

TO: Michael Brady
General Counsel, Detroit Land Bank Authority

FROM: James W. Heath
Inspector General *JWA*

DATE: August 14, 2017

RE: Professional Asbestos Services, Inc.
2017-CF-0017

I. Introduction

On February 8, 2017, the Office of Inspector General (OIG) received a complaint from Detroit Land Bank Authority (DLBA) General Counsel Michael Brady. Mr. Brady had several concerns regarding Professional Asbestos Services, Inc. (PASI).

- 1) 18 of 19 properties abated by PASI did not pass the post-abatement inspection and thus were not cleared for demolition;
- 2) Near duplicate abatement charges billed at different times for 4500 30th Street; and
- 3) Questionable invoicing practices that included a large number of change orders.

II. Background

On June 24, 2016, the DLBA contracted with Professional Asbestos Services, Inc. (PASI) under RFP AA5-26-16B to provide supervision, labor, material, and equipment for asbestos abatement and universal waste removal services from 68 Hardest Hit Fund (HHF) properties located within the city of Detroit. The DLBA agreed to pay PASI \$484,475 for the complete and proper performance of the work as set forth in the contract.¹

The Detroit Building Authority (DBA) serves as DLBA's program manager and oversees the demolition process, including but not limited to reviewing requests for proposals, recommending contract awards, ensuring applicable permits are obtained by contractors, confirming utility disconnects and environmental clean-up, ensuring demolition completion and clearance, and managing the performance of the contractors who are engaged by the DLBA to implement the annual demolition plan. According to DBA Deputy Director of Demolition Timothy Palazzolo, RFP AA5-26-16B was atypical because the DBA issued a bid contract solely for abatement work. Most RFP's required a bid inclusive of both abatement and demolition services. The abatement services only bid was done in an attempt to save money on administrative fees charged by the contractors.

¹ RFP AA5-26-16B, 5.01 Compensation, pg. 3.

III. Post-Abatement Inspection Failures

In November 2016 the DBA adopted a new policy requiring verification that abatement contractors had removed all asbestos containing material from each property. In furtherance of the policy, the DLBA contracted with Professional Service Industries, Inc. (PSI) to conduct post-abatement inspections and verifications on 68 locations including 19 properties that were contracted to PASI in June 2016 under RFP AA5-26-16B.² PSI's post-abatement inspections found that 18 of 19 properties abated by PASI still contained asbestos and thus were not cleared for demolition. The DLBA was concerned that PASI submitted inaccurate documentation stating that all asbestos containing material was removed from the 18 properties.

According to the PSI inspections, only one PASI property, 2944 Euclid, passed and was cleared for demolition. DLBA outlined the following breakdown of the other properties inspected by PSI.³

1. In fourteen (14) of the nineteen (19) cases (74%), PASI submitted affidavits, invoices, and supporting documentation that indicated they had abated all estimated quantities of reported asbestos containing materials and hazardous materials (if any). As the post-abatement inspection and verification reflects, this was not true, as fourteen (14) properties failed the inspection. Further, it was determined that PASI had not removed all reported estimated quantities of asbestos containing materials.
2. In four (4) of the nineteen (19) cases, PASI claimed they were unable to safely access the areas where the asbestos containing materials had been identified in the most recent asbestos surveys. However, the post-abatement inspection and verification revealed that only one (1) of the properties was unsafe to abate.⁴ In all four (4) cases, PASI submitted a change order deduct for the original bid less a \$750.00 fee citing mobilization costs. The change orders have not been approved.
3. PASI billed the DLBA \$119,400.00 in abatement cost for the nineteen (19) properties. To date the DLBA has paid \$83,150.00.

PASI President Danny Bennett, who oversees the company's day-to-day operations, disagreed with some of PSI's findings. He stated that in the past "asbestos contractors were

² The DLBA stated that the remaining 49 properties will be inspected at a later date.

³ It should be noted that PASI submitted affidavits, invoices, and supporting documentation for 13 of the 19 properties. However, in a phone conversation with Tammy Daniels on May 19, 2017, she indicated that the correct number is 14 of the 19 properties.

⁴ PSI found that 3220 Virginia Park was unsafe to enter.

allowed to leave category 2 non-friable asbestos tile and flashing in homes during demolition if the material was in good condition and would not become friable during demolition.”⁵ However, DBA Deputy Director Timothy Palazzolo disputes Mr. Bennett’s contention, stating that contractors were never allowed to leave category 2 non-friable asbestos containing material in homes during demolition even if the material was in good condition. Mr. Palazzolo clarified that all roofing materials, which are a category 1 non-friable materials, could be left in place. That material is required to be segregated and appropriately disposed of at the time of demolition. A review of PSI’s inspections show that roofing materials were not identified as the sole reason for PASI failing the inspections.

Based on PSI’s inspections, PASI failed to remove varying amounts of asbestos containing material identified in the *Pre-Demolition Asbestos/Hazardous Materials Surveys*. Some of these properties contained large amounts of asbestos after PASI stated they completed their work, whereas other properties were found to have smaller amounts. However, in all properties it appears that significant enough amounts were left behind that should have been identified by a supervisor who properly inspected the premises.

Below is a chart that provides 4 examples of the amounts of asbestos containing material left behind by PASI.

Property Address	Abatement Material listed by PASI as being removed	PSI Post-Abatement Inspection findings of material left by PASI
2716 Montgomery	8/15/2016 Window/ Door Frame Sealant 20 Windows/ 3 Doors Floor Tile 200 SF Floor Tile 20 SF Plaster 16,500 SF Floor Covering w/ Adhesive 100 SF Roof Flashing 50 LF Paper Duct Wrap 300 SF/ CF 200 Cement Patch 5 SF	1/3/2017 Floor Tile 200 SF Floor Tile 20 SF Floor Covering w/ Adhesive 100 SF Roof Flashing 50 LF
3022 Montgomery	8/8/2016 Window Glaze 3 Windows Plaster 3,600 SF- <u>50 SF Remaining</u> 12 x 12 Floor Tile Kitchen 150 SF- <u>40 SF Remain</u> 12 x 12 Floor Tile 2nd Floor ??? <u>20 SF Remain</u> Floor Sheeting 20 SF 12 x 12 Floor Tile Red 300 SF- <u>100 SF Remain</u> 12 x 12 Floor Tile Beige 50 SF Paper Duct Tape 5 SF	1/3/2017 Window Glaze 3 Windows Plaster 50 SF 12 x 12 Floor Tile Kitchen 40 SF 12 x 12 Floor Tile 2nd Floor 20 SF Floor Sheeting 20 SF 12 x 12 Floor Tile Red 100 SF 12 x 12 Floor Tile Beige 50 SF Paper Duct Tape 5 SF

⁵ On April 3, 2017, Danny Bennett stated this in an email to the OIG.

3200 W. Euclid	8/22/16 Textured Application 400 SF Plaster 4,000 SF- <u>50 Remain</u> Paper Duct Wrap 50 SF- <u>4 Remain</u> Cement Patch 5 SF- <u>2 SF Remain</u> 9 x 9 Floor Tile 100 SF- <u>1 SF Remain</u> Roof Flashing 50 LF	1/3/2017 Plaster 50 SF Paper Duct Wrap 4 SF Cement Patch 2 SF 9 x 9 Floor Tile 2 SF
3208 Montgomery	7/28/2016 12 x 12 Floor Tile 30 SF Plaster 4,500 SF- <u>50 SF Remain</u> Multi-Layered Floor Covering 50 SF Window Glaze 24 Windows Roof Flashing ???- <u>Left Blank</u> 9 x 9 Floor Tile 200 SF	1/3/2017 Plaster 50 SF Multi-Layered Floor Covering 50 SF Roof Flashing 100 LF

PASI submitted affidavits, invoices, and supporting documentation that indicated they had abated all estimated quantities of reported asbestos containing materials as identified in the *Pre-Demolition Asbestos/Hazardous Materials Surveys* in the 14 of 19 properties that failed inspection. Mr. Bennett explained that each crew has an experienced supervisor on site who is responsible for ensuring that all asbestos containing material is removed. In all 14 properties that failed inspection, a supervisor signed and submitted documentation attesting that PASI abated all asbestos containing material. However, as indicated above, there are instances where large amounts of asbestos containing material were left in place, in some instances as much as over 200 square feet of floor tile. It is unlikely that a trained supervisor would miss so much material if he or she was properly trained and/or adequately inspecting the property. Therefore, the supervisors either knowingly falsified documentation indicating all work was complete when it obviously was not, ignored material that was left in place during the final inspection, or purposely neglected to inspect the property after the crew completed work.

PASI also submitted documentation purportedly showing that 4 of the 19 properties were unsafe to enter. PSI disagreed and found that 3 of the 4 properties were accessible. Both Mr. Bennett and Mr. Palazzolo explained that each abatement company makes its own decision regarding whether a property is safe for their employees to abate. Mr. Palazzolo stated that there are federal guidelines to assist abatement contractors in processing properties where asbestos containing materials are unsafe to abate. If an abatement contractor determines that a structure which was accessible during the asbestos survey is now unsafe to abate, then the contractor is required to file a revised notification with the Michigan Department of Environmental Quality (MDEQ). PASI would then also have to submit a change order to the DLBA deducting the abatement costs with the proper documentation, including photos and revised notifications, to justify the change in costs. Though PASI submitted a change order deducting the abatement costs, they did not file a revised notification or provide proper documentation to the DLBA to justify their determination.

Mr. Palazzolo stated that the DBA typically notifies contractors after the post-abatement inspection if the contractor failed to remove all abatement materials. He explained that contractors are given the opportunity to go back and remove the identified materials. However, PASI was not notified of the failed inspections. Mr. Palazzolo explained that this was because the DBA was concerned that PASI invoiced the DLBA claiming all work was completed. In all other instances where a contractor failed the post-abatement inspections, an invoice had not yet been submitted requesting payment.

Additionally, PASI's failure rate is much higher than any other contractor. Below is chart which summarizes other contractors' failure rates.⁶

Demo Contractor name	ASB Post Abatement Verification			Total
	Cleared	Not cleared	Failure Rate	
Able Demolition	124	0	0.00%	124
Adamo Group, Inc	71	2	2.74%	73
Blue Star	27	0	0.00%	27
DMC consultants	106	3	2.75%	109
Dore and Associates	6	0	0.00%	6
Farrow Group	22	4	15.38%	26
Glo Wrecking CO	14	6	30.00%	20
Homrich	1	0	0.00%	1
Rickman Enterprise Group	275	0	0.00%	275
Salenbien Trucking & Excavating Inc.	206	1	0.48%	207
Smalley	16	0	0.00%	16
				884

The chart clearly shows that no other contractor is close to PASI's 74% failure rate. However, Mr. Palazzolo noted that the DBA will follow up with any contractor with a failure rate of more than 5% to ensure that they are performing in accordance with the Scope of Services.

⁶ The contractor is listed by the demolition contractor and not the abatement contractor. As indicated in this report, PASI's contract was for abatement only whereas most contracts are not.

IV. Duplicate Charges for 4500 30th Street

In July 2016 a DLBA employee noticed near duplicate abatement charges billed at different times for the property located at 4500 30th Street.⁷ DLBA received two separate invoices between 2015 and 2016 for the same property. Adamo submitted an invoice on August 13, 2015 (their abatement subcontractor was reported as PASI);⁸ and Salenbien submitted an invoice on July 8, 2016 (their abatement subcontractor was reported as BBEK). Both subcontractors provided identical documentation as proof of abatement.

During his interview with the OIG, Mr. Bennett stated that he believes PASI removed the asbestos containing material in 2015. He based this assertion on the paperwork and notes their employee completed. PASI charged Adamo \$250 for work completed. However, that employee no longer works for PASI so Mr. Bennett was unable to verify this with his employee.

The DLBA believes BBEK was the subcontractor who actually removed the asbestos containing material. However, the OIG did not find any definitive evidence to substantiate this belief and, in fact, could not determine which abatement contractor completed the work. Documentation submitted by each contractor as proof of removal identified the same material as being removed by both contractors which is identical to the material identified in the *Pre-Demolition Asbestos/Hazardous Materials Surveys* provided to both contractors. Additionally, this property was not subject to a post-abatement inspection because abatement was performed before this policy was implemented and there was no verification process in place. The post-abatement inspection should alleviate this level of uncertainty going forward.

It should be noted that Adamo's paperwork indicated that they were unable to complete the demolition because of a squatter at the property. Mr. Bennett told the OIG that if the property had squatters PASI would not be able to remove the asbestos containing material. PASI's documentation stated that they completed the abatement on December 22, 2014. Adamo did not submit a change order indicating that a squatter was on the premises until May 7, 2015. This time lapse could have allowed for a squatter to enter the property after it was abated but before the demolition was attempted.

V. Questionable Change Orders / Invoicing Issues

In September 2016 a DLBA employee observed questionable trends and invoicing practices by PASI. They included the submission of an inordinate number of change orders for properties related to two contracts awarded to PASI in June 2016. In addition, a significant number of clerical errors were identified throughout the invoice packages, which were deemed both incomplete and inaccurate per DLBA requirements.⁹ DLBA General Counsel Mike Brady and DLBA Deputy General Counsel Tammy Daniels stated that the invoices were returned to PASI for corrections.

⁷ The OIG was notified of this issue on February 8, 2017 when we were informed of PASI's post-inspection failures.

⁸ Adamo was initially awarded this property to demolish. However, Adamo's paperwork indicates that it was unable to complete the demo because of a squatter. It was subsequently rebid and awarded to Salenbien.

⁹ The OIG was notified of this issue on February 8, 2017 when we were informed of PASI's post-inspection failures.

The OIG interviewed former PASI employee Katrenia Williams who was tasked with invoicing the DLBA. Ms. Williams stated that she received several emails from the DLBA requesting that she make corrections to PASI's paperwork. Ms. Williams explained that she talked to the DLBA because the paperwork she submitted was correct and the people reviewing the paperwork were mistaken. Ms. Williams believed that the paperwork issue was resolved. She stated that DLBA did not communicate its expectations for invoicing and she had difficulty getting clarification on invoicing issues.

PASI submitted 22 change orders related to RFP AA5-26-16B. Sixteen change orders were submitted for "mobilization fees." Mr. Bennett explained that if PASI determined that a property was unsafe to enter to remove the asbestos containing material, they submitted a change order that reflected a \$750 mobilization fee only instead of the property's full abatement cost. He stated that the mobilization fee covered PASI's expenses related to going out to the property. DLBA records indicate all of these change orders were denied. Six change orders were submitted for "additional abatement required." Four were approved, one was denied, and the change order request for 3235 Blaine is not specified.

The OIG's review of the change orders for mobilization costs reveal that they lack the necessary documentation and photographic justification for the unsafe to enter determination. Mr. Palazzolo explained that a company is permitted to charge a reasonable fee if they assemble to abate a property which they then determine is unsafe to enter. However, it does not appear that the DBA or DLBA has provided formal guidance to abatement contractors on appropriate mobilization fees.

The OIG is not able to substantiate that any waste, abuse, fraud, or corruption occurred related to the invoicing described above. It is plausible that Ms. Williams did not fully understand DLBA's expectations regarding invoicing, which is supported by her efforts to seek clarification. Also, the majority of change orders obtained by the OIG are clearly for mobilization costs as PASI explicitly states on the forms. The DLBA and DBA must determine if this cost is appropriate or if it should be rejected.

VI. Conclusion

The OIG has concluded that PASI's supervisors either knowingly falsified documentation indicating all work was complete when it obviously was not, ignored material that was left in place during the final inspection, or purposely neglected to inspect the property after the crews completed their work. Failing to remove all asbestos containing material is especially egregious as it is potentially hazardous to the health of residents as indicated in the Clean Air Act. MDEQ is tasked with enforcing the federal regulations to protect the general public from exposure to airborne contaminants that are known to be hazardous to human health. The purpose of the air quality regulations is to minimize the adverse impact that air contaminants have on human health and the environment. Currently, PASI has multiple MDEQ violation unrelated to this investigation. As a result, PASI was suspended for 480 days per DBA policy # 2016-1 *Policy on Contractor Discipline*. This clearly calls into question PASI's ability to competently remove asbestos containing material.

Mr. Bennett conceded that PASI is ultimately responsible for not removing all asbestos containing material regardless of the experience or qualifications of his employees. Additionally, the OIG was unable to substantiate that any waste, abuse, fraud, or corruption occurred related to 4500 30th Street or with PASI's change orders.

Based on our investigation, the OIG makes the following recommendations:

1. PASI should be disciplined in accordance with DLBA policy for submitting fraudulent documentation as proof of work completed. Because PASI's supervisors either knowingly falsified documentation indicating all work was complete when it obviously was not, ignored material that was left in place during the final inspection, or purposely neglected to inspect the property after the crews completed their work, the Clean Air Act suggests that residents were potentially exposed to airborne contaminants that are known to be hazardous to human health. Therefore, the DLBA should re-evaluate its relationship with PASI moving forward.
2. The DLBA paid PASI \$83,150 of the \$119,400 invoiced for the 19 properties. The remaining asbestos containing material must be removed before the property can be demolished. The contractor should be required to remove all asbestos containing material they failed to initially remove. If PASI is unable to remove the material due to suspension the DLBA should issue an RFP for the work to be completed. However, PASI's ability to competently remove the remaining asbestos containing material is questionable for the reasons stated above. Regardless of who removes the material, PASI should be responsible for the additional costs.
3. The DBA and DLBA should hold demolition and abatement contractors accountable for failing to remove all asbestos containing material even in instances where a contractor has not yet invoiced the City of Detroit. The DBA and DLBA should implement a policy that outlines discipline for contractors who fail a post-abatement inspection. The DBA indicated that it currently follows up with any contractor with a failure rate of more than 5% to ensure that they are performing in accordance with the Scope of Services.