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October 10, 2012

TO: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe
Auditor-Controller

SUBJECT: **ALLEGED AERO BUREAU IMPROPRIETIES (Board Agenda April 3, 2012, Item 2) – PHASE I REPORT**

On April 3, 2012, your Board instructed the Auditor-Controller (A-C) to conduct an investigation of alleged misconduct by employees of the Sheriff's Department (Sheriff's) Aero Bureau (Aero), in connection with a 2010 helicopter completion services contract. The Board's instructions were based on allegations made to the Sheriff's and to the news media by several informants.

Our review included seven topical areas indicated below. Due to the complexities and scope of our review, we will conclude topics one through five in this report as Phase I. Details of our Phase I findings are included as Attachment I. Topics six and seven will be addressed in a Phase II report that we anticipate completing within thirty days.

Phase I

1. Bidding, contracting, and purchasing improprieties;
2. Review of similar aircraft purchases and completion services contracts;
3. Circumvention of Board approval policy for fixed assets in excess of $250,000;
4. Review of allegations in the Sheriff's internal report, from informants, and from the media; and,
5. Potential conflict of interest between a vendor and two Sheriff's personnel.

Phase II

6. Work hour and overtime abuse; and,
7. Misuse of County aircraft and retaliation.

Background

We reviewed records from the Countywide Timekeeping and Payroll Personnel System (CWTAPPS), the LexisNexis consolidated information database, and the County's electronic Countywide Accounting and Purchasing System (eCAPS). We also reviewed pertinent evidentiary documents provided by the Internal Services Department (ISD) and the Sheriff's, correspondence from the Board, media reports, and applicable County contracting and purchasing policies. In addition, we interviewed managers and staff from ISD, the Sheriff's, other law enforcement agencies, and vendors.

The Aero Bureau provides air support for law enforcement ground units involved in police activity and search and rescue operations in multiple jurisdictions in the greater Los Angeles area. The helicopters used for patrol support are equipped with advanced technology systems such as, "Forward Looking Infrared Radar (FLIR), multi-band digital radio systems, Global Positioning Mapping Systems (GPS), and down-link video feed" which allows air crews to provide real-time information to law enforcement personnel and Command Operation Centers. The following summarizes the Sheriff's aircraft fleet:

AIRCRAFT MODEL	HELICOPTERS PATROL	HELICOPTERS RESCUE	AIRPLANES
Eurocopter AS350 B2 "A-Star"	12		
Eurocopter AS350 (remaining from older fleet)	3		
Eurocopter AS332L1 "Super Puma"		3	
Sikorsky SH-3 Sea King		4 (i)	
Cessna 210			2
Beechcraft King Air B200			1
TOTALS:	**15**	**7**	**3**

i. Two of the four Sikorsky helicopters are not flight worthy; one is used for parts, and the other is used as a ground level training apparatus.

Summary of Findings

1. Bidding, Contracting, and Purchasing Improprieties

The Sheriff's uses the Master Agreement (MA) process to purchase much of their aircraft parts and service needs. In collaboration with ISD, we identified weaknesses relative to the Sheriff's compliance with County purchasing policies and practices as follows:

- Materially modified MA language: The Sheriff's materially modified model language for four MAs without specifically notifying the Board. These

modifications provide the Sheriff's with sole discretion to select any MA vendor of their choosing without the transparency and inherent pricing benefits of the competitive bidding process.

- Not competitively bidding: The Sheriff's is not competitively bidding helicopter repair services. We identified at least six (40%) of 15 sampled helicopter maintenance or repair services between March 2010 and December 2011 that were not competitively bid. The total cost of the six services identified from our sample was $983,802.

- Purchase of inclement weather jackets: In January 2011, the Sheriff's purchased inclement weather jackets as safety equipment for Aero deputies for $9,962 ($203 each). These jackets were purchased after the Sheriff's had purchased flight jackets for Aero deputies. The inclement weather jackets are not intended to be worn during flight as they do not meet air safety standards. We question whether these jackets are safety equipment, and if not, Sheriff's policy classifies them as optional clothing items that should have been purchased by Aero deputies at their own expense.

2. Review of Similar Aircraft Purchases and Completion Services Contracts

On June 1, 2010, the Sheriff's received Board approval to purchase 12 new patrol helicopters to replace an existing fleet of aged patrol helicopters. At its May 17, 2011 meeting, the Board approved a joint request of the Chief Executive Officer and the Sheriff's to sole source purchase three nearly new rescue helicopters. Both the patrol and rescue helicopter purchase transactions were accompanied by approval of delegated authority for the Sheriff's to execute a competitive work order process to select a vendor to provide completion and outfitting of the newly acquired helicopters.

Our review did not identify any concerns with the selection processes for either of the helicopter acquisitions, or with the accompanying completion services. The extent of the detailed specifications for completion services for both sets of helicopters meant that vendors primarily competed based on lowest firm fixed pricing. There was essentially no opportunity to bias the pre-established bid evaluation procedures. The minimum vendor requirements established by the Sheriff's ensured the selected vendors had the capacity, qualifications, and experience to effectively deliver the required services.

3. Circumvention of Board Approval Policy for Fixed Assets in Excess of $250,000

The informants allege some equipment was not disclosed to the Board, and thus circumvented Board approval policy on fixed asset purchases exceeding $250,000. We reviewed the documentation that was provided by the Sheriff's in support of the June 1, 2010, Board agenda for the Sheriff's patrol helicopter and accompanying completion

services purchases. Our review determined that the Sheriff's provided sufficient disclosure about these purchases, including the disclosure of all fixed assets valued in excess of $250,000.

The Board instructed the A-C to make recommendations to improve existing County policy that currently requires Board approval for fixed asset purchases that are in excess of $250,000. Based on our review of the patrol helicopter completion services process, and a sampling of other Aero purchases, we see the existing Board approval policy is appropriate.

4. Review of Allegations in the Sheriff's Internal Report, from Informants, and from the Media

There were allegations made by informants to the Sheriff's Internal Criminal Investigations Bureau and to the news media. We analyzed all the allegations and the Sheriff's internal investigation report and grouped the allegations into eleven areas. Attachment II is a summary of the eleven allegations identified, accompanied by our investigative conclusions. We did not substantiate any of the informants' allegations.

The informants identified patrol helicopter equipment components and accessories they allege the Sheriff's could have purchased at lower cost to the County from other vendors, rather than as part of the completion services contract with Hangar One Avionics, Inc. (Hangar One). We reviewed the justifications for equipment and accessories identified by the informants to determine if the purchases were appropriate, and to assess whether other vendors could provide some components at lower cost to the County. Within the attached report we provide a discussion of a sample of helicopter equipment and accessories associated with each of the informants' allegations, including details about the utilization and benefits of each purchase.

The Sheriff's bundled the purchase of equipment components within the completion services agreement to ensure equipment fit and function accountability and compatibility exclusive to a single vendor. Completion vendors' bids were evaluated based on "bottom line firm fixed pricing" which renders irrelevant the assessment of individual equipment component pricing within each vendor's comprehensive bid. We agree with the Sheriff's bundling and bid evaluation strategy.

5. Potential Conflict of Interest between a Vendor and Two Sheriff's Personnel

The informants also made various allegations about favoritism and conflict of interest between MA vendor Hangar One and at least two Aero staff. During the timeframe of the informants' allegations, seven companies were part of the MA for helicopter parts, maintenance, and service. By the time the patrol helicopter completion services work order solicitation was released, there were 20 vendors for this same MA.

Based on our analysis of expenditure data, purchases from Hangar One amounted to five percent or less of the total purchases from the MA in each of the two years of data we reviewed. The limited amount of purchasing from Hangar One does not appear to be indicative of favoritism by the Sheriff's. We also conducted various records searches and found no linkage between the Aero staff who were allegedly favoring Hangar One, and any Hangar One corporate officer.

Review of Report

We discussed the results of our review with Sheriff's management. The Sheriff's indicate general agreement with our findings, and their response will follow this report.

We thank Sheriff's management and staff for their cooperation and assistance throughout our review. We also thank ISD's Contracting and Purchasing Divisions for their valued expertise. Please call me or your staff may contact Guy Zelenski, Chief of OCI, at (213) 893-0058 if you have any questions.

WLW:GZ:RS:AMS
R-2012-6667
BOS #-12-013

Attachments

c: William T Fujioka, Chief Executive Officer
Leroy D. Baca, Sheriff
Sachi A. Hamai, Executive Officer, Board of Supervisors
Tom Tindall, Director, Internal Services Department

SHERIFF'S DEPARTMENT
ALLEGED AERO BUREAU IMPROPRIETIES
DETAIL OF FINDINGS
PHASE I

Results of Investigation

1. Bidding, Contracting, and Purchasing Improprieties

Changes to County Standard Master Agreement (MA) Language

The Board of Supervisors (Board) motion that initiated this review included a request for a "determination of whether and how the Sheriff's Department (Sheriff's) circumvented [purchasing] approval by the Board", and direction to "...make recommendations...to prevent such occurrences in the future." The Aero Bureau utilizes the MA process for a significant portion of its aircraft service and parts purchasing activity, and thus we reviewed their compliance with Countywide MA procedures.

MAs are utilized when the County desires a list of pre-qualified vendors to perform various services on an as-needed basis. Vendors have the opportunity to submit their qualifications through a solicitation process called a "Request for Statement of Qualification" (RFSQ). Vendors that meet the minimum qualifications identified in the RFSQ and accept the terms and conditions of the MA become County contractors in the specific category of MA services for which they pre-qualified.

MAs generally expedite purchasing timeframes because much of the administrative processes have been completed as part of the vendor pre-qualification review. As services are required, MA vendors receive Work Order Solicitations (WOS) from the County in the categories for which the vendors are pre-qualified. Vendors submit bids in response to WOS. Essentially MA vendors compete based primarily on price along with any unique qualifications attributable to the specific task described within the County's work order for which vendor bids are being solicited.

The Internal Services Department (ISD) establishes and administers Countywide standards for MA contracting. Consistent with these standards, ISD established the County MA model document with standardized provisions and language. ISD's standards are to ensure consistency of contracting terms and conditions across the County, including appropriate MA language that complies with Board mandates and various legal safeguards, and to ensure the County receives the services it needs in a timely manner at the best price from a responsible and responsive bidder.

Subsequent to the Board's action, ISD discovered that at its meeting of June 7, 2011, the Board approved, at the Sheriff's request, a MA for helicopter maintenance services that included material changes to the model MA language. Substantive changes made

by the Sheriff's to ISD's recommended model MA language are noted in bold italics, as follows:

Added/altered MA Language:

- MA Section 5.5: "***Work may be issued under competitive or non-competitive conditions, to provide as-needed Helicopter Maintenance, Engineering and Repair services under work orders to be issued by the*** [Sheriff's]."

- MA Section 5.6: "***Notwithstanding the above, the County Project Manager has the sole discretion to issue Work Order(s) to any of the Qualified Contractors pursuant to Subparagraph 5.5 without a Work Order solicitation***."

- MA Section 5.8: "It is understood by Contractor that County's competitive ***or non-competitive*** bidding procedures..."

County Counsel indicates they were aware of the modified MA language. They informed the Auditor-Controller (A-C) Office of County Investigations (OCI) Investigators that the Sheriff's were attempting to inform MA vendors that occasionally there is a need to issue non-competitive work orders, such as during emergencies or when only one source exists for the particular service. County Counsel further advised the Sheriff's to document sole source justifications. County sole source purchasing policy and procedure has been in place for many years, and the MA process was never intended as an alternate means of sole source purchasing. The Sheriff's modification of model MA language is inconsistent with the County's rules governing the competitive solicitation process.

As a MA proceeds to the Board's agenda, a briefing is generally provided as part of an open meeting with the Board's staff at least three weeks prior to the agenda date, and at that briefing material MA language changes should be highlighted. The material changes to the helicopter maintenance MA language were not highlighted for Board staff. In addition, the 97 pages of documents submitted as part of the supporting documents for the Board agenda item did not highlight, as it should have, the three critical alterations within the MA language that substantively expanded the Sheriff's purchasing discretion. Thus, on June 7, 2011, the Board approved the MA language for helicopter maintenance services without having been made specifically aware by the Sheriff's of the materially modified contract language.

The procedural effect of the Sheriff's changes to model MA language is to provide the Sheriff's designated Project Manager with sole discretion to select any MA vendor of his/her choosing, thus bypassing the benefits of the competitive bid process, and bypassing the greater transparency of the sole source justification process. The practical impact is the undermining of the inherent advantages of a competitive solicitation process that serves to keep vendors' prices aligned with market-based

pricing. The competitive process also ensures a greater arms-length vendor selection criteria that is less conducive to the corrosive effects of undue influence emanating from vendors attempting to gain a competitive advantage or retain a lucrative working relationship with the Sheriff's MA Project Manager. Though we found no evidence of undue influence, the environment for it has now been established.

The Sheriff's may have an occasional need for emergency maintenance and repair work to keep their helicopters air worthy. ISD is available to assist the Sheriff's with development of criteria to define the circumstances that constitute an emergent situation for which a sole source process could have been utilized without compromising the RFSQ and model agreement language.

We reviewed a sample of 15 Aero Bureau purchase transactions made between March 2010 and May 2012 that utilized either a MA or purchase order. Nine (60%) of the 15 transactions appear to be in compliance with competitive purchasing policies. The remaining six transactions, totaling $983,802, were made between September 2010 and December 2011 using MAs and were not competitively bid. Contrary to County Counsel's advice at the time the MA language was modified, the Sheriff's did not prepare sole source justifications for any of these six transactions. Two of the six transactions exceeded $250,000, but were for repair services and thus did not require Board approval. The A-C issued an audit report on February 15, 2012, that discussed the need for the Sheriff's to comply with competitive procurement policies.

Each of the six transactions were based on a single "sight unseen" estimate. A "sight unseen" estimate was described to OCI Investigators by Aero Bureau staff as a written, photographic, and/or verbal description of the service or repair provided to a vendor, without the benefit of the non-working aircraft component available to the vendor for diagnosis. The Sheriff's was unable to produce evidence that bids were solicited from any vendor other than the one which was given the work. The Sheriff's files for each transaction were accompanied by a "bid sheet" that only documented the bid from the vendor that subsequently performed the service, indicating no attempt by the Sheriff's to seek multiple quotes for the work.

We spoke to Sheriff's procurement staff both at the Aero Bureau and Sheriff's headquarters, and they were of the belief that MAs did not require competitive bids. Aero Bureau staff echoed that sentiment, stating that they provided the work to whichever vendor could get the aircraft flying again as soon as possible. The desire to expedite the return of an aircraft to flight worthiness is admirable, but does not overcome the need for the relatively brief process of solicitation of quotes or bids from multiple qualified MA vendors.

In collaboration with ISD, we identified at least four MAs since 2010 that the Sheriff's has routed through the Board approval process with the altered/additional model agreement language. These four MAs include:

TYPE OF SERVICE	BOARD APPROVAL DATE	BOARD AGENDA No.
Helicopter Maintenance	June 7, 2011	#47
Background Checks	November 15, 2011	#43
Water Well Maintenance	March 20, 2012	#39
Employee Psychiatric	May 1, 2012	#49

We confirmed the Sheriff's exercised the discretion the altered MA language provided to purchase non-emergent aircraft parts and services without obtaining multiple bids. It is likely the County could have achieved a pricing advantage if the Sheriff's had made these purchases within a competitive bidding process. We did not review services purchased from the other three MAs noted in the table above.

Conclusion

The Sheriff's altered model MA language, providing what in effect is sole discretion to select a specific MA vendor, compromising the benefits of a competitive bidding process. It is likely this action resulted in higher costs for some vendor services. We noted two MA purchases that each exceeded $250,000, but each purchase was for repair services and thus did not require Board approval. Though we found no evidence of undue influence between vendors and Sheriff's personnel pertaining to purchases using these MAs, the environment has been established in which such influence can germinate.

Recommendations

Sheriff's management:

1. **Revise all existing applicable MAs and purchase orders to fully disclose deviations from County standards, including but not limited to, identifying the work order award process and including criteria for situations where the process may be modified (i.e., emergency purchases).**

2. **Ensure the acquisition of aircraft repair services and parts are in compliance with County purchasing policies, including policies for competitive bidding, sole source, and emergency purchasing.**

3. **Establish a policy that all material deviations from model agreement terms and conditions must be specifically noted within documentation provided in support of the associated Board agenda item.**

2. Review of Similar Aircraft Purchases and Completion Services Contracts

Purchase of Twelve Rescue Helicopters

On June 1, 2010, the Sheriff's received approval from the Board to purchase 12 helicopters to replace an existing fleet of aged patrol aircraft. In addition, the Sheriff's received approval for an option to purchase two additional helicopters with the proceeds from the sale of the retired helicopters. This Board action also authorized the Sheriff's to execute Work Orders, under the Sheriff's Model Agreement for Helicopter Maintenance, Engineering, and Repair services, to secure low bid pricing for the completion and outfitting of the newly acquired helicopters at an estimated cost of $2.1 million per aircraft, a total of $25.2 million for 12 helicopters.

Helicopter completion services include the equipment and associated labor required per Sheriff's standards to customize a minimally equipped new helicopter with the specialized avionics and accessories necessary to ready the aircraft for law enforcement deployment. Aero Bureau staff expressed that aircraft manufacturers are generally not in the business of providing custom completion services; instead, they rely on aftermarket vendors.

On June 14, 2010, the Sheriff's released a WOS for helicopter completion services. In compliance with the County's Model Agreement procedures, the Sheriff's provided the WOS to each of the 20 vendors that, at the time of the solicitation, had a current agreement under the Sheriff's Model Agreement to provide Helicopter Maintenance, Engineering, and Repair Services. Our review did not identify any concerns with the selection and acquisition process for the patrol helicopter completion services.

Purchase of Three Rescue Helicopters

The Board directed the A-C to review Aero Bureau purchases similar to the patrol helicopter completion services contract, including the bid process and maintenance agreements. The purchase of three Super Puma helicopters in mid-2011 is the only aircraft purchase made by the Sheriff's in the last seven years other than the 12 A-Star patrol helicopters.

On April 20, 2011, the Sheriff's provided the Chief Executive Office (CEO) with justification for the replacement of the Department's existing three Sikorsky rescue helicopters with three nearly new Super Puma helicopters. The justification describes the three Sikorsky helicopters' deteriorating condition resulting in increasing maintenance costs, the difficulty locating parts, and the prohibitive expense of buying new rescue helicopters. At its May 17, 2011 meeting, the Board approved a joint request of the CEO and the Sheriff's to sole source purchase the three nearly new Super Puma helicopters. The Sheriff's collaborated with the CEO on financing, and with ISD on the purchase transaction details.

On July 29, 2011, with delegated authority obtained as part of the Board's May 17, 2011 action, the Sheriff's utilized the helicopter maintenance MA to solicit for completion services for the three Super Puma helicopters. The Sheriff's followed a planning process for the Super Puma avionics and ancillary equipment similar to the process used for the Department's patrol aircraft, resulting in a detailed description of completion service components and specifications. Two MA vendors bid on the completion services, and the winning vendor was selected from these two bidders. Our review did not identify any concerns with the Super Puma purchase or completion services acquisition processes.

Aero Bureau staff shared with us that the Super Puma is a relatively rare aircraft in the United States (U.S.) compared to the A-Star patrol aircraft which are common among law enforcement, air rescue, and general transport providers. The Super Pumas are exclusively manufactured in France, whereas the A-Stars are manufactured in Texas. The majority of qualified Super Puma service vendors are located in Canada where these aircraft are more commonly in use for the lumber and mining industries. There are also a few vendors in the U.S. that have the maintenance shop capacity and experience to simultaneously service three large rescue helicopters. Therefore, the requirement for completion services for the Super Puma helicopters was not limited to the continental (U.S.) to ensure sufficient outreach to vendors who have demonstrated skills and experience with the unique engineering of these aircraft. The vendor awarded the Super Puma completion contract was Heli-One located in Vancouver, Canada. As of this writing completion services for one of the Super Pumas has been completed and the helicopter delivered to the Sheriff's. The other two Super Pumas are nearing completion. Our review did not identify any concerns with the selection and acquisition process for the Super Puma rescue helicopter acquisition or completion services.

3. Circumvention of Board Approval Policy for Fixed Assets in Excess of $250,000

County Fiscal Manual (CFM) Section (§) 6.1.0, generally defines capital assets as tangible items of "significant" value with useful lives that extend beyond the current year. Equipment, including moveable personal property, is capitalized when an individual item has an acquisition cost of $5,000 or greater. CFM § 6.2.1, Capital Asset Acquisition Guidelines, specifies that departments must obtain Board approval to purchase (or finance) capital asset equipment costing $250,000 or greater prior to submitting requisitions to ISD.

The informants allege some equipment was not disclosed to the Board, and thus circumvented Board approval policy on fixed asset purchases exceeding $250,000. We reviewed the documentation that was provided by the Sheriff's in support of the June 1, 2010, Board agenda for the patrol helicopters and accompanying completion services purchases. Our review determined that the Sheriff's provided sufficient disclosure about these purchases, including the disclosure of all fixed assets valued in excess of $250,000. Board policy requires that capital assets exceeding $250,000 are to be

Board approved. However, that policy does not imply that multiple capital assets cannot be approved in a single Board action.

The Board instructed the A-C to make recommendations to improve existing County policy that currently requires Board approval for fixed asset purchases that are in excess of $250,000. Based on our review of the patrol helicopter completion services process, and a sampling of other Aero Bureau purchases, we found no evidence the Sheriff's bypassed the Board approved requirement for fixed asset purchases exceeding $250,000, and see no justification to alter existing Board approval policy.

4. Review of Allegations in the Sheriff's Internal Report, from Informants, and from the Media

The Board instructed the A-C to investigate allegations described within the Sheriff's Internal Report, as well as allegations reported in the media. Based on our review of the informants' complaints, we identified 11 contracting and purchasing allegations. As noted above, allegations pertaining to other areas, such as timekeeping and misuse of aircraft, will be addressed in our Phase II report.

We have summarized the 11 contracting and purchasing allegations in the following general categories, and specifically listed each allegation, accompanied by our investigative conclusions, in Attachment II.

- Contracting Improprieties – Two allegations (1 and 2)
- Purchasing Improprieties – Five allegations (3 through 7)
- Overcharging – Two allegations (8 and 9)
- Conflict of Interest – Two allegations (10 and 11)

Contracting Improprieties – Allegations 1 and 2

Allegation 1: The Sheriff's established an agreement vendor contract with Hangar One a year before the helicopter completion contract was awarded. This is questionable because the Sheriff's has full-time avionics staff who can purchase avionic parts and accessories directly.

Findings

According to ISD Purchasing Policy #P-1800, Non-Exclusive Negotiated Agreements, MAs enable the County to acquire supplies, equipment, and services at lower prices. Competitive pricing is encouraged by awarding agreements to multiple vendors for the same supplies, equipment, etc. These agreements are non-exclusive, and the County is not obligated to make any purchases from a particular vendor.

Standard County procurement processes also provide the Sheriff's with various agreement and non-agreement purchase orders for the purpose of acquiring needed equipment, supplies, and sundry items. Each of these purchasing mechanisms is

subject to standard County policies and procedures about competitive quotes and bidding. We did not review these purchase orders because on February 15, 2012, the A-C published its review of the Sheriff's Procurement operations, and because the focus of the purchasing allegations relative to the Board's motion are specific to the Aero Bureau's use of Hangar One which provides its products and services through the MA process.

ISD Policy #A-0300, Departmental Authority, states that "County departments are delegated the authority to make purchases" against MAs because prices, terms, and conditions have already been established by ISD. As part of our review we noted, and Sheriff's staff confirmed, that the MA used for Aero Bureau maintenance and repair services does not include pre-established pricing agreements. Thus, purchases against the Sheriff's MA are subject to existing ISD requirements for competitive quotes or bids as applicable to the dollar value of each purchase transaction.

The Sheriff's purchase of completion services from Hangar One for the 12 A-Stars is dated September 28, 2010. We found that the Sheriff's entered into a three-year MA (#MA-IS-1040142-1) with Hangar One for "Helicopter Parts and Labor" approximately one year earlier, on November 1, 2009. The Hangar One MA is for "all avionics related parts and test equipment, including radios, antennas, and navigation instruments" and related repair and installation services for the Eurocopter and Sikorsky helicopters, and Cessna and Beechcraft airplanes.

According to ISD's Purchasing and Contracts online database, six other companies were part of this MA around the same time as Hangar One. Each of these six companies, and Hangar One, were available to provide parts and services to the Aero Bureau. We reviewed eCAPS expenditure data related to these MAs for the two fiscal years since Hangar One joined the list of available MA vendors. We identified that Hangar One purchases amounted to five percent or less of the total purchases from these MA vendors. The limited amount of purchases from Hangar One does not appear to be indicative of favoritism by the Sheriff's toward Hangar One.

Vendor Name	2009-10	% of Total	2010-11	% of Total
Rotorcraft Support, Inc.	$176,835	60%	$153,672	86%
Tom's Aircraft Maintenance	59,184	20%	358	0%
Global Tech Instruments	41,089	14%	11,790	7%
Hangar One	4,583	2%	8,742	5%
Aerocomputers, Inc.	6,732	2%	3,645	2%
Clayton International	5,129	2%	0	0%
Rotor-Tech International	0	0%	0	0%
Totals:	**$293,552**	**100%**	**$178,207**	**100%**

During a site visit to the Aero Bureau, OCI Investigators noted that the Bureau has a repair shop staffed to service all of its aircraft. The shop includes 18 mechanics and four avionics technicians. It is these staff who are most commonly initiating requisitions to purchase services and/or parts from MA vendors. According to Aero Bureau staff we

interviewed, they purchase more parts and equipment from Rotorcraft because the vendor offers full service helicopter maintenance and parts conveniently located at nearby Van Nuys Airport where parts can be dropped-off. Aero Bureau staff also shared with us that Rotorcraft generally can meet more stringent turnaround time for repairs, thus reducing aircraft down time. The remaining vendors are not as conveniently located, and/or offer a limited range of specialized parts and service.

- Tom's Aircraft is a general maintenance shop located adjacent to the Aero Bureau in Long Beach, but without the helicopter specialization or experience that Rotorcraft provides.
- Global Tech specializes in electronic instrumentation, limiting the breadth of its services, and is located in Huntington Beach, California.
- Aerocomputers specializes in digital mapping systems, limiting the need for its services, and is located in Oxnard, California.
- Clayton International specializes in Sikorsky helicopters and is located in Peachtree City, Georgia.
- Rotor-Tech specializes in helicopter rotors and is located in Stockton, California.

The volume of purchases needed from these specialty vendors tends to be considerably less than vendors such as Rotorcraft that provide a broader scope of generalized aircraft parts and services. Therefore, the volume of the Aero Bureau's purchasing from a particular company appears to be an outgrowth of expeditious availability of needed product line or service as opposed to favoritism.

We confirmed through ISD that the Sheriff's established its MA for helicopter parts and labor with Hangar One and six other vendors in late 2009, approximately one year before the helicopter completion contract was awarded. The timing of the agreement with Hangar One is not significant because it was established in the same timeframe as the six other MA agreement vendors, and because vendors are routinely added to or expire from MA lists through the normal course of business wherever MAs are used in the County. According to ISD Purchasing policies, vendors entering into a MA are not guaranteed any business with the County nor are such agreements exclusive to a single vendor. Adding vendors to the MA is in the County's best interest because it has the effect of keeping vendors' pricing more competitive.

We noted that for the period reviewed, Hangar One received comparatively little business (five percent or less of the total expenditures) under this MA. Our findings indicate that during the two-year period of our review, Hangar One received significantly less business than three of the six competing MA vendors.

Conclusion

The allegation that the addition of Hangar One to the list of MA vendors is "questionable" is not substantiated. ISD policies encourage departments to enroll multiple vendors in their MA programs to promote competitive pricing. Since the Sheriff's contemporaneously established similar agreements with six other companies, it

appears the Department has a MA process that can be used to obtain favorable prices for the variety of helicopter parts and services the Aero Bureau requires.

Allegation 2: Aero Bureau personnel established bid requirements for [A-Star] helicopter completion services that eliminated competitors and favored Hangar One.

Findings

ISD Purchasing Procedure #M-1000 indicates that specifications for purchases are normally developed by the requisitioning department or "by those with specific expertise in the object(s) to be purchased." This Procedure also states, "Specifications should be written in a manner that describes the requirements in sufficient detail to ensure the functional requirements are met, without overly restricting competition."

As indicated above, the Sheriff's issued the helicopter completion services WOS on June 14, 2010. The WOS was provided to all 20 approved MA vendors. The WOS established minimum vendor requirements that included:

- Providing law enforcement-specific completion services to at least two new Eurocopter AS350 series helicopters within the previous three years.
- Certifying facility and staffing levels capable of processing, in various stages of completion, up to three AS350 helicopters simultaneously.
- Operating a licensed repair station located within the continental U.S., certified and approved by the Federal Aviation Administration (FAA).
- Providing contact information for references used to qualify for the above described minimum requirements, including tail numbers of qualifying aircraft.

According to Witness-1 and Witness-2, the engineering of helicopter construction and operation can vary greatly from manufacturer to manufacturer, and equipping a helicopter for law enforcement deployment can be substantially different than requirements for other deployments, such as media, medical, and industrial uses. Helicopter experts we interviewed from the Anaheim and Ontario Police Departments shared similar comments with OCI Investigators about the unique complexities of law enforcement completion services. Therefore, it is prudent that the County required a responsive vendor to demonstrate recent experience with law enforcement completion services for the specific Eurocopter model. Having a licensed facility within the continental U.S. is a practical step in support of the technical competence of the vendor, and to enable the aircraft to be economically transported between the manufacturer, the completion services vendor, and ultimately to the Sheriff's.

We noted that the scope of work within the WOS for the A-Star patrol helicopters contained 22 pages of detailed equipment and components often identified by name,

model number and technical specifications, accompanied by precise requirements for how and where each component was to be installed, and timelines for completion of each aircraft. Witnesses 1 and 2, and Subject-1, told OCI Investigators that the package of avionics equipment and accessories within the Sheriff's solicitation were identified through a round table process within the Aero Bureau, and based upon research among other law enforcement agencies, industry experts, and the specialized needs of law enforcement air patrol within the greater Los Angeles area.

Witnesses 1 and 2 described the lengthy committee process to develop a model arrangement of avionics for the A-Stars, and the subdivision of the committee's responsibilities among those with helicopter piloting equipment expertise and those with avionics expertise. The process was intended to ensure thorough vetting of technologies to maximize the effectiveness of each aircraft. Witnesses 1 and 2 stated that multiple iterations of the Committee's proposed aircraft specifications were regularly discussed among Aero Bureau staff, shared by e-mail, and twice were conspicuously posted within the Aero Bureau to encourage comments from Bureau staff. In addition, the bid specifications were provided to ISD and to the CEO for review.

We found that five vendors responded to the WOS, including one firm that submitted two bids. Aero Bureau staff, in collaboration with Sheriff's Contracts Development Division (CDD) staff, conducted the initial bid screening process.

- One of the bidders was Eurocopter, the manufacturer of the helicopters purchased by the Sheriff's. Eurocopter submitted a courtesy response indicated it was not interested in bidding on the completion services. As a manufacturer of new helicopters, Eurocopter's manufacturing facility is not structured to be easily retooled to provide custom completion services utilizing after-market vendor components. Eurocopter also did not believe it could meet the timelines established within the WOS.

- Two vendors, representing three bids, did not pass the initial bid screening process. The Sheriff's rejected these three bids because the vendors could not meet the established performance timelines, they deviated from required equipment specifications, and/or they did not have the requisite experience performing law enforcement completion services on Eurocopter aircraft.

- The specificity of the scope of work resulted in relatively homogeneous bids among the two remaining vendors, and essentially no variation in relevant bid details except price.

We reviewed the Sheriff's final bid evaluation documentation prepared by the Sheriff's CDD. CDD staff selected the winning bid based upon the pre-established solicitation evaluation criteria of the lowest firm fixed price responsive and responsible bid. According to CDD management, responsive bids are those that comply with all avionic component, timeline, and service requirements within the solicitation, and responsible bids are those from a vendor that meets or exceeds prescribed facility requirements and

demonstrates experience performing similar law enforcement completion services on Eurocopter aircraft.

Conclusion

The allegation that Aero Bureau staff structured bidder qualifications for helicopter completion services to favor a particular vendor is not substantiated. The extent of the detailed specifications for the desired services, along with the requirement of a firm fixed price, meant that vendors primarily competed based on lowest price. There was essentially no opportunity to bias the pre-established bid evaluation procedures, and Sheriff's CDD, not Aero Bureau staff, performed the final bid evaluation and vendor selection process.

The minimum vendor requirements established within the WOS were appropriate given the scope and cost of the services being purchased, and to ensure the selected vendor had the capacity and experience to effectively deliver the required services. We found no evidence that the detailed specifications within the WOS in any way favored a particular vendor.

Purchasing Improprieties – Allegations 3, 4, 5, 6, and 7

Allegation 3: Aero Bureau personnel purchased equipment from Hangar One that was not directly related to the helicopter acquisition, and these purchases were not disclosed separately.

Allegation 4: Aero Bureau personnel bypassed purchasing protocols. Some items purchased from Hangar One, if purchased separately, would have exceeded Board approval limits. Also, Hangar One overcharged for equipment that could have been purchased directly from manufacturers or using federally negotiated pricing.

Allegation 5: Aero Bureau personnel ordered excessive quantities of many items from Hangar One and some prices were artificially inflated.

Findings

An informant alleged that the completion services contract was used to purchase from Hangar One more than 20 pieces of equipment that allegedly are "not considered part of the helicopter installation" or were "extra" pieces of equipment not actually installed on the helicopters. The informant further alleged that the purchased items were identified on the solicitation specifications as "other equipment" rather than being distinctly disclosed among the list of items purchased.

The capital assets included within the completion services solicitation were individually listed in the 22 page specifications attached to the approved Board letter. The quantity of capital assets purchased can be matched to the number of aircraft upon which the

assets will be installed, or as applicable, can be matched to the number of seats on each aircraft. With respect to the purchase prices, these prices vary considerably based upon the unique features of the particular asset purchased.

Allegedly, a few of these items fall under the guidelines of capital purchases, requiring Board approval. The following are the examples the informant provided, accompanied by our analysis about the reasoning for bundling the purchase of each component with the completion services:

- Night vision goggles (NVG) – NVG are a relatively delicate piece of equipment that are adjusted to the user's personal fit and visual acuity. These individualized adjustments do not readily lend themselves to sharing of NVG among deputies. Regular readjustment of shared NVG heightens the potential for their damage. In addition, NVGs must be re-inspected and recertified every six months, a process that can consume up to two months. The number of NVG purchased is more conducive to the reality that the NVG will be unavailable for several months each year while being recertified. Finally, the avionics within each helicopter cockpit are all NVG compatible and integrated, necessitating the availability of NVG for all deputies working in the aircraft.

- David Clark headsets (aviation communication headsets) – Headsets are purchased for each deputy and other staff, with the intention of a headset for each seat available in each aircraft. Headsets were also purchased for mechanics and avionic technicians. In addition to providing noise protection to the wearer's ears, the headsets allow for communication between flight staff and the Aero Bureau's control center while the aircraft engine is operating, and allow communication with a mechanic standing outside with his headset plugged into modular headset ports mounted on the exterior of each A-Star. The exterior headset ports are particularly useful for mechanics standing on the tarmac diagnosing an aircraft problem while communicating with flight crews sitting inside the aircraft while the engine is running. The headset wiring and functionality was custom designed as an integrated component of the aircraft avionics.

- Over water safety gear – Existing water safety gear was designed to keep the helicopter afloat in the event of a water landing. The purchased gear is designed to provide individual flotation capability for each of the occupants of the helicopter, and is worn by all crew assigned patrol duties over water and/or over Catalina Island. There are four helicopters that rotate among over water patrol duties, and five seats on each aircraft, thus the purchase of 20 sets of over water safety gear.

- Scanners – The scanners, like other equipment, are used within the aircraft to monitor public safety radio frequencies. The scanners also advance the capabilities of the Sheriff's to be able to monitor frequencies of other entities during mutual aid circumstances such as fleeing suspects who cross into Los Angeles County from adjacent jurisdictional boundaries.

- Searchlights – The searchlight capabilities included with the aircraft have maneuverability and technological features reflecting best practices in law enforcement. As noted for each of the components above, the searchlights are installed in an integrated fashion to work seamlessly with the fit and function of complementary aircraft technologies such as infrared cameras and mapping capabilities. Searchlights and mapping technologies can follow or "track" with the focal point of the infrared cameras. The searchlights also incorporate lenses that block white light otherwise visible to the naked eye, and thus only individuals equipped with NVG can see an illuminated suspect or subject. This allows for the monitoring of a subject from over a mile in the air without his/her awareness, and the ability of Aero Bureau deputies to more effectively support and direct patrol deputies on the ground. The white light filter provides a strategic advantage for law enforcement and increases patrol deputy safety.

- Thermal Imagers – The informant's sample listing of extraneous items included two pieces of equipment that he claimed exceeded $250,000 per item, which would necessitate Board approval. These pieces of equipment include a FLIR Ultra 9500 (now known as a Safire 230) thermal imager that the informant priced at $356,775, and a FLIR Star Safire (now known as a Star Safire 380) thermal imager priced at $749,816. These two pieces of equipment were intended for purchase from Sheriff's General Funds resulting from the sales proceeds of the older helicopter fleet being replaced. The equipment was to be installed on the 13th and 14th helicopters purchased. The Sheriff's did not realize sufficient proceeds from the sale of the old aircraft, and thus did not purchase the 13th and 14th helicopters or the thermal imagers noted by the informant. Irrespective of the actual purchase of these thermal imagers, each was individually identified in the documentation provided in support of the Board agenda item that was approved.

In addition to the specific equipment identified by the informant, he also highlighted "extra" or "other" equipment not installed on the aircraft that he believes could have been purchased separately at lower cost. It is possible to purchase components from other vendors and possibly at lower cost. However, the bundling of these items which are not actually attached to the aircraft supports the prudent concept of single vendor accountable for the fit and function of every item purchased upon the aircraft's delivery, whether that item is attached to the aircraft or not.

As noted above, all proposed equipment was reviewed and approved by both ISD and the CEO prior to the release of the WOS. The ancillary equipment components purchased from Hangar One could have been purchased from other vendors and/or using federal pricing guidelines, possibly at lower cost, and those ancillary components could have then been provided to the completion services vendor for installation. However, purchasing components from one vendor and having them installed by the completion services vendor creates the potential for disputes between the County, the accessory vendor, the component manufacturer, and the installer concerning equipment compatibility and who is responsible for accessories that do not function properly.

Bundling the purchase of ancillary equipment components within the completion services agreement ensures accountability exclusive to a single vendor for the proper installation and seamless interoperability of equipment components and accessories. Component parts, such as radios within new flight helmets, can be custom-engineered to fit the helmets and work with equipment installed on the helicopter. Interoperability is critical for components such as mapping technologies that can be integrated to overlay infrared camera displays. From a basic efficiency perspective, bundling also eliminates the redundancies inherent in competitive solicitations among many vendors and the resulting need for repetitive receiving, warehousing, transportation, and payment processes.

The informant alleged some of the component equipment was not needed because existing equipment, such as flight helmets, was meeting the Aero Bureau's needs. According to Aero Bureau deputies, the newer helmets and NVG provide superior performance, and are also substantially lighter than the older equipment, reducing head and neck fatigue among Aero Bureau deputies. The existing helmets become worn from the effects of years of use and sweat, and are not readily adaptable to modern avionics. Other equipment, such as helicopter ground transport lift devices and fire suppression devices, are custom-engineered for the unique fit and function of the Eurocopter AS350. According to Aero Bureau staff and Sheriff's CDD managers, interoperability and singular vendor accountability are the primary reasons that bundling of equipment was recommended by the department, and supported by the CEO.

Some of the "extra" or "other" items purchased include spare parts for routine service by Aero Bureau maintenance staff, and A-Star specialty tools and logistical equipment essential for any entity upon its initial ownership of a helicopter. The spare parts, tools, and equipment are not transferrable from one manufacturer to another, which is analogous to car parts not generally being transferrable among different manufacturers. In fact, using parts that are not manufacturer approved original equipment can compromise FAA rules and render the aircraft unsafe. The "other" items purchased result in the Aero Bureau's mechanical personnel having the rudimentary elements of a functioning A-Star repair capability ready to provide service upon receipt of the first aircraft.

Conclusion

The allegation that Sheriff's personnel purchased equipment from Hangar One that was not directly related to the helicopter acquisition, and that these purchases were not disclosed, is not substantiated.

The Sheriff's bundling of the purchase package provided sufficient disclosure to the Board and to the CEO of the component parts and pricing within a single source document. The package was reviewed by ISD, the CEO, and Board staff before it was approved as a Board agenda item.

The allegation that Aero Bureau staff bundled equipment and accessories that could have been acquired at lower cost if purchased separately or using federal pricing guidelines fails to consider the subsequent higher cost consequences of purchases made separately. The bundling of equipment and accessories was a prudent strategy to ensure equipment compatibility, and to ensure the completion services vendor was exclusively responsible for repairing or replacing any component that did not meet the detailed operational standards described within the solicitation. While the opportunity existed to obtain some accessory items at lower cost if purchased separately, it is not practical given the interdependencies of each component among the overall purchase to determine what the cost of these components would have been from Hangar One if purchased separately. In addition, Hangar One's bid was strategically structured for competitive pricing, which does not avail itself to isolating component pricing and the unknown collateral effect of one component's pricing on the pricing of other components or labor pricing.

The "ancillary", "other", or "extra" equipment included with the overall helicopter transaction was disclosed, and are reasonably essential parts of the helicopter purchase to ensure a single source of accountability for the purchase, a ready mix of basic maintenance and repair tools and parts, and ancillary equipment to support aircraft avionics interoperability and the safety of aircraft occupants.

Allegation 6: Many items purchased under the Hangar One contract should have been purchased under a separate budget.

Findings

An informant identified specific items, as listed below, that were among the items to be purchased from Hangar One as part of the helicopter completion services contract, but that the informant alleges the Aero Bureau should have purchased from an unspecified "separate account" and/or should "come from a different budget". The informant did not provide any further details, such as which account(s) or budget(s) should fund the purchase of these items.

According to the WOS, the following items were among the equipment to be furnished by the selected vendor as "standard cabin equipment" in the aircraft:

- NVG, 42 pairs (three pairs for each of 14 aircraft)
- Over water survival gear, 20 sets (five sets for each of the four flotation-equipped aircraft)
- Air crew survival kits, 14 kits (one for each aircraft)

We reviewed the Aero Bureau's eCAPS expenditure activity codes and noted that in fiscal year 2009-10, the Bureau recorded a purchase of 11 sets of NVG using the activity code "BA#373". Witness-3 told us that this was a special one-time fund that consisted of narcotics forfeiture monies. Narcotic forfeiture funds were the only resource we could identify that potentially were the informant's source of concern.

Forfeiture monies result from the liquidation of assets seized by law enforcement generally during search and arrest operations of suspects believed to be involved in the trafficking or illicit sale of items such as narcotics, firearms, or stolen vehicles. Federal and State laws allow, within specified legal parameters, for law enforcement to confiscate cash and sell assets seized from suspects. The proceeds from the cash and asset seizures are to be used to further the law enforcement mission of the agency, but are not specifically identified for a particular purchase or commodity.

A distinct accounting process is generally used for narcotic forfeiture proceeds to ensure appropriate record-keeping of fund expenditures in compliance with State and/or Federal audit requirements. Though NVG may have been purchased previously from narcotic forfeiture funds, there is no requirement that NVG, over water gear, or air crew survival kits must be purchased using these same funds.

The helicopters, completion services, and related purchases were acquired through a combination of General Fund monies and Los Angeles County – Capital Asset Leasing (LAC-CAL) financing. LAC-CAL is a means of financing equipment purchases with the proceeds of revenue bonds. LAC-CAL acquires the equipment and leases it to the County. The County receives the equipment and makes lease payments to LAC-CAL. When all lease payments have been satisfied, title to the equipment transfers from LAC-CAL to the County. The Sheriff's lease payments to LAC-CAL act as a method of spreading the cost of a long-lived asset such as a helicopter over additional years of the helicopters' useful life rather than incurring a large expenditure all within the year of the purchase.

Conclusion

The allegation that many items purchased under the Hangar One contract should have been purchased under a separate budget is not substantiated. The informant provided no additional information about a particular budget unit, and we find nothing in the County's budget process that restricts any of the expenditure activity of the helicopter and/or completion services to a particular budget unit. A prior purchase of NVG was made using narcotic forfeiture funds, but there is no requirement that these funds are the exclusive source for NVG or any other item purchased.

Allegation 7: Aero Bureau personnel purchased $300 flight jackets from Hangar One for all staff that do not meet uniform standards because they are not fire-resistant.

Findings

The Sheriff's Manual of Policies and Procedures (MPP), Volume 3, Chapter 3 (Uniform and Safety Equipment) states that the Department has two authorized uniforms (Classes A and B), and staff with certain specialized duties, including pilots and observers, are deemed to have special uniform and safety equipment needs. MPP § 3-03/070.25 indicates the acceptable special safety clothing for Aero Bureau staff is the

flight suit, but this section does not specify the suit should be fire-resistant. The MPP further indicates field or foul weather jackets and rain wear are optional items, and that any item identified as "optional" shall be purchased at the employee's expense.

The Aero Bureau Manual (Manual) § 3/050.00, *Uniforms and Safety Equipment*, specifies that all pilots, tactical flight deputies, and flight crew members shall wear fire-resistant Nomex material flight suits on all helicopter flights. Also, the Manual states sworn staff are authorized to wear three specific types of jackets: a green Nomex jacket, a dark brown leather jacket, or a Bureau issued green foul weather jacket.

The informant did not provide any details regarding the alleged jacket purchase, such as when the purchase occurred, what type of jackets, etc. We reviewed Aero Bureau eCAPS expenditure records beginning with fiscal year 2009-10 through May 2012 and noted three purchases of jackets. Aero Bureau staff provided us with copies of the related purchase orders, and we found that two purchases were for Nomex flight jackets, which are fire-resistant. These jackets cost approximately $342 each. The third purchase was for green Blackhawk "cold weather jackets" with fleece liners, purchased from Quartermaster Uniform Manufacturing Company (Quartermaster) for a total of $9,962 ($203 each), in January 2011. We did not find any purchases of flight jackets from Hangar One in the periods reviewed.

According to an unsigned justification statement attached to the purchase order, the Aero Bureau purchased the Blackhawk jackets as "safety equipment" to be issued to staff as an outer clothing layer for use in inclement weather to keep staff "dry and comfortable", and to keep the Nomex flight suits dry. The justification also indicates these specific jackets were superior to other brands because they are reinforced in areas where the helicopter's safety straps rest and have other features allowing them to be worn in flight.

We spoke to a Quartermaster representative who told us the Blackhawk jackets are not fire-resistant. Several Aero Bureau staff told OCI Investigators that the Blackhawk jackets are not worn in flight as they would melt if exposed to fire. The Aero Bureau staff stated that Nomex flight jackets, not the Blackhawk jackets, are worn over the Nomex flight suits for safety and warmth inside the aircraft. They told us that since the Nomex material readily absorbs water and does not dry quickly, the Blackhawk jackets were purchased with the intent that they be worn over the Nomex clothing while personnel are preparing the helicopters and conducting pre-flight inspections during rainy weather.

The use of the water resistant Blackhawk jackets only for protection from inclement weather conflicts with the Sheriff's justification that the jackets are "safety equipment." In addition, there does not appear to be linkage with the Sheriff's additional justification that the Blackhawk jackets are reinforced in areas where helicopter safety straps rest because the straps are irrelevant to the justification if the Blackhawks are not worn in flight.

Conclusion

The allegation that Aero Bureau personnel purchased $300 flight jackets from Hangar One for all staff that do not meet uniform standards because they are not fire-resistant is not substantiated. Our review of Aero Bureau expenditures revealed two purchases of Nomex flight jackets (each jacket costs approximately $342) and one purchase of cold weather jackets (each jacket costs approximately $203). None of these purchases were from Hangar One.

The Nomex flight jackets are fire resistant and as such, they meet the Aero Bureau's uniform and safety requirements. The green Blackhawk cold weather jackets are not fire-resistant. However, according to the Manual, they are one of three jackets sworn Aero Bureau personnel are authorized to wear on duty.

Based on the features and usage of the Blackhawk jackets, the prior purchases of jackets pre-defined as meeting safety standards, and the specific definition of "optional" clothing in the Sheriff's MPP, we question whether the Blackhawk jackets are safety equipment. Although the Blackhawk jackets were characterized as "safety equipment" in the purchase justification, they are not fire-resistant, are not intended to be worn in flight, and offer the wearer comfort from cold and rain rather than safety protection. Therefore, the jackets are more accurately classified as foul weather clothing or rain wear which, according to the MPP, are optional clothing items that should have been purchased by the Aero Bureau employees at their own expense.

Recommendation

4. **Sheriff's management review and evaluate the Aero Bureau's uniform and safety equipment requirements, and applicable union collective bargaining agreements, to clarify when it is appropriate to purchase jackets for inclement weather.**

Overcharging – Allegations 8 and 9

Allegation 8: Hangar One charged $350,000 per helicopter for labor alone. This cost is unreasonable and excessive.

Findings

An informant alleged that the labor component of the completion services was too high. The informant admitted during an interview with Sheriff's Internal Criminal Investigations Bureau (ICIB) that he based his opinion upon comments made to him by a relatively small local aircraft service vendor who believed his labor rates were substantially lower. The local vendor is not a participant in the MA process, and likely did not have the facility capacity or the specified experience necessary to rapidly equip at least 12 helicopters for law enforcement use, including the ability to work as described within the WOS on three helicopters simultaneously.

We contacted the police departments in the cities of Anaheim and Ontario seeking their individual assessment of the reasonableness of Hangar One's labor component of their completion services bid. Anaheim and Ontario had each recently completed the purchase, equipping, and deployment of an A-Star helicopter. Prior to deployment of their helicopters, each city used in-house technicians to perform extensive completion services for approximately a year. Both cities informed OCI Investigators of their belief that the amount of labor Hangar One used was reasonable given the customization, timeframes, and technical sophistication involved in the completion work. In addition, our contact with the City of Anaheim stated that he would not feel safe in a helicopter that did not have an amount of completion services labor reasonably similar to the labor Hangar One dedicated to each of the Sheriff's A-Stars.

The completion services solicitation process required all vendors to submit firm and fixed pricing for the term of the Work Order. Bid pricing was based upon the total cost to complete the specified work, and not solely upon labor rates. Although vendors submitted bids with varying levels of detail about their labor and equipment rates, these details were not germane given the County's bid evaluation structure which focused on bottom-line firm fixed pricing.

Vendors could strategically adjust profit margins among components of labor and equipment, which renders attempts to isolate and compare labor rates somewhat irrelevant given the County's bottom-line pricing evaluation criteria. The specificity of the County's WOS, and the criteria of the County's bid evaluation process, meant that each vendor competed for the work on an effectively level playing field.

Conclusion

The allegation that completion services labor rates were too high is not substantiated. The competitive marketplace encourages vendors to constrain their prices or risk losing business. The police departments of the cities of Anaheim and Ontario each recently completed deployment of A-Star helicopters, and each city believed the amount of labor dedicated to the Sheriff's A-Star completion services was reasonable. In addition, vendors may have structured their bids among labor and materials seeking a strategic pricing advantage. Thus, regardless of the labor pricing or volume, bids were evaluated based upon bottom-line pricing that rendered isolation and analysis of the labor component of a vendor's bid effectively irrelevant.

Allegation 9: Hangar One assessed after-market charges for airframe and engine installation, which is usually completed by the manufacturer. Some of the installations are structural and require certain expertise.

Findings

According to an allegation letter prepared by one of the informants, Hangar One's completion services included equipment installation charges that involve each helicopter's airframe and engine which the informant believes is "unusual" for an

avionics shop. As noted above in our discussion of qualification for the completion services, Hangar One met the RFSQ's experience requirements and the more stringent MA WOS requirements, including FAA certification and demonstrated experience preparing Eurocopters for the rigors of law enforcement deployment. We find no reason to question Hangar One's qualifications to work on the aircraft.

The informant listed 28 components which he did not believe Hangar One was qualified to install, or that should have been standard equipment or installed at the Eurocopter manufacturing facility. The components included 14 pieces of equipment, 7 forms of lighting, and 7 pieces indicated as "Misc. Equipment."

We discussed the concerns over components with Aero Bureau staff, including mechanical staff, reviewed the Sheriff's ICIB documentation, and reviewed technical specifications available from Eurocopter's website. The components in question were included as part of the completion services because of lower after-market costs, to enhance engine performance and/or lower future maintenance due to excessive wear on the engine, and/or to coordinate the fit, interoperability, placement, and wiring designs of each component. We provide, below, discussion of a sampling of components which are generally reflective of the entire list of components identified by the informant:

- Windshields ($59,232) – Factory installed windshields are of a lower quality softer material and thus have a tendency to become pitted and obscured relatively quickly due to debris strikes. After-market windshields have a substantially longer useful life, thus reducing the cost and frequency of an aircraft being taken off-line for windshield replacement.

- Fuel pumps ($106,606) – As part of its planning for completion services, the Aero Bureau identified the relatively limited lifespan, foreign manufacturing, and unreliability of the A-Stars' factory installed fuel pumps. Therefore, the Aero Bureau included replacement of the factory installed fuel pumps as part of the completion services. The replacement fuel pumps are external to the 140 gallon fuel tank thus making access and maintenance easier, are manufactured in the U.S. which expedites acquisition of parts or replacements, but most importantly they provide longer life and greater reliability which enhances safety of occupants and the public.

- Aerospace Engine Air Filters ($326,353) – After-market air filtration provides finer particulate screening in order to protect precisely engineered turbine blades from damage. The greater filtration is a prudent step to avoid degraded engine performance and costly future repairs and aircraft downtime.

- Wire Strike Kits ($230,106) – Wire strike kits are mounted above or near the cockpit bubble, and designed to cut a wire during low altitude flight before the wire can become entangled in a helicopter's rotor system. Wire strike kits were included as part of the completion services because they are available at lower cost than similar factory installed kits. One of the informants believed the helicopters should have

come from the factor equipped with wire strike kits due to safety concerns. The Sheriff's considered the flight from the manufacturer in Texas to California to be of almost no risk of wire strikes because the flights occurred at higher altitudes.

- Air Conditioning ($263,848) – Air conditioning is not part of Eurocopter's baseline components for the A-Star. It was included as part of the completion services package to obtain a lower cost, and so the vendor could design air ducts and air conditioning controls to precise specification, and to ensure coordination with the many other components and wiring paths within the relatively crowded cockpit.

Conclusion

The allegation that Hangar One assessed after-market charges for installation work "usually" completed by the manufacturer is not substantiated. In addition, we find no substance to the informant's belief that Hangar One did not have the expertise to perform the installations. The work performed was detailed within the specifications provided by the Sheriff's, and was appropriate to ensure precise coordination of the installation design and wiring pathways, and to ensure interoperability of each component to the final fit and function of the Sheriff's pilots. In addition, many of the components were of higher quality and/or lower cost than standard components available from Eurocopter.

5. Potential Conflict of Interest between a Vendor and Two Sheriff's Personnel

Allegations 10 and 11

Allegation 10: Subject-1 assumed command of the Aero Bureau at about the same time Hangar One became a company. Subject-1 flew to Hangar One with old flight suits and returned with new flight suits. The informant indicated that Hangar One's exchange of new flight suits for old suits was a "quid pro quo" transaction pending the contract for helicopter completion services.

Findings

Using CWTAPPS, LexisNexis, and the Internet, we compared background and potential related information for Subject-1 with Hangar One corporate officer and employee information. We found no connection between Subject-1 or his immediate family and officers and employees of Hangar One. Subject-1 emphatically denied to OCI Investigators that he had any personal or financial linkage to Hangar One or any of its employees.

According to LexisNexis, Hangar One Avionics (also known as Hangar One, Inc., and Hangar One of California, Inc.) was incorporated on October 2, 2007, and is a division of Schubach Aviation. Based on the ICIB interview of Subject-1, he transferred to the Aero Bureau in March 2008, and became the Unit Commander in April 2009. The

timing of Subject-1's transfer to the Aero Bureau, and the development of Hangar One as a corporate division within the existing Schuback Aviation, Inc. prior to Subject-1's arrival, is inconsistent with any coincidental suspicion the informant attempts to infer.

The Sheriff's ICIB report documents investigative interviews with various Sheriff's employees. The ICIB report describes that Subject-1 and an Aero Bureau Deputy flew to Hangar One at the McClellan-Palomar Airport in Carlsbad to check on the completion of the first helicopter. During this trip, they travelled in a loaner vehicle provided by the San Diego Sheriff's Department to Gibson & Barnes Premier Outfitters (G&B), a flight gear manufacturer and retailer, to exchange some new flight suits for other new flight suits of different sizes. G&B is a specialty manufacturer of made-to-order flight apparel, and is located in El Cajon, California, about an hour drive from Hangar One's location in Carlsbad, California.

Per Subject-1's statements to ICIB, he spoke with Amy Buchanan at G&B. The lead ICIB investigator confirmed with Ms. Buchanan that new flight suits were evenly exchanged for different size suits. OCI Investigators spoke with Ms. Buchanan, who confirmed the even exchange of the flight suits.

Conclusion

The informant's inference that Subject-1 has some sort of conflict of interest with Hangar One is not substantiated. The allegation that Hangar One provided flight suits to Subject-1 as a form of quid pro quo exchange for his influence in the helicopter completion services bid process is not substantiated. Hangar One did not provide flight suits, and the suits Subject-1 took with him when he visited Hangar One were evenly exchanged for different sizes at G&B, a flight gear retailer unrelated to Hangar One.

Allegation 11: An informant believes Subject-2 has a "relationship" with Hangar One.

Findings

The informant did not provide specific details concerning this allegation, such as whether the alleged relationship is financial, familial, or merely social. We compared background and potential relative information concerning Subject-2 with CWTAPPS and LexisNexis, and with corporate officer and employee information on Hangar One from LexisNexis and the Internet. We found no indication of any connection between Subject-2 or his immediate family with officers or employees of Hangar One.

We reviewed the ICIB interview of Subject-2, and conducted a clarifying interview with him. Subject-2 denied any relationship or familial linkage to Hangar One. As described previously in this report, the selection of Hangar One as the winning bidder for the completion services contract was not made by Subject-2 or any other Aero Bureau employee.

Conclusion

The allegation that Subject-2 has a relationship with Hangar One is not substantiated. Subject-2 denied to OCI Investigators, and separately to ICIB Investigators, that he or his family had any personal relationship with anyone at Hangar One. In addition, there was no indication from resources we reviewed that Subject-2 had any personal association or financial interest with Hangar One.

REVIEW OF ALLEGATIONS DESCRIBED IN THE SHERIFF'S INTERNAL REPORT

The following table summarizes the 11 allegations identified from the Sheriff's Department (Sheriff's) internal report and/or from media reports, including the allegation category, allegation description, and investigative conclusions.

Summary of Allegations and Investigation Conclusions				
#	**Category**	**Page**	**Allegation**	**Conclusion**
1	Contracting Impropriety	7	The Sheriff's established an agreement vendor contract with Hangar One a year before the helicopter completion contract was awarded. This is questionable because the Sheriff's has full-time avionics staff who can purchase avionic parts and accessories directly.	Not substantiated. The Master Agreement (MA) process in use by the Sheriff's creates a competitive bid environment for qualified vendors.
2	Contracting Impropriety – Bid-rigging	10	Aero Bureau personnel established bid requirements for [A-Star] helicopter completion services that eliminated competitors and favored Hangar One.	Not substantiated. Completion service requirements were established in a reasonably transparent environment based on mission-critical functionality.
3	Purchasing Impropriety	12	Aero Bureau personnel purchased equipment from Hangar One that was not directly related to the helicopter acquisition, and these purchases were not disclosed separately.	Not substantiated. All equipment was disclosed, including extra parts and specialty tools necessary to prepare the Aero Bureau maintenance shop to maintain the new A-Stars.
4	Purchasing Impropriety	12	Aero Bureau personnel bypassed purchasing protocols. Some items purchased from Hangar One, if purchased separately, would have exceeded Board approval limits. Also, Hangar One overcharged for equipment that could have been purchased directly from manufacturers or using federally negotiated pricing.	Not substantiated. Equipment purchased was disclosed and approved as part of the package reviewed by the Internal Services Department, the Chief Executive Office, and the Board of Supervisors. Pricing was based on bottom-line evaluation, not federal pricing.
5	Purchasing Impropriety	12	Aero Bureau personnel ordered excessive quantities of many items from Hangar One and some prices were artificially inflated.	Not substantiated. See Allegation #3, above. Extra items were purchased to ready the Sheriff's maintenance shop for the new A-Stars. Prices were based on bottom-line pricing, not component pricing.

Summary of Allegations and Investigation Conclusions				
#	Category	Page	Allegation	Conclusion
6	Purchasing Impropriety	16	Many items purchased under the Hangar One contract should have been purchased under a separate budget.	Not substantiated. Purchases were made from either General Fund or LAC-CAL funding as disclosed in the Board of Supervisors letter.
7	Purchasing Impropriety	17	Aero Bureau personnel purchased $300 flight jackets from Hangar One for all staff that do not meet uniform standards because they are not fire-resistant.	We substantiated that the Aero Bureau did purchase two types of flight jackets. Jackets made of fire resistant Nomex fabric were purchased for in-flight use. "Blackhawk" style fleece lined water resistant jackets were purchased as top coats to keep the absorbent Nomex flight suits dry during inclement weather, but are not worn in flight because they would melt in the event of a fire. Both sets of jacket purchases were within the policy discretion of Sheriff's management, but may conflict with language pertaining to uniforms within the deputies' collective bargaining agreement.
8	Overcharging – Labor	19	Hangar One charged $350,000 per helicopter for labor alone. This cost is unreasonable and excessive.	Not substantiated. Based on comparable work performed by other law enforcement agencies, the $350,000 labor cost per aircraft appears reasonable, and is based on bottom-line fixed pricing.
9	Overcharging – Installation	20	Hangar One assessed after-market charges for airframe and engine installation, which is usually completed by the manufacturer. Some of the installations are structural and require certain expertise.	Not substantiated. All work performed was after-market customization to achieve mission critical functionality, and to realize cost savings compared to manufacturer provided components. Hangar One was qualified to perform the structural work.

Summary of Allegations and Investigation Conclusions				
#	Category	Page	Allegation	Conclusion
10	Conflict of Interest	22	Subject-1 assumed command of the Aero Bureau at about the same time Hangar One became a company. Subject-1 flew to Hangar One with old flight suits and returned with new flight suits. The informant indicated that Hangar One's exchange of new flight suits for old suits was a "quid pro quo" transaction pending the contract for helicopter completion services.	Not substantiated. Subject-1 assumed command of the Aero Bureau after Hangar One had become a MA vendor. Flight suits were exchanged by Subject-1 for different sizes from a vendor located nearby Hangar One's North San Diego County facility.
11	Conflict of Interest	23	An informant believes Subject-2 has a "relationship" with Hangar One.	Not substantiated. We found no linkage between Subject-2 and Hangar One.