




**CITY OF DETROIT  
OFFICE OF INSPECTOR GENERAL**

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Inspector General

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

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

**DATE:** May 1, 2017

**RE:** Rickman Enterprise Group  
2017-CF-0009

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**I. Introduction**

On December 2, 2016, 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, Rickman Enterprise Group (Rickman) purportedly showing an undamaged sidewalk at 134 W. Savannah. DLBA policy requires that contractors present before and after sidewalk photographs to DLBA once they have completed a project as proof that they did not damage, or had repaired, the sidewalk at a demolition site. DLBA employees presented evidence to the OIG that a photograph submitted by Rickman had been falsified.

**II. Contract No. 1.27.16B**

On February 25, 2016 the DLBA contracted with Rickman under Contract No. 1.27.16B to demolish 51 Neighborhood Stabilization Program 2 (NSP2) properties including 134 W. Savannah. The DLBA agreed to pay Rickman up to \$533,850 for the complete and proper performance of the work as set forth in the Scope of Services on a cost reimbursement basis.<sup>1</sup> The contract indicated that the cost for 134 W. Savannah was \$5,520.<sup>2</sup>

The contract states in part that

Contractors 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>3</sup>

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<sup>1</sup> Contract No. 1.27.16B, 5.01 Compensation, pg. 3.

<sup>2</sup> 134 W. Savannah: abatement cost of \$340; demolition cost of \$5,180, total cost of \$5,520.

<sup>3</sup> Contract No. 1.27.16B, Section III: Site Preparation (F), pg. 23.

It further states that contractors are required to “take before and after photographs of sidewalks, drive approaches, neighboring residences and/or structures, and all surrounding areas to document existing conditions.”<sup>4</sup> 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>5</sup>

### **III. Discussion**

#### **A. Photograph of 134 W. Savannah**

DLBA requires that contractors replace sidewalks damaged during the demolition process prior to receiving final payment.<sup>6</sup> On October 4, 2016, Rickman submitted a photograph labeled “Post Demo Photo 2 (sidewalk)” to the DLBA which it represented to be a photograph of repaired sidewalk flags for 134 W. Savannah. On December 2, 2016, DLBA Data Entry Clerk Paul Sanchez was examining the documentation submitted by Rickman for payment when he came to suspect that “Post Demo Photo 2 (sidewalk)” may have been altered. The photograph had two sidewalk flags that appeared to be identical and oversized.

Mr. Sanchez reported this issue to the DLBA demolition team. On December 2, 2016 a Detroit Building Authority (DBA) field liaison travelled to 134 W. Savannah and took a photograph of the sidewalk. Though the sidewalk was repaired, it is clear from the field liaison’s photograph that the picture supplied by Rickman was altered.

#### **B. Rickman Response**

##### **1) Rickman Interview**

On January 26, 2017, the OIG interviewed Rickman CEO Roderick Rickman and controller Phil Yoder. They stated that the DLBA requires that specific documentation be submitted for payment when a job is complete. They explained that the accounting department is responsible for assembling all required documents, including invoices and photographs. The accounting department then uploads the documentation to the DLBA’s Dropbox system.

Mr. Rickman acknowledged that contractors are required to replace all sidewalks damaged during demolition and that they must take before and after photos of the sidewalk to show the work was completed. He estimated that the average cost to replace a sidewalk is approximately \$1800. Mr. Rickman explained that the sidewalks were replaced either by Rickman or a subcontractor depending on weather conditions and the number of sidewalks in need of repair. Rickman employees are required to visually inspect and photograph all completed sidewalk replacements.

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<sup>4</sup> Contract No. 1.27.16B, Section II: Contractual Requirements (F), pg. 20.

<sup>5</sup> Contract No. 1.27.16B, Section II: Contractual Requirements (A)(3), pg. 19.

<sup>6</sup> DLBA Memorandum to Mike Brady, General Counsel, from Becki Camargo, Principal Attorney RE: Rickman Enterprise Group and 134 W. Savannah, dated December 2, 2016.

Mr. Rickman and Mr. Yoder were shown a copy of the "Post Demo Photo 2 (sidewalk)" as well as a copy of the photograph taken by the DBA field liaison of the same property. Both Mr. Rickman and Mr. Yoder stated that did not believe that the "Post Demo Photo 2 (sidewalk)" was altered. They stated that they believed the sidewalk flags in question were merely raised or elevated. However, Mr. Rickman and Mr. Yoder stated that they understood the OIG's concerns and would find out who took the photo.

## 2) Rickman Letters

On February 7, 2017, the OIG was contacted by Rickman attorney J. Christian Hauser who requested that all further communication be directed to him. The OIG explained the additional information it needed to conclude the investigation, which included the name of the person who took the "Post Demo Photo 2 (sidewalk)" and a copy of the sidewalk permit for 134 W. Savannah.

On March 1, 2017, the OIG received Mr. Hauser's response. It stated, in pertinent part, the following:

- Rickman conducted an internal review and found that the altered photograph was not a deliberate attempt to defraud or mislead the DLBA by manipulating photographs that are used to approve payment;
- All indications suggest that the doctored photograph in question was created by a Rickman employee as an "inside joke;"
- The same altered photograph was "inadvertently uploaded" to the DLBA;
- The photograph is clearly not intended to be an accurate representation of the sidewalk. In fact Rickman argues that the alterations are so poorly done that it would be absurd to think that this photograph is anything but a gimmick;
- As soon as it was realized that the wrong picture was uploaded to Dropbox it was immediately removed and replaced with the actual photograph showing the completed sidewalk in its current condition; and
- Rickman has made it very clear to its employees that this practice is totally unacceptable and that there is to be no digital altering of any photographs for any reason.

The letter was not fully responsive to the initial request. Further, the information provided by Rickman raised additional concerns that needed to be addressed before the investigation could be closed. On March 6, 2017, the OIG sent a letter to Mr. Hauser again requesting documentation related to the sidewalk repair at 134 W. Savannah including the sidewalk permit. The OIG also requested details concerning when Rickman employees realized that the wrong photograph had been uploaded to the DLBA, what actions they took to remedy this mistake, and a fuller description of the safeguards Rickman put in place to prevent similar issues from occurring.

On March 14, 2017, Mr. Hauser sent a letter to the OIG detailing Rickman's response. It stated, in pertinent part, the following:

- The sidewalk at 134 W. Savannah was repaired by Rickman on October 4, 2016. There was no sidewalk permit required at that time;
- On October 5, 2016, Rickman's project accountant inadvertently uploaded the wrong photograph of the sidewalk to the DLBA;
- On December 7, 2016, a DLBA employee contacted Rickman and requested that 134 W. Savannah be moved to its own invoice. While preparing this request, Rickman's project accountant noticed the altered photograph had been uploaded to the DLBA;
- On December 7, 2016, Rickman's project accountant removed the altered photograph and replaced it with a photograph showing the actual sidewalk repair. Rickman did not advise the DLBA that it had uploaded an altered photograph; and
- Rickman has implemented a series of quality control measures to ensure this situation is not repeated. It admonished all of its employees that this behavior is not acceptable; employees involved in preparing supporting documentation received training and were told that any violation of this policy would adversely impact employment; and all information uploaded is reviewed by a supervisory employee for correctness.

#### IV. Analysis

After reviewing all of the evidence, the OIG has determined that Rickman submitted fraudulent documentation as proof of work completed to receive federal funding. Additionally, Rickman was not forthcoming with the DLBA concerning its conduct.

In a memo to the OIG the DLBA stated that its policy is that all work, including sidewalk repair, must be completed prior to payment for the demolition.<sup>7</sup> The contract states that contractors are paid on a cost reimbursement basis for the "complete and proper performance of the work."<sup>8</sup> Rickman electronically submitted its invoice for 134 W. Savannah on August 25, 2016.<sup>9</sup> By submitting this invoice, Rickman represented to the DLBA that all work had been completed. However, the sidewalk was not repaired until October 2016, approximately 6 weeks after it submitted the invoice.

The DLBA suggested that Rickman did not include a photograph of a repaired sidewalk for 134 W. Savannah as a part of its August 25, 2016 invoice submission because at that time the Michigan State Housing Development Authority (MSHDA) was not examining damaged sidewalk photographs very closely. In early October 2016 MSHDA began placing greater emphasis on sidewalk replacement photographs. The DLBA communicated this change, as well as its own intention to more closely review the photographs, to Rickman and other demolition contractors. It was soon thereafter that Rickman uploaded the fraudulent photograph on October 4, 2016.

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<sup>7</sup> DLBA Memorandum to Mike Brady, General Counsel, from Becki Camargo, Principal Attorney RE: Rickman Enterprise Group and 134 W. Savannah, dated December 2, 2016.

<sup>8</sup> Contract No. 1.27.16B, 5. Compensation, 5.01 Compensation, pg. 3.

<sup>9</sup> Rickman's invoice is dated September 1, 2016 yet DLBA electronic data shows the invoice was actually submitted on August 25, 2016. When asked about the discrepancy, the DLBA stated "Contractors often try to put a date in that matches their own invoicing schema. Dates are often all over the place as they create documents that are months ahead of official submittal to the Landbank. I don't have an explanation to exactly why they used Sept. 1<sup>st</sup> 2016 as the submittal date."

There is reason to question Rickman's claim that it inadvertently uploaded the altered photograph. The day that Rickman uploaded the altered photograph, the photograph of the repaired sidewalk had not yet been taken. Therefore Rickman did not select the altered photograph over the accurate photograph. Electronic timestamps show that the altered photograph was uploaded on October 4, 2016, not October 5<sup>th</sup> as Rickman claims, and the unaltered photograph was taken on October 5, 2016 at 10:54 AM with an iPhone 6 Plus, one day after the altered photograph was uploaded. The unaltered photograph was uploaded to the DLBA on December 9, 2016. Rickman neither identified the employee who was responsible for uploading the photographs, nor the employee who altered it (if they are two different people), so it is not entirely clear why an altered photograph was used when Rickman completed the sidewalk replacement the following day. However, it is clear that Rickman had not completed the sidewalk when they invoiced the City of Detroit for this property.

Rickman told the OIG that it removed and replaced the altered photograph as soon as it realized that it had been posted. However, despite knowing that it had submitted a fraudulent photograph, Rickman did not notify the DLBA to allow it the opportunity to make any corrections or explanations which might have been warranted. This decision is especially troubling given DLBA's prior communication that MSHDA was placing increased emphasis on sidewalk photographs.

Finally, the OIG requested that Rickman provide the sidewalk permit for 134 W. Savannah. Rickman stated that no such permit existed because it was not required when it replaced the sidewalk. However, DBA Production and Quality Assurance Manager Tom Fett stated that sidewalk permits have always been required. This was supported by City of Detroit Department of Public Works, (DPW) City Engineering Division (CED) Construction Permit Coordinator Michael Twyman who stated that a permit is required for sidewalk repair or replacement. He stated that CED inspects the sidewalks prior to the concrete being poured to make sure the depth and compacted materials are within city code. Rickman's contract states that contractors must "obtain all permits necessary to perform the work specified in the Request for Qualifications and assume any fees associated with doing so."<sup>10</sup>

The DLBA stated that it does not confirm whether contractors pull permits for new sidewalks because this is a CED function. Mr. Twyman stated that if CED knew that a contractor had repaired a sidewalk without a permit on a demolition contract, they would contact the DLBA and DBA so they could take the appropriate action. Mr. Twyman could not recall any case where this occurred. The DLBA and DBA should coordinate their efforts with appropriate city departments to ensure that contractors obtain the proper repair and replacement permits.

## **V. Conclusion**

The OIG recommends Rickman be sanctioned in accordance with DLBA policy. The lack of procedural safeguards which allowed what Rickman described as an "inside joke" to result in a fraudulent submission as proof of work is troubling. It is also problematic that

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<sup>10</sup> Contract No. 1.27.16B, Section II: Contractual Requirements (A)(3), pg. 19.

Rickman submitted an invoice representing to the DLBA that all work had been completed on 134 W. Savannah and that payment was appropriate when by its own admission the sidewalk replacement had not been completed until approximately 6 weeks later. Rickman acknowledged that it knew that completing the sidewalk work was a requirement. This is supported by the plain language of the contract and DLBA's assurance that it informed contractors of the policy. Perhaps an employee's misguided joke and not a desire to cover-up uncompleted repairs was the reason for uploading the altered photograph. If the latter is true DLBA would have little recourse except to discontinue its relationship with the company. However, if the former is true, DLBA must still be concerned with the lack of controls which led to the premature invoice submission, the improper upload, and Rickman's failure to notify DLBA that a mistake occurred.

In recommending that Rickman be sanctioned as opposed to having its contract discontinued, it is necessary to distinguish Rickman's actions from that of a contractor in a previous case involving fraudulent photographs. During the course of the OIG investigation, Rickman admitted that the fraudulent photograph originated within its office and at no time suggested that it was done by someone outside of their control. Additionally, the DLBA only identified one photograph which they believed to be altered. 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.