

Intelligence Report

May 6, 2014

Breaking News

Today, the Office of Inspector General (OIG) of Palm Beach County issued an official opinion that Mr. Louie Chapman, City Manager of Delray Beach, and Ms. Lula Butler, Director of the City Improvement Department, violated Delray's procurement policies and knowingly misled the City Commission.

You may recall that in an earlier Intelligence Report, we examined the order for 1,000 new garbage carts. We discussed Ms. Butler's long presentation to the Commission in January when she insisted that an emergency, no-bid order for new carts was necessary because there was no stock on hand. We went on to discuss the fact that there were over 1,000 carts in the City storage facility when she made her presentation.

It seemed clear to us that Ms. Butler and her boss, Mr. Chapman, were not telling the truth on this matter. Subsequently, the Inspector General conducted a formal investigation.

Today, the Inspector General confirms our suspicions.

In the report issued this morning, the IG states:

1. "The Allegation that the City of Delray Beach failed to competitively procure the purchase of trash carts in violation of its procurement policies is supported."
2. "Based on documents reviewed and statements provided, the Allegation that the City of Delray Beach Manager Louie Chapman and Community Improvement Department Director Lula Butler misled the City Commission into approving a \$60,000 blanket Purchase Order for future purchases of trash carts even though the trash carts had already been purchased and delivered four months prior to obtaining the City Commission's approval is supported."

As for the First Allegation, the IG noted that between January 2010 and February 2014 the City purchased garbage carts in the total amount of \$297,714 from Otto Environmental Services. The report states, "The City was unable to provide any supporting documents during the same timeframe which would indicate that purchases from Otto have been competitively procured in accordance with its policies and procedures. Furthermore, City staff acknowledged to the OIG that they have not followed their own policies and procedures and treated Otto as a sole source vendor, even though they were aware that comparable trash carts were available from other vendors."

How many times have we discussed the weakness of the City's bidding and procurement procedures? We are slow learners, but we now understand why nothing has been done to strengthen those procedures: the City staff never intended to follow them.

But the IG has more to say about the second matter – The Big Lie:

"Although Ms. Butler was unable to provide a reason for doing so, Ms. Butler acknowledged to the OIG that she misled the City Commission into approving a blanket P.O. in January 2014, when she was fully aware that the trash carts had already been purchased on September 27, 2013 and delivered in October 2013. Ms. Butler reiterated throughout her 3 interviews with the OIG that Mr. Chapman was aware of the unauthorized purchase prior to the January 21, 2014 City Commission meeting and that she had advised him of such sometime between October 18, 2013 and October 28, 2013. Ms. Butler was unable to opine as to why Mr. Chapman did not correct her presentation to the City Commission."

The report continues, "Mr. Chapman maintained throughout his 3 interviews with the OIG that prior to approximately one week after the January 21, 2014 City Commission meeting, he had no knowledge, nor had he been advised by Ms. Butler, that the trash carts had already been purchased. However, after initially denying his knowledge and after being presented with his own e-mail, Mr. Chapman conceded during his second interview that he authorized Purchase Order #695582 and indicated he had probably should have advised the City Commission during their January 21, 2014 meeting that he had already done so. Aside from subsequently acknowledging his authorization of Purchase Order #695582, Mr. Chapman maintained throughout his first two interviews with the OIG that he was not aware of the trash carts being purchased without authorization prior to the January 21, 2014 City Commission meeting. However, the OIG subsequently became aware of an email dated October 28, 2013 from Ms. Butler to Mr. Chapman advising him of the unauthorized purchase. Approximately 26 minutes later on that same date, Mr. Chapman responded "OK" and provided additional instruction. When presented with this information during his third interview, Mr. Chapman stated he only focused on the first part of the email (regarding an agenda item) and did not review the rest of its content which discussed the unauthorized purchase."

We are not sure who is throwing who under the bus, but Mr. Chapman and Ms. Butler did not get their stories coordinated.

Mr. Chapman replies:

After coming to a conclusion on both matters, the OIG offered Mr. Chapman and Ms. Butler the opportunity to review the findings and to comment.

Mr. Chapman in a letter to the OIG dated May 2, 2014 wrote in part, "When the Community Improvement Director Ms. Lula Butler informed me of the situation, I did not consider it to be the serious problem that it has become. I did not commit the conversation to memory and therefore did not recall it at the time of the OIG interviews." He went on to say, "I had been a City Manager here for approximately six months and while I was trying to bring myself up to speed on every detail of the city, this one fell through the cracks."

On the second page, his letter got more interesting, "In addition, I feel the need to mention that a culture of fear had permeated the staff. They are petrified of making a mistake and being publicly ridiculed by the commission at a meeting." So, he feels the Commission is at fault for being lied to?

After issuing an apology "for the mistake and the part I played in making the mistake", he ends on a plaintiff note,

"For all my years in public management, there still remain things to be learned. This has been one of those teachable moments that I will take valuable lessons from."

We are not sure what Mr. Chapman's age is, but he is not a teenager. A City Manager should not need "teachable moments". We are confident Ms. Butler knows that lying is not part of her job description.

Our take:

The Inspector General's report today comes on the heels of a Judge's recent ruling on the Waste Management contract, on the flawed beach equipment contract and the criminal charges against former Commissioner Gray. The residents of Delray Beach deserve better. The City staff has been unable and unwilling to reform itself. We look to the Commission to make the necessary corrections.