI church to provide its records of contributions that CCI church received from GSOTA charter school." To that recommendation, Ms. McBride opposed. |
|          | February  | 10-Feb  | Mr. Chiu received an email from JulieAnn Rico, PBCSD General Counsel, inquiring on the status of the investigation because, "the Charter School has lodged a complaint in the Department of Administrative Hearings."   |
| 13-Feb   |   | Ms. Green informed Mr. Chiu that Ms. Seymour would try to be done by February 16, 2017, with her financial review.  |   |
| 16-Feb   |   | Ms. Sagerholm emailed Mr. Chiu about the PBCSD Board having to enter into a second amendment, extending the current contract until June 30, 2017, since the OIG investigation has not been concluded.   |   |
|          |   | Ms. Seymour presented her final draft to management.  |   |
| 21-Feb   | We found drafts dated February 20 and February 21, 2017, showing edits to Ms. Seymour's sections. We estimate the deletion occurred between February 20 and March 3, 2017.  |   |   |
| March    | 1-Mar   | Ms. Benz emailed Ms. Green inquiring about the status of the OIG report.  |   |
|          |   | Ms. Green replied to Ms. Benz to reiterate the OIG preliminary report is, "expected to be completed no later than Friday, March 3, 2017."   |   |
|          | 2-Mar   | Ms. Seymour requested from Ms. Green a copy of the OIG preliminary report when it is completed for GSOTA's responses.   |   |
|          | 4-Mar   | Ms. Green sent an email to Ms. Moore, Ms. Benz, Mr. Kovacs, and Mr. O'Donnell with a copy of the Preliminary Investigative Draft Report #16-474, and copied Ms. McBride. Ms. Green stated she would also hand deliver a hard copy to them on Monday, March 6, 2017. The letter stipulated management had twenty days to provide their responses to the OIG. The report was due on March 3, 2018; however, it was emailed at 1:11 a.m. on March 4, 2018. |   |
|          | 6-Mar   | A department representative acknowledged receipt of the Preliminary Investigative Draft Report 16-474 (we were unable to decipher the signature).   |   |
|          |   | Ms. Seymour located the OIG Case #16-474 draft report on the OIG's shared network drive and was, "astounded that material portions of [her] audit work were both deleted and misstated in an effort to water-down the potential implications of the audit findings and conclusions for the GSOTA charter school investigation."   |   |
| 30-Mar   | Mr. Pegg wrote to Ms. Moore and Mr. Kovacs to provide them with the, "Program Renewal being used for renewal consideration of Gardens School of Technology Arts," and to advise them, "The School Board will take action in regards to the Renewal Charter at the |   |   |

## TIMELINE OF EVENTS PERTINENT TO OUR INVESTIGATION

|       |        |  |
|-------|--------|--|
|       |        | <i>April 5, 2017, Special Board Meeting... The Superintendent's recommendation to the Board is to approve your new ten (10) year renewal charter."</i>   |
| April | 3-Apr  | The OIG received GSOTA responses to the Preliminary Investigative Draft Report #16-474.  |
|       | 5-Apr  | The PBCSD Board renewed its contract with GSOTA for a duration of ten years.   |
|       | 17-Apr | Claudia Robins, CAP-OM Executive Administrative Assistant to Lung Chiu, sent an email stating, <i>"As indicated by Dr. La Cava, Chief of Human Resources, effective immediately Ms. Seymour is now reporting to the Office of Professional Standards."</i> |
| May   | 1-May  | Ms. Seymour filed a whistleblower complaint with the PBCSD and addressed her complaint to Chuck Shaw, Chairman of the PBCSD Board, and Dr. Robert Avossa.  |
|       | 5-May  | The Division (we) received Ms. Seymour's complaint.  |
|       | 8-May  | We initiated the investigation of Ms. Seymour's complaint.   |
| July  | 17-Jul | Final Investigative Report, Case #16-474, Gardens School of Technology Arts, is issued and posted to the OIG website.  |

**C. ANALYSIS AND CONCLUSIONS**

The complainant alleged the respondent omitted and misrepresented material facts from the Final Investigative Report for Case Number 16-474, by deleting sections of the complainant's work product she submitted on February 16, 2017, a financial audit of GSOTA. The respondent allegedly:

1. Deleted related party columns from Table 6.
2. Deleted reference to violation of Florida Statute (F.S.) 112.313(3) (doing business with one's agency) regarding business and familial relationships between GSOTA and vendors.
3. Deleted finding related to use of public funds for religious purposes - references the CCI document thanking GSOTA for their tithe, and the reference to the violation of the Constitution of the State of Florida regarding prohibition of the use of public funds for religious purposes.
4. Deleted auditor conclusion related to GSOTA paying the entire amount (\$11,539) of architect and engineer consultant services for building improvements instead of the cost being prorated.

The “deleted material facts” Ms. Seymour pointed out in her complaint are analyzed below.

**1. Deleted related party columns from Table 6.**

Ms. Seymour’s complaint reads:

*“1. ‘OIG Analysis of Lease Payments to CCI from GSOTA Charter School.’ Whomever edited the final report issued to GSOTA charter school, deleted two (2) columns in Table 6 that documented the related party names and the person's relationship to GSOTA charter school...”*

**Table 6**

| <b>FY</b>  | <b>PAYEE</b> | <b>TOTAL LEASE PAYMENTS</b> | <b>RELATED PARTY NAME</b> | <b>RELATIONSHIP TO GSOTA</b>   |
|------------|--------------|-----------------------------|---------------------------|--|
| 2011- 2012 | CCI Church   | \$ 110,000.04               | Norman Benz               | <ul style="list-style-type: none"> <li>• Father of K. Erik Benz</li> <li>• Father-in-Law to J. Benz</li> </ul> |
| 2012- 2013 | CCI Church   | \$ 129,999.96               | Norman Benz               | <ul style="list-style-type: none"> <li>• Father of K. Erik Benz</li> <li>• Father-in-Law to J. Benz</li> </ul> |
| 2013- 2014 | CCI Church   | \$ 150,906.29               | Norman Benz               | <ul style="list-style-type: none"> <li>• Father of K. Erik Benz</li> <li>• Father-in-Law to J. Benz</li> </ul> |
| 2014- 2015 | CCI Church   | \$ 129,999.96               | Norman Benz               | <ul style="list-style-type: none"> <li>• Father of K. Erik Benz</li> <li>• Father-in-Law to J. Benz</li> </ul> |
| 2015- 2016 | CCI Church   | \$ 119,166.63               | Norman Benz               | <ul style="list-style-type: none"> <li>• Father of K. Erik Benz</li> <li>• Father-in-Law to J. Benz</li> </ul> |
| 2016- 2017 | CCI Church   | \$ 61,720.00 <sup>4</sup>   | Norman Benz               | <ul style="list-style-type: none"> <li>• Father of K. Erik Benz</li> <li>• Father-in-Law to J. Benz</li> </ul> |
|            | <b>TOTAL</b> | <b>\$701,792.88</b>         |                           |  |

In the deleted columns of Table 6 in her draft dated February 16, 2017, Ms. Seymour highlighted the relationship between Norman Benz, K. Benz, and J. Benz. Upon reviewing the issued Final Investigative Report for Case Number 16-474, we noted the section titled, "5. *RELATIONSHIPS BETWEEN THE CHURCH (COVENANT CENTRE INTERNATIONAL INC.) AND GARDENS SCHOOL OF TECHNOLOGY INC.*," on page 33 of 52, addresses the "familial" relationship between the parties, including the fact that Norman Benz is Kristopher Benz's father and Jeanne Benz's father-in-law.

**Conclusion: Unfounded.** The allegation that deletion of the related party columns from Table 6 omitted and misrepresented material facts is proven to be false. While Ms. Seymour added the columns, "*Related Party Name*" and "*Relationship to GSOTA*" to support her conclusion, they became irrelevant to the section once the reference to F.S. 112.313(3) was removed. See discussion of the Florida Statute reference removal in the following section below. The relationship between Norman Benz and Kristopher Benz is well established in section five of the final report referenced above.

## **2. Deleted reference to violation of Florida Statute 112.313(3).**

Ms. Seymour's complaint reads:

*"... 'Violation of Florida Statute 112.313(3) Doing Business with One's Agency' audit conclusion was completely deleted."*

She referenced the aforementioned statute in two findings in her draft dated February 16, 2017:

- Finding 4. "*Charter School Facilities are Leased from a Related Party.*"
- Finding 7. "*GSOTA Charter School Conducted Business with Related Parties.*"

F. S. 112.313(3) reads:

*"(3) DOING BUSINESS WITH ONE'S AGENCY—No employee of an agency acting in his or her official capacity as a purchasing agent, or public officer acting in his or her official capacity, shall either directly or indirectly purchase, rent, or lease any realty, goods, or services for his or her own agency from any business entity of which the officer or employee or the officer's or employee's spouse or child is an officer, partner, director, or proprietor or in which such officer or employee or the officer's or employee's spouse or child, or any combination of them, has a material interest. Nor shall a public officer or employee, acting in a private capacity, rent, lease, or sell any realty, goods, or services to the officer's or employee's own agency, if he or she is a state officer or employee, or to any political subdivision or any agency thereof, if he or she is serving as an officer or employee of that political subdivision. The foregoing shall not apply to district offices maintained by legislators when such offices are located in the legislator's place of business or when such offices are on property wholly or partially owned by the legislator."*

In her Finding, “4. *Charter School Facilities are Leased from a Related Party*,” Ms. Seymour suggests:

- Kristopher Benz was one of the incorporators of GSOTA at inception and is the husband of Jeanne Benz, the Director of Operations at GSOTA.
- Kristopher Benz was listed as the Secretary for CCI and is the son of Norman Benz, Pastor of CCI.
- Kristopher Benz is doing business with his own agency.

Upon reviewing the deletion of the statute in Finding 4, we determined that while there is an evident “familial” relationship between CCI’s owners (Norman and Judy Benz), GSOTA Director of School Operations (Jeanne Benz), and her husband (Kristopher Benz), the report sections did not conclusively show evidence that Kristopher Benz or Jeanne Benz have a material interest in using CCI as GSOTA’s landlord. The appearance on the surface is not sufficient to prove or disprove material interest.

In Ms. Seymour’s Finding, “7. *GSOTA Charter School Conducted Business with Related Parties*,” only F.S. 112.313(3) was deleted. The business and familial relationship between GSOTA and vendors is addressed under the finding titled, “6. *BUSINESS RELATIONSHIPS BETWEEN GSOTA AND PROFESSIONAL SERVICE PROVIDERS (PSP)*” on page 36 of 52 of the issued Final Investigative Report for Case Number 16-474.

We interviewed Ms. Elizabeth “Liz” McBride, Counsel for Inspector General (Ms. McBride). Concerning the interpretation/application of F.S. 112.313(3) in the above findings, Ms. McBride stated it was legally inappropriate since the statute relates to the Board of the charter school. The public officer provision does not apply to the GSOTA staff; hence, Ms. Seymour’s argument was not relevant to Case Number 16-474. Ms. McBride further stated, the argument pertaining to the violation of the State of Florida Constitution was not proven either.

As legal counsel for the OIG, one of Ms. McBride’s responsibilities is to interpret the law and advise the OIG staff on how to apply it. Following is a list of some of Ms. McBride’s responsibilities:

- “3. *Responsible for providing expert and independent legal counsel to the OIG and Staff on a variety of matters including: intra and inter-governmental relations, coordination with appropriate authorities on applicable matters, and general legal advice supporting legally sufficient operations within the OIG...*
- 5. *Provides counsel and advice to the OIG on legal issues and transactions; recommends changes in related policies and procedures to ensure compliance with applicable federal, state and local laws and regulatory standards and requirements.*
- 6. *Assists OIG staff in evaluating various intake, complaint, and legal data for legal implications, applicability of Inspector General’s*

- jurisdiction, and identification of legally prudent investigative steps as necessary; assesses potential civil, administrative or criminal legal implications, to include strengths and weaknesses; provides the Inspector General with opinions and advisement accordingly.*
- *7. Reviews proposed Board Policies and District procedures to provide the Inspector General with independent legal analysis/interpretation, advisement and assessment of potential impact(s).*
  - *8. Through appropriate collaboration, develops and ensures effective implementation of related Board Policies, procedures and regulatory compliance initiatives and requirements, including but not limited to Sunshine and Public Records laws, Whistleblower Act, and Ethics rules.*
  - *9. Provides training and advisement to OIG staff on applicable laws, Board Policies and rules governing the work; provides continued training as needed on changes and updates to statutes, regulations, policies and other guidelines and requirements affecting the Office...*
  - *11. Reviews all reports, audits, investigations and other work products issued by the Office for legal sufficiency and compliance; assists OIG with or drafts legal memoranda, complaints, writs, motions, affidavits, reports, correspondence and other documentation."*

The Principles and Standards for Offices of Inspector General, as published by the Association of Inspectors General (AIG), provides guidance on the quality of evidence in an investigation. It states:

*"Qualitative Standards for OIG Investigative organizations.*

*D. Evidence*

*The fourth qualitative standard for OIG investigative organizations is: Sufficient, competent, and relevant evidence is to be obtained to afford a reasonable basis for the investigative findings and conclusions."*

**Conclusion: Unfounded.** The allegation that deletion of reference to violation of F. S. 112.313(3) omitted and misrepresented material facts is proven to be false. There is insufficient evidence to support a finding of violation of the Florida Statute according to AIG standards, and per legal opinion, the complainant's interpretation of the statute was inappropriate.

**3. Deleted finding related to use of public funds for religious purposes - references the CCI document thanking GSOTA for their tithe, and the reference to the violation of the Constitution of the State of Florida regarding prohibition of the use of public funds for religious purposes.**

Ms. Seymour's complaint reads:

*"... 'Use of Public Funds for Religious Purposes' audit finding and conclusion was completely deleted..."*

In her Finding, “5. *Use of Public Funds for Religious Purposes*,” of her draft dated February 16, 2017, Ms. Seymour suggests that since GSOTA receives public funding and makes lease payments to CCI, Inc., a religious entity, public funds are being used for religious purposes.

The charter school statute, F.S. 1002.33(18)(c), reads:

*“(c) Any facility, or portion thereof, used to house a charter school whose charter has been approved by the sponsor and the governing board, pursuant to subsection (7), shall be exempt from ad valorem taxes pursuant to s.196.1983. Library, community service, museum, performing arts, theatre, cinema, **church**, Florida College System institution, college, and university facilities may provide space to charter schools within their facilities under their preexisting zoning and land use designations without obtaining a special exception, rezoning, or a land use change.”*

Based on the Florida Statute, we determined it is permissible for CCI, Inc. to house GSOTA as long as it is approved by the PBCSD. We also determined the PBCSD Board approved the usage of the church as the school's location since the parties (GSOTA and the PBCSD) were in the process of negotiating the renewal of their charter at the time of the GSOTA investigation. In addition, the school has been at that same location (9153 Roan Lane, Palm Beach Gardens, Florida 33403) since its inception in 2009.

During this investigation, we were unable to interview Ms. Green, former OIG Director of Investigations; Ms. Seymour reported to Ms. Green during the GSOTA investigation. Nonetheless, on April 13, 2017, during the course of another investigation that stemmed from a previous complaint by Ms. Seymour, we interviewed Ms. Green and she made reference to the GSOTA investigation. Ms. Green explained she removed a section from the draft Ms. Seymour submitted because it, “*pertained to the church and the church people as the investigation was on the school and not the church.*” She further stated, “*there was another section pertaining to [the] constitution about church and state. It was outside the scope... and did not relate to the school.*”

During the interview, Ms. Green also stated she, “*advised Ms. Seymour that the OIG does not have jurisdiction over the church and the church books. The investigation was not on the church...*” She advised Ms. Seymour, “*if she felt strongly that the church was violating statutes or IRS codes, then once [the] investigation was done, she could write it up and report it to the IRS.*”

During our interview with Ms. McBride, she supported Ms. Green's position that Ms. Seymour's argument was not relevant. Ms. McBride further added there was insufficient evidence to support a finding; the charter school statute clearly indicates a charter school is allowed to lease property from a church. She continued, the violation Ms. Seymour alleged would only be one if the charter school were teaching religious curriculum or doctrine. She stated, “*There were no facts in her report indicating that was happening.*”

In her complaint, Ms. Seymour stated:

*“As a not-for-profit entity, CCI church is, in general, exempt from federal income tax, unless it has what the Internal Revenue Service (IRS) refers to as ‘unrelated business’ which is subject to ‘unrelated business income tax - UBIT.’ A church owes income taxes if it has income that is from a regularly conducted trade or business and is not substantially related to its exempt purpose. The IRS requires for real estate that is subject to a ‘purchase money mortgage’ (i.e. debt financed property) and is leased to a third party to pay income tax on the rental income received from the lessee...”*

The above statement is in reference to a note from Norman Benz, CCI, Inc. Lead Pastor, to GSOTA stating:

*“Below is the record of your giving for 2012. I am so thankful for your tithe and offering... This yearly statement reflects our record of your giving for 2012, broken down by category on page one and a listing of all gifts on the following page. Your contributions to Covenant Centre International did not provide any goods or services to you, the donor, in exchange for these contributions except intangible spiritual blessings.”*

Ms. Seymour found the contribution Norman Benz is referring to in his note is the lease payments the GSOTA made to CCI, Inc. during the year 2012. Ms. Seymour stated:

*“As part of my financial review, I traced each monthly ‘contribution’ dollar amount CCI church listed on the ‘2012 Contribution Summary for S.O.T.A.’ to GSOTA’s accounting documentation and verified that the \$135,555 total reported by CCI church as ‘tithes’ were in actuality for the charter school’s monthly lease and utility payments to CCI for the 2012 calendar year. Depending on whether CCI church owned its property ‘debt-free’ that CCI leased to GSOTA charter school, the CCI church is earning ‘unrelated business income’ from the charter school that is clearly not a charitable tithe, and therefore may be subject to federal income tax.”*

While it is possible the lease payments could be taxable, the facts remain:

- The OIG does not have jurisdiction over CCI, Inc.
- The OIG does not have access to CCI, Inc. financial records.
- CCI, Inc. has the responsibility for reporting, should the lease payments be taxable, not GSOTA, which is the entity under the OIG’s purview.

In her complaint, Ms. Seymour stated:

*“Due to the fact that IG management was not in agreement with my recommendation that we make inquiries of the Landlord’s finances with*

*regards to its facilities, I will emphasis [sic] that during my financial review I was unable to verify if CCI church owned its church property 'free-of-debt' or if CCI had a purchase money mortgage for its facilities that CCI leases to GSOT A charter school."*

Furthermore, as a follow-up to our interview with Ms. Seymour, we inquired further about whether or not she was forbidden by management to report the "possible tax evasion" on her own; the following was part of her response to our inquiry:

*"This underscores the fact that for me to have reported a possible tax evasion allegation to the Internal Revenue Service in February 2017 would have been premature, as I did not have proof the Landlord (i.e. the Church – Covenant Church International – CCI) had a purchase money mortgage on its building it was leasing to the charter school. That triggers 'UBIT – unrelated business income tax' for CCI church on the rental income it receives from the charter school, Gardens School of Technology Arts – GSOTA."*

During our interview with Mr. Chiu, he concurred with both Ms. Green and Ms. McBride's position on the removal of the finding. He also stated, when the investigation was concluded, the OIG did not report the matter to the Internal Revenue Service (IRS) because there was not sufficient evidence to warrant a referral. The OIG manual states it:

*"...will not investigate Reports unrelated to the School District. Whenever possible, such Reports will be referred to the appropriate agency."*

**Conclusion: Unfounded.** The allegation that deletion of the finding related to use of public funds for religious purposes omitted and misrepresented material facts is proven to be false. It is permissible for CCI, Inc. to house GSOTA based on a review of the Florida Statute and the approval of the GSOTA's location by the PBCSD. There was not sufficient evidence to support a finding according to AIG standards. The records needed to support a potential finding are outside of the OIG's jurisdiction and outside of the scope of the investigation.

**4. Deleted auditor conclusion related to GSOTA paying the entire amount (\$11,539) of architect and engineer consultant services for building improvements instead of the cost being prorated.**

In her Finding, "6c. Total costs of \$11,539 for Architect & Engineer Consultant Agreements passed through to GSOTA by CCI Church," Ms. Seymour suggests since CCI, Inc. ultimately owns the property, CCI, Inc. should also fund the building improvements. The costs to each entity should be determined based on the square footage they utilize.

For the purpose of our investigation, we did not visit GSOTA; we relied on Ms. Seymour's statements and the professional judgements of the OIG management,

specifically, Ms. Green and Ms. McBride. The goal of our investigation was not to re-perform the investigation the OIG conducted.

In her analysis, Ms. Seymour determined GSOTA's footprint only represents 56% (20,260 square feet) of the total square footage of the facility. The other areas she listed are:

- *“the place of worship 6,986 SF which translates to 20% of the property total square footage*
- *the daycare 1,302 SF which translates to 4% of the property total square footage*
- *the accessory 7,052 SF which translates to 20% of the property total square footage.”*

Ms. Seymour's analysis suggests CCI, Inc. utilizes the remaining 44% of the property; however, it does not address the following important aspects: how often does CCI, Inc. use the remaining 44%, and does GSOTA ever use the remaining 44% of the property?

A school is usually in session every weekday for most of the day and most of the year, while a church is only in session for part of the day, since it must accommodate the schedule of the majority of its congregants. We reviewed CCI, Inc.'s calendar for the month of June 2018. The advertised activities/events were held after 6 p.m. during the weekdays and during the day on the weekends.

During our interview with Ms. McBride, she explained the capital outlay utilized by the charter school for the expansion went through multiple levels of approval for the use of the funds, including the State and the school district. She also stated the arguments pertaining to the school upgrades had no legal basis, and she relayed to Ms. Green and Ms. Seymour to remove them due to legal applicability prior to submitting the final report; Ms. Seymour did not agree. Per Ms. McBride, upon a site visit to the charter school, she observed every inch of the school and church was being utilized by the students, including the sanctuary (the place of worship).

**Conclusion: Unfounded.** The allegation that deletion of the auditor conclusion related to GSOTA paying the entire amount of architect and engineer consultant services for building improvements omitted and misrepresented material facts is proven to be false. While valid to a point, Ms. Seymour's analysis lacks material evidence to support a finding. Based on usage frequency, the school would have received a greater use out of the property than the church by the end of the lease. Furthermore, as Ms. McBride mentioned during her interview, a project of this size must go through a number of levels of reviews and approval to ensure appropriateness of the funding.

#### **D. EXCERPTS FROM MS. SEYMOUR'S DRAFT DATED FEBRUARY 16, 2017**

**Note: The sections highlighted or circled are those Ms. Seymour referenced in her complaint as having been deleted from the Final Investigative Report for Case Number 16-474.**

#### ***"4. Charter School Facilities are Leased from a Related Party***

...

#### ***Business Relationships between CCI (Landlord) and GSOTA (Tenant)***

##### **A. Covenant Centre, Inc. - CCI (Landlord)**

The OIG reviewed CCI's online corporate filings with the Florida Secretary of State's Division of Corporations and noted the following: {See Exhibit\_\_\_\_\_}

1. The President of CCI is Norman D. Benz.
2. The Secretary of CCI is Kristopher (Erik) Benz.

##### **B. Gardens School of Technology Arts, Inc. - GSOTA (Tenant)**

A review of GSOTA's online corporate filings with the Florida Secretary of State's Division of Corporations revealed the following: {See Exhibit\_\_\_\_\_}

1. GSOTA was incorporated on August 3, 2009 by Kristopher (Erik) Benz.
2. Kristopher (Erik) Benz's home address is listed on the Articles of Incorporation for GSOTA. A review of the Palm Beach County Property Appraiser records shows that Kristopher (Erik) Benz and Jeanne K. Benz, as husband and wife, own the home with the same property address on the GSOTA Articles of Incorporation.
3. A review of GSOTA's 2017 Florida Not for Profit Corporation Annual Report shows that Mrs. Jeanne K. Benz signed the annual report as the charter school's Director of Operations on January 9, 2017.

#### ***Familial Relationships between CCI (Landlord) and GSOTA (Tenant)***

Based on inquiry and review of relevant information, the following familial relationships exist between Covenant Centre International Inc. (the Church) and the GSOTA charter school:

- CCI Church is pastored by Norman Benz and Judy Benz, husband and wife.
- Norman and Judy Benz are the father and mother Kristopher "Erik" Benz.
- Kristopher "Erik" Benz is married to Director of School Operations, Jeannie Benz.
- Kristopher Erik Benz is a member of the Governing Board of Covenant Centre International Inc. Church.

#### ***OIG Analysis of Lease Payments to CCI from GSOTA Charter School***

For the period of July 1, 2011 through August 31, 2016, a total of \$701,793 was paid to CCI church by GSOTA for its school facility lease. Table 6 below summarizes the OIG's analysis of the annual lease payments GSOTA paid to CCI church to rent the charter school's facilities located within the CCI church's premises.

**Table 6**

| <b>FY</b>  | <b>PAYEE</b> | <b>TOTAL LEASE PAYMENTS</b> | <b>RELATED PARTY NAME</b> | <b>RELATIONSHIP TO GSOTA</b>   |
|------------|--------------|-----------------------------|---------------------------|--|
| 2011- 2012 | CCI Church   | \$ 110,000.04               | Norman Benz               | <ul style="list-style-type: none"> <li>• Father of K. Erik Benz</li> <li>• Father-in-Law to J. Benz</li> </ul> |
| 2012- 2013 | CCI Church   | \$ 129,999.96               | Norman Benz               | <ul style="list-style-type: none"> <li>• Father of K. Erik Benz</li> <li>• Father-in-Law to J. Benz</li> </ul> |
| 2013- 2014 | CCI Church   | \$ 150,906.29               | Norman Benz               | <ul style="list-style-type: none"> <li>• Father of K. Erik Benz</li> <li>• Father-in-Law to J. Benz</li> </ul> |
| 2014- 2015 | CCI Church   | \$ 129,999.96               | Norman Benz               | <ul style="list-style-type: none"> <li>• Father of K. Erik Benz</li> <li>• Father-in-Law to J. Benz</li> </ul> |
| 2015- 2016 | CCI Church   | \$ 119,166.63               | Norman Benz               | <ul style="list-style-type: none"> <li>• Father of K. Erik Benz</li> <li>• Father-in-Law to J. Benz</li> </ul> |
| 2016- 2017 | CCI Church   | \$ 61,720.00 <sup>4</sup>   | Norman Benz               | <ul style="list-style-type: none"> <li>• Father of K. Erik Benz</li> <li>• Father-in-Law to J. Benz</li> </ul> |
|            | <b>TOTAL</b> | <b>\$701,792.88</b>         |                           |  |

Violation of Florida Statute §112.313(3) Doing Business with One's Agency

Florida Statute §112.313, Standards of conduct for public officers, employees of agencies, and local government attorneys defines a 'public officer' as any person elected or appointed to hold office in any agency, including any person serving on an advisory body. Florida Statute §112.313(3), Doing Business with One's Agency, states:

*'No employee of an agency acting in his or her official capacity as a purchasing agent, or public officer acting in his or her official capacity, shall either directly or indirectly purchase, rent, or lease any realty, goods, or services for his or her own agency from any business entity of which the officer or employee or the officer's or employee's spouse or child is an officer, partner, director, or proprietor or in which such officer or employee or the officer's or employee's spouse or child, or any combination of them, has a material interest. Nor shall a public officer or employee, acting in a private capacity, rent, lease, or sell any realty, goods, or services to the officer's or employee's own agency, if he or she is a state officer or employee, or to any political subdivision or any agency thereof, if he or she is serving as an officer or employee of that political subdivision.'*

*Given the business and familial relationships that exist between the individuals who operate CCI and the GSOTA charter school, the school's facility lease with CCI is in violation of Florida Statute §112.313(3), 'Doing Business with One's Agency.'*

### **5. Use of Public Funds for Religious Purposes**

*In our review of the supporting documentation for GSOTA's 2012 financial transactions, the OIG found a document titled, 'Covenant Centre International Contribution Summary 2012,' and issued to GSOTA charter school by 'Dr. Norman Benz, Lead Pastor.' The Contribution Summary for 2012 itemization 27 payments totaling \$135,555, which CCI church received from the GSOTA charter school. {See Exhibit\_\_\_\_\_ for copy of Contribution Summary.}*

*Dr. Norman Benz, Lead Pastor, also wrote a note to GSOTA which states, in part, as follows:*

*'Below is the record of your giving for 2012. I am so thankful for your tithe and offering ... This yearly statement reflects our record of your giving for 2012, broken down by category on page one and a listing of all gifts on the following page. Your contributions to Covenant Centre International did not provide any goods or services to you, the donor, in exchange for these contributions except intangible spiritual blessings.'*

*Based on review of relevant supporting documentation, the OIG traced each 'tithe and offering' listed on the contribution statement to GSOTA's accounting records and source documents. The OIG determined that the check payments which CCI church received from the charter school were the monthly lease payments and other expense payments CCI church (Landlord) received from GSOTA charter school (Tenant).*

*Additionally, the OIG reviewed the corresponding cancelled check payments and noted that 'Jeanne Benz,' GSOTA's Director of Operations for GSOTA and a member of CCI Church's leadership team, signed 11 of the 27 check payments issued to CCI church in calendar year 2012. {See Exhibit \_\_\_\_\_ for cancelled check copies.}*

...

### **State of Florida Constitution Prohibits the Use of Public Funds for Religious Purposes.**

*The Constitution of the State of Florida Article 1, 'Declaration of Rights,' Section 3. 'Religious Freedom' states in part that,*

*'No revenue of the state or any political subdivision or agency thereof shall ever be taken from the public treasury directly or indirectly in aid of any church, sect, or religious denomination or in aid of any sectarian institution.'*

*Given that the Contribution Summary for 2012 from CCI church was included in GSOTA's supporting documentation provided to the OIG, it appears that the charter school had knowledge that CCI church classified GSOTA's 2012 payments to CCI as*

*charitable contributions. Moreover, the fact that Dr. Norman Benz's note to GSOTA stated that the 'contributions to Covenant Centre International did not provide any goods or services to you, the donor, in exchange for these contributions except intangible spiritual blessings ...' constitutes a violation of Florida law which prohibits the use of public funds for religious purposes...*

**6. Analysis of GSOTA Payments to CCI Church Classified as "Other Expenses".**

...

Total Costs of \$11,539 for Architect & Engineer Consultant Agreements passed through to GSOTA by CCI Church

*The OIG reviewed a Proposal for Professional Services submitted by the engineering firm of "Simons & White, -Inc." (Consultant) to Covenant Centre International, Inc. (Client), which was dated April 9, 2015 and addressed to Erik Benz. The scope of services included site plan changes and engineering related issues for a drainage report with a total cost of \$700. The Proposal was accepted and signed by Erik Benz, as Director for Covenant Centre International on April 9, 2015. {See Exhibit\_\_\_\_\_ for supporting documentation.}*

*The OIG reviewed a second fee estimate submitted to Covenant Centre International, Inc. on April 14, 2015 from the landscape architect firm of "Cotleur & Hearing Landscape Company." The fee estimate was emailed to Erik Benz by Cotleur & Hearing with an attached itemization of the services to be provided and the associated fees, which totaled \$10,838.58. Per the email from Cotleur & Hearing, CCI church was instructed to make its payment payable to "PBC BOCC" (i.e. the Palm Beach County Board of County Commissioners.) {See Exhibit\_\_\_\_\_}*

*Based on review of GSOTA's accounting records and supporting documentation, the OIG found Invoice 903 from CCI church to GSOTA dated April 14, 2015, which requested GSOTA to pay CCI church a total of \$11,538.58 for land development and engineering fees. Table 9 below provides a detailed breakdown of CCI church's Invoice 903 to the charter school. {See Exhibit\_\_\_\_\_ for supporting documentation.}*

**TABLE 9**

| <b>Qty.</b> | <b>DESCRIPTION</b>   | <b>UNIT PRICE</b>   |
|-------------|--|---------------------|
| 1           | Land Development Application Fee for Fees associated with Application for Rezoning as per Palm Beach County Board of County Commissioners and Palm Beach County Building & Zoning <i>(Cotleur &amp; Hearing)</i> | \$ 10,838.58        |
| 1           | Engineering Fees for Drainage Report <i>(Simons &amp; White)</i>   | 700.00              |
|             | <b>TOTAL</b>   | <b>\$ 11,538.58</b> |

A review of the fee estimate submitted to CCI church by "Cotleur & Hearing Landscape Company" shows that the entire 4 acre property owned by CCI church was included in the fee estimate and included the following structural square footage of CCI' s buildings:

| <u>AREA</u>                 | <u>SQUARE FOOTAGE (SF)</u> | <u>% of TOTAL</u> |
|-----------------------------|----------------------------|-------------------|
| 1. Place of Worship         | 6,986 SF                   | 20%               |
| 2. Daycare                  | 1,302 SF                   | 4%                |
| 3. Charter School           | 20,260 SF                  | 56%               |
| 4. Accessory                | <u>7,052 SF</u>            | <u>20%</u>        |
| <b>TOTAL SQUARE FOOTAGE</b> | <b>35,600 SF</b>           | <b>100%</b>       |

The OIG questions the propriety of charging the charter school for the entire cost for CCI' s building improvements when (a) GSOTA charter school is not the legal owner of the church property and (b) Florida law prohibits the use of public funds for religious purposes. As demonstrated in the OIG's analysis above, the charter school's footprint represents 56% of the total square footage of CCI church's facility. To avoid the use of taxpayer dollars for religious purposes, the cost of the building improvements should have been prorated between CCI church and GSOTA charter school based on the square footage leased for the school facility.

## **7. GSOTA Charter School Conducted Business with Related Parties**

Based on review of GSOTA's accounting records, supporting documentation, and GSOTA vendors' online corporate filings with the Florida Secretary of State's Division of Corporations, the OIG noted that the charter school conducted official school business with several related parties. Table 10 below summarizes the OIG's analysis of the total amounts the GSOTA charter school paid to five (5) related parties for the period July 1, 2011 through August 31, 2016. {See Exhibit\_\_\_\_\_ for supporting documentation.}

...

### Violation of Florida Statute §112.313(3) Doing Business with One's Agency

Florida Statute §112.313, Standards of conduct for public officers, employees of agencies, and local government attorneys defines a 'public officer' as any person elected or appointed to hold office in any agency, including any person serving on an advisory body. Florida Statute §112.313(3), Doing Business with One's Agency, states:

*'No employee of an agency acting in his or her official capacity as a purchasing agent, or public officer acting in his or her official capacity, shall either directly or indirectly purchase, rent, or lease any realty, goods, or services for his or her own agency from any business entity of which the officer or employee or the officer's or employee's spouse or child is an officer, partner, director, or proprietor or in which such officer or employee or*

*the officer's or employee's spouse or child, or any combination of them, has a material interest. Nor shall a public officer or employee, acting in a private capacity, rent, lease, or sell any realty, goods, or services to the officer's or employee's own agency, if he or she is a state officer or employee, or to any political subdivision or any agency thereof, if he or she is serving as an officer or employee of that political subdivision.'*

Given the business and familial relationships that exist between the GSOTA charter school and the vendors listed in Table 10 above, these business transactions constitute violations of *Florida Statute §112.313(3), 'Doing Business with One's Agency.'*