

Purchaser Takes Stand Against Town Leader

For Herb F. Hyman, Procurement Manager with the Town of Davie, FL, his whistle-blow experience related to the purchasing practices of the Town Administrator, Christopher J. Kovanes. Hired by the Town Council as a contract employee, Kovanes was the town's top leader. Thus, Kovanes was Hyman's boss.

Starting in 2003, Kovanes would issue purchase requisitions to Hyman's department, and each requisition was below the town's 25,000 threshold for formal bids. Thus, Kovanes would submit three written, informal bids to Hyman, who would then review the information and process the purchase order.

All of the purchase requisitions covered computer mapping projects involving GIS (geographic information systems). In most cases, a company called GEO, Inc., was the lowest bidder, and this company would be awarded the bid.

In the Town of Davie, purchases of \$1,000 to \$15,000 required written, informal bids by the user department. For purchases between \$15,000 and \$25,000, Hyman's department would obtain the informal bids from vendors.

"Each one of these projects was in fact under the \$15,000 threshold," Hyman explains. "If you looked at each individual purchase in a vacuum, it was fine, onto itself. But if you took the cumulative amount of all these purchase orders, they far exceeded our formal bid threshold of \$25,000."

Thus, Hyman requested Kovanes to group the projects together so the purchasing department could initiate formal bidding procedures. Florida Statute 838 requires that bids cannot be subdivided into smaller amounts to circumvent bidding procedures, and Hyman wanted to abide by the law.

After Kovanes kept making excuses of why he couldn't find time to group the projects together, Hyman conferred with his supervisor and gained approval to reject the individual GIS purchase requisitions.

"I was going to force the situation," Hyman states. "Either Kovanes was going to fire me, or I was going to get him to do the formal bid that needed to be done."

When Kovanes finally agreed to group the projects and issue a formal bid, 12 vendors responded to the solicitation. At Kovanes' request, the process of selecting a vendor then departed from the usual course of using a selection committee to evaluate each vendor's qualifications.

Customarily, proposals would be opened and distributed to a selection committee, and committee members would review the proposals over a one- to two-week period. The group would then reconvene to discuss which vendors to select.

Instead, on June 9, 2005, immediately after Hyman and his purchasing assistant opened the bids in Council chambers, Kovanes directed that they themselves narrow down the choice of

vendors, that same day. Together, they then selected six companies as potential vendors for the town's GIS projects, and GEO, Inc., was one of these.

In turn, Kovanes advised that a multiple contract award should be issued, based on spreading the abundance of GIS work among all six vendors. He instructed Hyman to prepare a resolution that authorized multiple awards for projects over \$25,000. The total cost of contracts awarded was open-ended, as long as the total did not surpass the estimated \$400,000 allotted in the town's budget for GIS services.

Kovanes then used his authority to expedite filing deadlines with the town clerk, thus ensuring that the resolution was placed on the next Council agenda, scheduled for June 15, 2005. The drafted resolution was then presented at the next Council meeting and approved by Council members.

Suspicious Surface

"Between June 15 and October 17, 2005, all purchase orders we received for GIS services were issued to GEO, Inc.," Hyman says, "with the exception of one that was issued to a company called GTG in North Carolina." He notes that specialized services provided by GTG were required by the town's IT (information technology) department.

The fact that GEO, Inc., was the recipient of every other purchase order aroused Hyman's suspicions, especially because Kovanes mentioned that he wanted to spread the GIS work among different vendors.

When Hyman's department received a \$51,890 purchase order from Kovanes, likewise directed to GEO, Inc., the purchasing staff questioned the amount. An internal Procurement Authorization Form required that projects not exceed \$40,000. However, the Town Attorney assured Hyman's staff that they could process the \$51,890 amount.

"We processed the purchase order, and about a week later, we received an invoice for \$51,890," Hyman says. "That really raised some eyebrows."

The invoice puzzled Hyman because of information Kovanes had divulged about GEO, Inc., during the process of evaluating proposals and selecting qualified vendors. According to Hyman, Kovanes recommended GEO because it was "a very small company, which had very little overhead, and therefore could do projects for a lesser amount than some of the bigger companies."

Hyman then scrutinized facts behind the invoice. "I started thinking, we've issued a purchase order for \$51,890, which is based on hourly rates that are set up in our contract," he says. "Now, it's a week later, and we receive a bill for \$51,890. I thought to myself, 'how is it that a company that is reported to be a small firm, with few employees, would be able to have enough hours [of work performed] to be able to bill \$51,890 for one week?'"

Hyman's suspicions propelled him to investigate GEO, Inc. He accessed the Sunbiz Web site, by which the Florida Division of Corporations posts information about incorporated companies that conduct business within the state. Although Hyman searched for GEO, Inc., on the Web site, no company matched this name.

On a hunch, Hyman used Sunbiz's search capabilities to locate a company, based on the name of its principal officer. He entered the name of Christopher J. Kovanes. Immediately, onscreen information listed Kovanes as being an officer of "Geographic Environmental Origins, Inc." Hyman instantly recognized that GEO, Inc., could be an abbreviation for this company.

Hyman then learned that Kovanes was listed as the sole owner and officer of the suspected company. In turn, he presented these findings to his superiors, the finance director and deputy finance director, to determine the next course of action.

First, Hyman was asked to con-sult other cities that GEO, Inc., had claimed to have done business with, based on information contained in the company's proposal for the formal bid. When contacted, none of these cities had actually conducted business with GEO.

Then, together with the two finance directors, Hyman reviewed bank records of checks issued to GEO, Inc. "What we found out was shocking," Hyman says. "When you flipped over the check, which shows the signature of the person who endorsed the check, we found Chris Kovanes' signature. All of us recognized Kovanes' signature because we've seen it on thousands of documents that he's signed, in his capacity as Town Administrator."

Based on documents and other information collected, "we thought there was wrongdoing going on," Hyman states. "The finance director then turned over all these documents to our police department, who in turn, turned them over to the Florida Department of Law Enforcement (FDLE)."

After conducting an investigation, the FDLE arrested Kovanes last November on three criminal counts—grand theft, money laundering, and fraud—stemming from his involvement with GEO, Inc. He was released on bond from these charges, but additional indictments followed.

Related Charges Mount

Along with Kovanes' fabrication of GEO, Inc., the FDLE uncovered his involvement with two other firms, found to be "shell" companies. Although these two companies—Grover and Associates, as well as PSSC—were real companies, they were both managed by friends of Kovanes, who was funneling purchase orders to them.

Hyman explains that "we would pay that company, and then that company, in turn, would cut a check back to Kovanes, keeping a portion for themselves as the handling fee. No work was actually being done by the two companies, although [these facts] are now under contention."

When FDLE and the State Attorney's office became involved, authorities accessed Kovanes' bank records and were able to trace the chain of funds between the two companies and Kovanes.

As a result, the FDLE again arrested Kovanes on the same three counts of grand theft, money laundering, and fraud—three counts for his dealings with Grover and Associates, and three counts for his involvement with PSSC. Along with his GEO indictments, Kovanes is facing nine criminal charges.

Kovanes was fired as Town Administrator in January 2006. He is currently free on bond and awaiting trial. In all, Kovanes is accused of embezzling an estimated \$500,000 from the Town of Davie. If convicted of all nine charges, investigators say he could receive a sentence of 10 to 20 years in prison.

Reactions and Results

When Hyman and the town's finance directors reported Kovanes to law-enforcement authorities, "I thought that we were doing a good thing," Hyman says. "We found that there was criminal activity going on, and we turned the criminal over to law enforcement. I thought we would be viewed as heroes."

Although many co-workers applauded their efforts, "I was very surprised about the negative reaction that we got from elected officials," Hyman adds.

When articles about Kovanes' arrest hit the local newspapers, some elected officials printed rebuttal articles, in which they "did not believe that the case was factual," Hyman states. These officials "thought that this was maybe a political vendetta, or that there was somebody within the organization who didn't like Kovanes and was looking for a way to take him down."

Hyman further explains that before his arrest, Kovanes was very popular among elected officials and the public. "Kovanes was 34 years old at the time that he was Town Administrator here. He was [often] titled, 'the Golden Boy,' because he was a young, ambitious, charismatic leader who was going to take the Town of Davie to great things."

Thus, when allegations against Kovanes surfaced, some officials became angry at Hyman and the finance directors for turning information over to the FDLE. "They thought it was a personal thing," Hyman says, "rather than the fact that we had uncovered a crime."

As a result, Hyman became concerned that his job was in jeopardy. "I did go to see an attorney to see if I had any sort of legal protection for my job," he states.

"I also went through a period of deep depression over the fact that maybe I should have had my eyes wider open," Hyman adds, "and maybe I should have uncovered [the criminal activity] sooner." However, Hyman believes that he made the right decision in insisting that Kovanes issue formal bids for the GIS projects. This action may have fueled Kovanes' greed to embezzle higher amounts and eventually be indicted.

After Kovanes' indictments, the Town of Davie instituted safeguards to prevent fraudulent activities from recurring. For instance, the town hired two auditors to review and recommend improvements in procurement procedures. In addition, each company that conducts business with the town must submit a federal W-9 form, as well as a Vendor Bidder Disclosure Form, to prove the company's authenticity.

In the aftermath, Hyman is bearing the brunt of an increased workload. Now, Hyman and his purchasing assistant must obtain bids for any purchase over \$1,000, rather than relying on the user department to submit informal bids.

In Retrospect

Hyman believed he had a duty to report unethical purchasing practices, and did not regret his decision to expose the wrongdoing.

Hyman's situation was complex because Kovanes was his boss, who had the authority to order and bypass certain procurement procedures.

"That's the whole key here," Hyman says. "If your boss tells you to do something, I think you are probably going to do it, unless what he or she is asking you to do is [clearly] an illegal activity. If it's not, whether you think it's right or it's wrong, you're still going to do it because you've been directed by your boss to do so. That was my situation, and that's what makes it toughest of all."

Hyman adds, "If you're responsible for the proper spending of public dollars, and then you uncover somebody embezzling funds, I think you are duty bound to turn that over to law enforcement, regardless of whether or not it causes you to lose your job. At least I can look myself in the mirror and say, 'I did the right thing.'"