


**TO:** Michael Brady  
General Counsel, Detroit Land Bank Authority

**FROM:** James W. Heath   
Inspector General

**DATE:** August 17, 2017

**RE:** ABC Demolition  
2017-CF-0039

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## **I. Introduction**

On May 25, 2017, the Office of Inspector General (OIG) received a complaint from Detroit Land Bank Authority (DLBA) General Counsel Michael Brady. Mr. Brady had concerns regarding photographic documentation submitted to the DLBA by one of its demolition contractors, ABC Demolition (ABC) purportedly showing undamaged sidewalks at 6333 Gladys and 6339 Gladys. DLBA policy requires that contractors present before and after sidewalk photographs to the DLBA once they have completed a project as proof that they did not damage, or that they repaired the sidewalk at a demolition site. DLBA employees presented strong evidence to the OIG that photographs submitted by ABC had been falsified.

## **II. Contract No. 3.8.16B**

On March 28, 2016, the DLBA contracted with ABC under Detroit Land Bank Authority Demolition of Residential Properties Agreement HHF-BID Group 3.8.16B (hereinafter referred to as Contract No. 3.8.16B) to demolish 134 properties including 6333 Gladys and 6339 Gladys.<sup>1</sup> The DLBA agreed to pay ABC up to \$1,404,900 for the complete and proper performance of the work as set forth in the Notice to Proceed Order on a cost reimbursement basis.<sup>2</sup> The contract indicated that the cost for 6333 Gladys and 6339 Gladys was \$9,300 each.<sup>3</sup>

DLBA's Request for Proposals (RFP) and executed contracts detail contractor requirements regarding sidewalks. Contract No. 3.8.16B and related RFP state that contractors are "required to take before and after photographs of sidewalks, drive approach, neighboring residences and/or structures, and all surrounding areas to document existing conditions."<sup>4</sup> The executed contract also states that ABC

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<sup>1</sup> This contract also included 6410 Morse, 6416 Morse, 4486 Casper, 4492 Casper, and 4787 Casper.

<sup>2</sup> Contract No. 3.8.16B, 5.01 Compensation, pg. 3.

<sup>3</sup> 6333 Gladys: dirt cost of \$500; grade cost of \$2,350; seed cost of \$309.53; demolition cost of \$6,140.47; total cost of \$9,300. 6339 Gladys: dirt cost of \$500; grade cost of \$2,350; seed cost of \$309.53; demolition cost of \$6,140.47; total cost of \$9,300.

<sup>4</sup> Request for Proposals for Structural Demolition of Residential Properties Group 3.8.16B- Demolition Only (134 properties), Section II(F): Contractual Requirements, pg. 21, dated March 8, 2016 and Detroit Land Bank Authority Demolition of Residential Properties Agreement HHF- Bid Group 3.8.16B Demo Only between DLBA and ABC Demolition, dated March 28, 2016, pg. 20.

shall make all efforts to protect sidewalks from damage. The Contractor shall be held responsible for the replacement of any sidewalks damaged during the project unless otherwise specified by the Owner. Photographic evidence of preexisting sidewalk damage will be required to waive the requirement of replacement.<sup>5</sup>

It further states that contractors must also “obtain all permits necessary to perform the work specified in the Request for Qualifications and assume any fees associated with doing so.”<sup>6</sup> “Failure to replace damaged sidewalk flags will delay processing of pay applications.”<sup>7</sup>

### **III. Discussion**

#### **A. Photographs of 6333 Gladys and 6339 Gladys**

DLBA requires that contractors replace sidewalks damaged during the demolition process prior to receiving final payment. On October 19, 2016, ABC submitted photographs for 6333 Gladys and 6339 Gladys to the DLBA which purported to show repaired sidewalk flags for these properties.<sup>8</sup> On April 12, 2017, a Michigan State Housing Development Authority (MSHDA) representative noticed that the photographs appeared questionable and contacted the DLBA. On that same day, the DLBA sent an employee to the location to determine if the photographs were an accurate depiction of the state of the properties. The DLBA employee observed that the sidewalk at 6333 Gladys had been replaced but the sidewalk at 6339 Gladys remained damaged. However, in both instances, the photographs submitted to the DLBA by ABC were not representative of the sidewalks bordering the properties in question. As a result, all ABC invoices were placed on hold and have not yet been paid.

#### **B. ABC Interview**

On June 29, 2017, the OIG interviewed ABC Vice President Donald Wortham. Mr. Wortham acknowledged that the DLBA requires specific documentation be submitted for payment when a property is demolished including invoices and photographs. He explained that he and his office manager, Lisy Ramos, are in charge of compiling these payment packages. However, he reviews all submissions before they are uploaded to the DLBA’s Dropbox system for reimbursement.

Mr. Wortham stated that ABC typically hires a subcontractor to repair sidewalks damaged during the demolition process. Either he or his brother, who also works for ABC, then inspects each property to verify that the work was completed and to take photographs which are submitted to the DLBA as a part of the required payment documentation. ABC does not pull permits for sidewalk repair.

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<sup>5</sup> Detroit Land Bank Authority Demolition of Residential Properties Agreement HHF- Bid Group 3.8.16B Demo Only between DLBA and ABC Demolition, dated March 28, 2016, pg. 22.

<sup>6</sup> Contract No. 3.8.16B, Section II: Contractual Requirements (A)(3), pg. 19.

<sup>7</sup> Contract No. 3.8.16B, Section VI: Site Finishing Part 6: Sidewalk Restoration, pg. 35.

<sup>8</sup> These photographs were labeled as “6333 Gladys Post Pic (ABC),” “6333 Gladys Sidewalk (ABC),” “6339 Gladys Sidewalk (ABC),” and “6339 Gladys Sidewalk 2 (ABC).”

Mr. Wortham was shown a copy of the following photographs which ABC submitted to the DLBA for payment:

- 6333 Gladys Post Pic (ABC)
- 6333 Gladys Sidewalk (ABC)
- 6339 Gladys Sidewalk (ABC)
- 6339 Gladys Sidewalk 2 (ABC)

He was also shown a copy of the photographs taken by the DLBA employee of the same properties. Mr. Wortham initially stated that he did not have an explanation for the discrepancies in the sidewalks between his photographs and those taken by the DLBA. He was then shown that the metadata contained in his photographs indicated that the pictures had been altered using Adobe Photoshop CS6 at the following dates and times:

| Photograph                   | Date       | Time     |
|------------------------------|------------|----------|
| 6333 Gladys Post Pic (ABC)   | 10/12/2016 | 11:59 PM |
| 6333 Gladys Sidewalk (ABC)   | 10/13/2016 | 12:00 AM |
| 6339 Gladys Sidewalk (ABC)   | 10/13/2016 | 12:01 AM |
| 6339 Gladys Sidewalk 2 (ABC) | 10/13/2016 | 12:01 AM |

After being shown this evidence, Mr. Wortham admitted that he altered the photographs. He stated that he did this because he was angry that the policy changed and that contractors no longer had the option of repairing damaged sidewalks but instead had to replace them. DLBA General Counsel Mike Brady explained that MSHDA was not satisfied with how some contractors were repairing sidewalks. MSHDA believed that the repairs were inadequate and at times presented a hazard to the public. MSHDA revised the contract language to say that all damaged sidewalks must be replaced. Contractors had to include the cost of any potential sidewalk repair into their bids and were not permitted to invoice an additional amount for sidewalk repair through change orders even though it was more expensive to replace a sidewalk as opposed to repairing it.

Mr. Wortham also stated that he had altered additional photographs. On June 30, 2017, he sent the following addresses of properties that he believed to have been photoshopped and submitted for payment:<sup>9</sup>

- 6410 Morse
- 6416 Morse
- 4486 Casper
- 4492 Casper
- 4787 Casper

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<sup>9</sup> On June 30, 2017, ABC Demolition Office Manager Lisy Ramos sent an email to the OIG on Mr. Wortham's behalf with a list of properties in which he had altered the sidewalks. The list also included 6333 Gladys and 6339 Gladys.

The OIG obtained the photographs submitted for payment by ABC from the DLBA for these properties. Upon review of these photographs, it was revealed that the metadata contained within each photo showed evidence of photoshopping for 4787 Casper and 4486 Casper only. Therefore, on July 11, 2017, the OIG went to each property to determine if the photographs were an accurate depiction of the sidewalks. An inspection of each property showed that the photograph for 4787 Casper was the only photograph that was photoshopped and submitted for payment.

An inspection of the other properties revealed the following information:

- **6410 Morse-** The photograph did not appear to be altered. Upon inspection, the sidewalk photograph submitted to the DLBA appeared to be an accurate depiction of the property.
- **6416 Morse-** The photograph did not appear to be altered. Upon inspection, the sidewalk photograph submitted to the DLBA appeared to be an accurate depiction of the property.
- **4486 Casper-** The sidewalk in the photograph did not appear to be altered. Upon inspection, the sidewalk photograph submitted to the DLBA appeared to be an accurate depiction of the property. A person who appeared in the photo submitted to the DLBA was blurred out but this was not a material alteration that would be considered fraudulent.
- **4492 Casper-** The photograph did not appear to be altered. Upon inspection, the sidewalk photograph submitted to the DLBA appeared to be an accurate depiction of the property.
- **4787 Casper-** This photograph was altered. Upon inspection, the sidewalk depicted in the photograph submitted to the DLBA clearly was not an accurate depiction of the sidewalk at the property on June 28, 2017 when the OIG inspected it. Though the sidewalk had been repaired, the new sidewalk flags did not match those depicted in the DLBA photograph that was submitted for payment.

The OIG then met with Mr. Wortham on July 17, 2017 due to the discrepancies between the information he provided and the evidence collected by the OIG. Mr. Wortham explained that he created altered photos for the above addresses but had second thoughts on submitting all of them because he knew it was wrong. Therefore, he submitted some photographs unaltered. He stated that for the properties he submitted altered photographs for he ultimately repaired.

#### **IV. Conclusion**

The OIG recommends ABC be sanctioned in accordance with DLBA policy. The DLBA should also determine if ABC has satisfactorily repaired the sidewalks at the properties in question and evaluate if payment is warranted at this time. Based on Mr. Wortham's admission, ABC knowingly submitted fraudulent documentation representing to the DLBA that all work had been completed on 6333 Gladys, 6339 Gladys, and 4787 Casper and that payment was appropriate when by its own admission the sidewalk replacement had not been completed until sometime after payment was requested. ABC acknowledged that it knew that completing the sidewalk replacement was a requirement and that its actions were inexcusable under any circumstances.

In recommending that ABC be sanctioned as opposed to having its contract discontinued, it is necessary to distinguish ABC's actions from that of a contractor in a previous case involving fraudulent photographs. Though it is troublesome that this case involved three altered photographs, ABC took responsibility for its actions and had repaired the sidewalks at 6333 Gladys and 4787 Casper prior to MSHDA discovering the altered photograph. Additionally, ABC repaired 6339 Gladys prior to the conclusion of this investigation. During the course of the OIG investigation, ABC admitted that the fraudulent photographs originated within its office and at no time suggested that it was done by someone outside to their control. ABC even admitted to altering photographs which were never submitted to the DLBA in an effort to fully disclose their actions. This stands in contrast to the other case involving multiple fraudulent photographs in which the contractor never took responsibility. Instead, the contractor provided the OIG with questionable documentation, which was later proven to not be what it purported to be, in an attempt to show that they were not responsible when all other evidence suggested otherwise.