




Memorandum



Miami-Dade County Office of the Inspector General
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To: The Honorable Carlos A. Gimenez, Mayor, Miami-Dade County
The Honorable Audrey Edmonson, Chairwoman
and Members, Board of County Commissioners, Miami-Dade County

Kenneth C. Hoffman, Chair, The Children's Trust
James R. Haj, President and CEO, The Children's Trust

From: Felix Jimenez, Interim Inspector General 

Date: September 30, 2020

Subject: Criminal Charges Filed Against a Former Children's Trust Grant Recipient for Fraudulent Billing Practices; Ref. IG17-0036-I

The attached press release from the Miami-Dade State Attorney's Office (SAO) announces the filing of charges against former Children's Trust grant recipient, United Martial Arts Academy, Inc. (UMAA), and its Program Director, Kelly Regalado. The charges were filed after a joint investigation with the Office of the Inspector General (OIG). UMAA and Ms. Regalado were each charged with the first-degree felonies of Organized Scheme to Defraud over \$50,000 and Grand Theft over \$100,000. They were also charged with the third-degree felony of Communications Fraud. In all, they are accused of stealing almost \$300,000 from the Children's Trust via fraudulent billing practices. In 2017, two former UMAA employees reported to the Trust that UMAA was committing fraudulent billing practices. Amongst several of the UMAA fraudulent schemes, the Children's Trust was reimbursing UMAA for "ghost children and employees"—that is, children who never attended UMAA's Trust-funded programs and employees who never worked for UMAA. Upon verifying the allegation related to nine ghost attendees, the Children's Trust referred the case to the OIG for a more in-depth investigation.

Miami-Dade County property owners fund the Children's Trust through a portion of property taxes to provide services for children in the community. Established by statute and County referendum, the Children's Trust funds grants for community-based, youth-program, service providers. UMAA was established in 2004 by the husband and wife duo of Kelly Mendoza Regalado and Enrique Regalado, both of whom were listed as corporate officers. The Regalados owned and operated the academy: Mr. Regalado oversaw martial arts instruction and Ms. Regalado oversaw the administrative affairs of the academy, including grant application and compliance, and invoicing the Children's Trust. From 2015 through 2017 UMAA was located in Homestead. UMAA offered three programs, two of which were partially funded by the Children's Trust via the grants at issue in this case. UMAA provided a Youth After-School (YAS) program, which had both

an academic and martial arts component. The second Children's Trust-funded program was a Youth Enrichment (YEN) summer camp program.

According to the grant agreement, the Children's Trust agreed to reimburse UMAA for certain expenses incurred in running the YAS and YEN programs based on a cost-reimbursement pre-set contract formula. Some expenses, such as salaries for specified positions, were reimbursed 100% at a stipulated rate of pay. Other expenses, such as administrative expenses and program costs, were reimbursed based on a pre-set percentage. Each month, UMAA—under the direction and control of Ms. Regalado—electronically input into the Children's Trust database a reimbursement request. Items included in the reimbursement request invoice were false child program attendance data, false employee/vendor pay data, and data of goods and services purchased from third-party vendors to UMAA. This included expenses such as rent, pest control, bus transportation services, field trip event facilities or services, office and karate school equipment, etc.

The OIG obtained the August 2013 through August 2017 reimbursement requests from UMAA and the Children's Trust. The OIG also interviewed numerous UMAA employees billed to the grant. OIG analysis determined that UMAA used a variety of schemes to illegally obtain additional Children's Trust funds. UMAA electronically billed the Children's Trust for ghost students and employees via fake attendance data. UMAA electronically billed for ghost expenses via fake checks, Electronic Fund Transfers, and invoices. UMAA misclassified employees to obtain a higher rate of reimbursement, and UMAA inflated employee salaries and claimed it was paying the employee a higher rate of pay than it did. Lastly, according to the records reviewed, UMAA paid Ms. Regalado's mother under two different names. Ms. Regalado's mother kicked back a large portion of these funds to her daughter. When the Children's Trust questioned many of the expenses, Ms. Regalado provided the Children's Trust with forged bank statements. The OIG analyzed and compared the Regalado-provided bank statements to the genuine bank statements to uncover the fraud.

In all, UMAA requested over \$350,000 worth of fraudulent expenses to be reimbursed. The Children's Trust actually paid UMAA almost \$300,000 due to these false schemes. Now that criminal charges are filed against the defendants, the case will be set for trial in the coming weeks.

The OIG would like to thank the Children's Trust for its referral and continued cooperation with this investigation.

cc: Abigail Price-Williams, County Attorney
Geri Bonzon-Keenan, First Assistant County Attorney
Cathy Jackson, Director, Audit and Management Services Department
Yinka Majekodunmi, Commission Auditor



KATHERINE FERNANDEZ RUNDLE

STATE ATTORNEY



ELEVENTH JUDICIAL CIRCUIT IN AND FOR MIAMI-DADE COUNTY

FOR IMMEDIATE RELEASE

Alleged Ghost Employees and Ghost Students Lead to Criminal Charges

Miami (September 30, 2020) - As a result of a joint investigation by the Miami-Dade County Office of the Inspector General and the Miami-Dade State Attorney's Office, felony charges have been filed against United Martial Arts Academy, Inc. (UMAA) and its Program Director, Kelly Mendoza Regalado, for allegedly falsely billing The Children's Trust almost \$300,000. Kelly Regalado oversaw the administrative affairs of UMMA, including grant application and compliance, and invoicing the Children's Trust.

The Children's Trust affords program grants aimed at serving the children and families of Miami-Dade County by providing various services, particularly focusing on neighborhoods with the highest rates of poverty.

"Miami-Dade taxpayers created The Children's Trust to better the lives of our community's at-risk children," said State Attorney Katherine Fernandez Rundle. "The alleged theft of Children's Trust funds hurts those kids who need help the most. The Children's Trust deserves credit for bringing this matter to the attention of investigators and prosecutors who always work together to preserve taxpayer monies."

The alleged false grant expenses, charged at UMAA's Trust-funded programs in Homestead, primarily related to billing for children who never attended UMAA's Trust-funded programs and employees who never worked for UMAA, technically described as "ghost children and ghost employees".

"Theft in any form is repugnant, but it is particularly vile to line one's own pockets with funds designated to help the children of our community. The Office of the Inspector General will continue to work with its partners to ensure that County taxpayer funds are available for their purpose, and that those who would divert them are held accountable," said Interim Inspector General Felix Jimenez.

UMAA and Ms. Regalado have each been charged with:

- 1 count - Organized Scheme to Defraud over \$50,000; 1st Degree Felony
- 1 count - Grand Theft over \$100,000; 1st Degree Felony
- 1 count - Communications Fraud; 3rd Degree Felony

If you are interested in seeking commentary from State Attorney Katherine Fernandez Rundle, you may email Ed Griffith at EdGriffith@MiamiSAO.com to make the necessary arrangements.

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