

*The School Board Of Broward County, Florida*  
**Facilities & Construction Management**  
**Michael C. Garretson**  
**Deputy Superintendent**

July 16, 2009

Signature on File

TO: Patrick Reilly, Chief Auditor  
Office of the Chief Auditor

FROM: Denis Herrmann, Director  
Design & Construction Contracts

VIA: Michael C. Garretson, Deputy Superintendent  
Facilities & Construction Management

**SUBJECT: AUDIT OF ASHBRIIT, INC. AND C&B SERVICES INVOICES  
PORTABLE REPAIRS RELATED TO HURRICANE WILMA - DRAFT**

This is to request your consideration of certain facts that have been omitted from the subject audit. The events related to this audit are troubling and we suggest you review the practices leading to the following concerns:

- The audit indicates that in 2006 the auditors determined "that there were several possible fraud indicators." Why would this information not be provided to the Deputy Superintendent, Facilities and Construction Management, at that time and instead be forwarded directly to the State Attorney?
- The results of the audit appear to have been provided to the press in April 2009 as evidenced by the article dated April 16, 2009 by Bob Norman in **Exhibit 1**. The auditors met with staff and reviewed the files the week of June 1, 2009. Was the audit concluded before the meeting and document review?
- The audit questions the decisions of key Facilities and Construction Management (F&CM) staff. The auditors never interviewed four of those staff including: the deputy superintendent; director, design and construction contracts; senior project manager; or the project manager in charge of the portables department in 2005.
- We have met with the F&CM staff involved during the subject work, those responsible for processing the invoices, and those preparing this response. Our staff indicates that they are not aware of any crimes, misconduct, or unethical behavior such as fraud, coercion, cover-up, false statements, falsified documents, or inflated invoices.

We suggest you give careful consideration to correcting these concerns. If you become aware of any questionable activities relating to this division in the future we would hope that you would first provide this office with an opportunity to resolve the issue before proceeding to the State Attorney's office.

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With respect to the premature release of the audit, we agree with the board member's comments in **Exhibit 1** of the audit addressing the second issue. This is especially true in this case because the audit appears to be imbalanced and incomplete. There are several reasons for this conclusion.

First, staff provided documentation and information indicating that the district intended to contract with Ashbriitt, Inc. from the beginning. The fact that Ashbriitt was initially identified as the prime contractor contradicts your suggestion that staff contracted with Ashbriitt after-the-fact to cover-up the work performed by C&B Industries, Inc.

Secondly, staff identified 124 portable classroom units needing \$25,000 in repairs each, totaling \$3,100,000. The Board approved the purchase of these services and authorized a contract with Ashbriitt on 12/13/05. These activities occurred within one month of the initial meeting with Ashbriitt. The work included roofing and interior repairs, and when completed, the costs were comparable to prices paid to other contractors.

Finally, the audit concludes that the district was overcharged and ignores documented evidence that:

1. Damage assessments indicating the work performed by Ashbriitt was necessary.
2. Evidence the work was observed and documented by SBBC staff.
3. Proof the work was verified by staff before invoices were considered.
4. Documentation that the invoices were adjusted to exclude costs such as per diem, administration, and excesses.
5. The unit quantities and prices paid to Ashbriitt were representative of the documentation of the work performed.
6. The costs were consistent with contemporaneous market prices.

We recommend that you revisit the audit to consider all of the available documented evidence and testimony before making a final recommendation.

The following response addresses these issues and others with detailed information and documentation. Please consider this additional information, include this information in the audit report, and reconsider your conclusions.

**Administrative Response to the Opinion, Summary of Results, and Background**

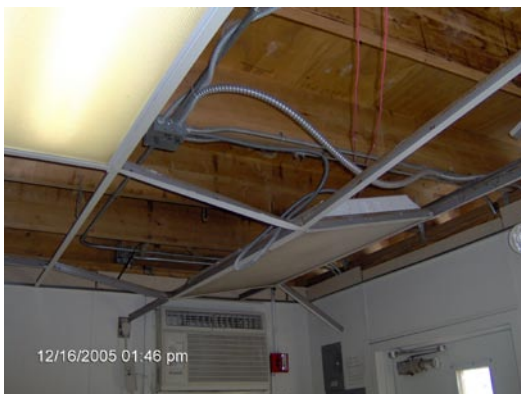
This response was developed by Facilities & Construction Management (F&CM) staff with a focus on reviewing the information contained in the audit to identify whether Ashbriitt over-charged the district. Staff reviewed all of the materials in the F&CM files and conducted an audit of one of the projects, Flanagan HS. These documents include a report regarding Flanagan HS prepared by the Safety Department including documentation from Physical Plant Operations (PPO). Staff conducted an audit of the documentation relating to Flanagan HS and included this as a case study in [Exhibit 7](#).

District staff returned to work on 11/1/05, within one week of Hurricane Wilma, to find hundreds of roofs damaged or destroyed. Identifying the work needed to repair the roofs and locating contractors to perform the work presented many challenges. The Superintendent of Schools on 10/25/05, issued authorization to enter into contracts in [Exhibit 1](#) and plans were made to have contractors immediately proceed with temporary roofs so that water and wind damaged interiors could be made ready for the opening of school within ten (10) days. Staff initially identified hundreds of portable classrooms needing significant repairs and assigned various contractors to further assess the damage and prepare cost estimates. By 11/30/05 portable project management staff identified 619 portable classroom units requiring roofing and interior repairs throughout the district. Of these, as indicated in [Exhibit 1](#), Ashbriitt was assigned roofing and interior repairs for 124 portable classroom units at \$25,000 each, totaling \$3,100,000. On 12/19/05 a requisition was processed for this amount as indicated in [Exhibit 1](#).

The costs of the work performed by Ashbriitt are categorized as follows:

Category	Cost
Roofing	\$ 944,358.47
Interior Demolition	\$ 135,039.79
Interior Dehumidification/Mold Abatement	\$ 1,103,984.31
TOTAL	\$ 2,183,382.57

Ashbriitt submitted the following photos depicting the roof and interior damage at Deerfield MS.



In the final analysis, after review of the procedures, documentation, data, and the invoices, staff concludes there is no documentation or empirical evidence indicating that Ashbriitt overcharged the district. The payments to Ashbriitt are further justified by the following:

1. Ashbriitt was assigned a majority of the work it performed.
2. All of the work Ashbriitt performed appears to have been necessary.
3. The costs for the roofing work were reasonable and the work was easily identified.
4. The costs for demolition were reasonable and the work was identifiable visually and by way of extrapolation from the work of other contractors.
5. The costs for dehumidification and mold abatement appear to be excessive, however, the costs were well documented by Ashbriitt and there is no documented evidence contradicting Ashbriitt's representations.

### **Procedures**

Immediately after F&CM staff reported to work following Hurricane Wilma, the procedures in **Exhibit 1** were reviewed and implemented to ensure accountability, control, and administration of the work of numerous contractors assisting the district in its recovery. F&CM also organized an Emergency Procurement Center (EPC) designating staff from F&CM and Capital Payments to provide cost estimating, requisitioning, invoicing, and contracting support to project managers and contractors.

The procedures required project managers and contractors to coordinate with EPC staff to properly prepare the contracts, ensure agreement on the terms, verify the assigned contractors, prepare board approval items, verify pricing, confirm scope, coordinate assignments, and issue the Notice to Proceed (NTP) documents.

The procedures included the following criteria relating to portable classroom repairs:

- Establish a written contract defining the terms of the agreement.
- Invoice on a "per portable" basis for accounting purposes as per the capital payments department standard procedures.
- Utilize a unit cost basis comparable to RS Means in accordance with FEMA requirements.
- Require submission of documentation including reports and photographs in accordance with FEMA requirements.

### **Ashbriitt's Contract**

The first meeting with Ashbriitt's representative occurred and was documented on 11/3/05 and recorded in the meeting notes included in **Exhibit 2**. The purpose of the meeting was to discuss utilizing a contract between Ashbriitt and the Broward County Board of Commissioners dated 3/13/01, entitled Disaster Recovery Services and excerpted in **Exhibit 2**, to assist with the repairs of the portable classrooms. C&B

was presented as a subcontractor to Ashbriitt. Contracts staff advised that Ashbriitt was not a pre-qualified contractor with the district. Ashbriitt indicated it was under contract with the Board of County Commissioners and thereby would qualify to contract with the district.

On Ashbriitt's behalf, on 11/9/05, C&B produced a copy of the contract between Ashbriitt and Broward County with an offer to piggy-back that contract. C&B continually represented itself to contract department staff as a subcontractor to Ashbriitt as documented in Exhibit 2. Contracts staff reviewed the proposed contract and noted several reasons why it would be in the district's best interest to utilize the district's contract. Staff immediately exchanged information with Ashbriitt and began preparations to contract with Ashbriitt.

The issuance of a purchase order to C&B was an error resulting from staff failing to follow the procedures set forth in Exhibit 1. Contracts staff was unaware of the purchase order issued to C&B at the time. When it became evident that a purchase order was issued to C&B, the Contracts Department staff took the necessary steps to reverse the error as documented in Exhibit 2.

Review of the attached documents in Exhibit 2 shows that:

1. The district was offered a contract with Ashbriitt at the initial meeting on 11/3/05.
2. Staff met with Ashbriitt and corresponded with Ashbriitt immediately after the initial meeting.
3. The district received a draft agreement from Ashbriitt on 11/9/05.
4. Staff prepared a contract for Ashbriitt on 11/22/05.
5. The School Board authorized a contract with Ashbriitt 12/13/05.
6. Ashbriitt provided insurance to the district on 1/20/06 listing The School Board of Broward County as additional insured.
7. Project Management was advised on 1/23/06 that Ashbriitt was the prime contractor.
8. Ten (10) letters to Ashbriitt from 1/18/06 – 1/19/07 demanding contract documents.

The so-called "manufacturing of documents to create a fraudulent documentation trail" was simply staff's response to the above requirements. In order for the district to be eligible for FEMA assistance it must enter into a written contract, perform the work on a unit quantity pricing arrangement, and require documentation supporting the work such as reports and photos. Ashbriitt's initial invoices were not organized accordingly. The invoices were not organized on a per-portable basis and much of the work was not differentiated by category or unitized by cost and quantity.

The processing of Ashbriitt's contract, supervision of its work, and payments to Ashbriitt, Inc. initially followed the same procedures imposed on the many other contractors helping the district open schools after Hurricane Wilma. The following conditions then forced staff to change the way Ashbriitt's contract was administered:

1. Communication to senior project management staff that the auditor referred the Ashbriitt contract to the state attorney resulted with an environment of fear and intimidation among project management staff.
2. This environment prolonged the processing of the payments to Ashbriitt, Inc.

3. Ashbriit's work was completed prior to most of the other contractors, however, Ashbriit's paperwork was reviewed long after most other contractors had been paid. As a result, Ashbriit's invoices were scrutinized much more thoroughly than many of the other contractors' invoices.
4. Ashbriit's sluggish response to increasingly demanding paperwork requirements, execution of the contract, and submittal of its invoices further delayed the process.

There was never any question among those responsible with processing contracts that Ashbriit was the prime contractor. If these facts alone were given consideration, then logically there could be no cause or motivation for a cover-up of the work performed by C&B through "coercion," preparing "falsified documents," or making "intentional false statements to potentially cover up potential fraud" as suggested in the audit.

#### **C&B's Purchase Order**

After the storm, staff immediately took steps to review procedures, assess damage reports provided by PPO and Safety, and assign work to contractors. The F&CM offices were without power and the amount of work necessary to open schools exceeded the ability of available staff to respond effectively. Communication among staff, other departments, school locations, and contractors was inhibited by the existing conditions and was conducted mostly on a face-to-face basis. Establishing coordination and control was difficult and this led to mistakes such as erroneously issuing a purchase order to C&B.

It was in this environment that F&CM was tasked by the Superintendent to perform major repairs to numerous facilities in order to open the school system within ten (10) days. Contractors were sent to schools to quantify the work and prepare cost estimates. Contractors often began work immediately to meet the schedule. The amount of available F&CM staff was insufficient to supervise all of the work. The Building Department was unable to provide inspectors to make inspections at every school undergoing repairs due to the enormity of the damage and amount of work necessary to reopen the school system. There were over 6,000 work orders issued by PPO during the first few weeks after the storm. The Kathleen C. Wright Administration Building was severely damaged and staff had to be relocated. These conditions prohibited staff from administering work as under normal conditions.

#### **C&B's Invoices**

With respect to C&B's invoicing issues, C&B erroneously delivered invoices directly to the school locations where it had performed work instead of to Ashbriit, its prime contractor. Some of those invoices eventually reached F&CM, while others did not. The audit appears to encompass the partial collection of invoices that reached F&CM as the basis for the costs associated with this work. As a result, the figures reported in the audit do not represent all of the work performed by C&B. Understandably, the auditor's reliance on the incomplete invoices explains the cost discrepancy between the audit findings and invoices.

The tables in **Exhibit 3** identify the invoice amounts initially submitted by C&B and those later submitted by Ashbriit. A comparison of those amounts indicates the district paid Ashbriit \$208,430.01 less than the

## AUDIT OF ASHBRIITT, INC. AND C&B SERVICES INVOICES

July 16, 2009

Page 7

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amounts initially invoiced by C&B. A comparison of the audit findings in the table on page 7 of the audit and the tables in **Exhibit 3** indicates the following:

	Categories	C&B Services Invoices	Ashbriitt Invoices	Change (Reduction)
Audit	Roof	\$734,812.71	\$929,020.21	\$194,207.50
	Interiors	\$1,329,469.26	\$1,225,799.64	(\$103,669.62)
	Total	\$2,064,281.97	\$2,154,819.85	\$90,537.88
Staff's Response	Roof	\$1,033,080.03	\$944,358.47	(\$88,721.56)
	Interiors	\$1,358,732.55	\$1,239,024.10	(\$119,708.45)
	Total	\$2,391,812.58	\$2,183,382.57	(\$208,430.01)

### Market Prices

The prices paid to Ashbriitt for roofing were on a "per portable" basis and comparable to prices paid by the district to other contractors. The average cost per portable classroom unit roof paid to various contractors as indicated in **Exhibit 3** was about \$11,720.24. The average cost per portable classroom unit roof paid to Ashbriitt was \$11,377.81. Ashbriitt's roof prices included all temporary roofing, demolition, trash removal, decking and fascia replacement. Some of the other contractor's stated prices for portable classroom unit roof replacements exclude these costs. As a result, Ashbriitt's prices for portable classroom unit roofs are below the average costs at the time the work was performed as summarized below.

CONTRACTOR	ROOFING		
	UNITS	COST	AVERAGE
Advanced Roofs, Inc.	89	\$1,440,343.15	\$16,183.63
Ashbriitt, Inc.	83	\$944,358.47	\$11,377.81
H.A. Contracting, Inc.	35	\$203,264.00	\$5,807.54
Padula & Wadsworth Construction Co., Inc.	57	\$775,984.10	\$13,613.76
James B. Pirtle Construction Co., Inc.	57	\$554,069.47	\$9,720.52
D. Stephenson Construction, Inc.	111	\$1,145,125.26	\$10,316.44
TOTAL	432	\$5,063,144.45	\$11,720.24

The costs for the interior repair work were determined on a time and material basis, not on "per portable" basis. The interior work included two distinct categories: 1) demolition of water and mold damaged materials, and, 2) dehumidification/mold abatement of the interior spaces. Labor and material costs were documented on a daily basis and were reported along with the activities, locations, and rooms that were serviced. Ashbriitt did not provide any restoration work to replace demolished materials in the portable classroom units it serviced; this was done by other contractors.



## AUDIT OF ASHBRIITT, INC. AND C&B SERVICES INVOICES

July 16, 2009

Page 8

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The costs for demolition were combined with those for dehumidification/mold abatement. Staff had already established costs paid to other contractors at the time for demolition. Staff utilized those costs to evaluate the cost for the demolition work performed by Ashbriitt. Staff quantified the demolition work by comparing the invoices for the restoration work performed by other contractors in the portable classroom units serviced by Ashbriitt by deducing the following:

<b>If</b> , a contractor invoiced for the replacement of a ceiling,	<b>Then</b> , the ceiling had to have been demolished and removed.
<b>If</b> that contractor did not also invoice for the demolition of that ceiling,	<b>Then</b> , another contractor must have demolished that ceiling.
<b>If</b> only Ashbriitt invoiced for demolition and dehumidification/mold abatement of that unit,	<b>Then</b> it was concluded that Ashbriitt had demolished that ceiling.

In contrast, staff possessed limited comparable cost data for the dehumidification/mold abatement work. Therefore, staff reviewed the time and material costs for dehumidification/mold abatement with representatives of FEMA, the Safety Department, and Broward County Board of Commissioners staff. Broward County had also utilized similar services and had established cost parameters.

Some of the costs, such as per diem, were unacceptable; therefore, staff demanded that Ashbriitt reduce its prices to fall within unit prices established with FEMA and Broward County as documented by the emails in **Exhibit 3**. In the end, such costs were excluded from the invoices submitted by Ashbriitt. A summary of the costs for interior work on the district's portable classroom units follows below:

CONTRACTOR	INTERIORS		
	UNITS	COST	AVERAGE
Advanced Roofs, Inc.	0	\$0.00	0
Ashbriitt, Inc.	168	\$1,239,024.10	\$7,375.14
H.A. Contracting, Inc.	69	\$512,909.36	\$7,433.47
Padula & Wadsworth Construction Co., Inc.	38	\$370,655.97	\$9,754.10
James B. Pirtle Construction Co., Inc.	132	\$1,611,402.41	\$12,207.59
D. Stephenson Construction, Inc.	187	\$3,832,113.54	\$20,492.59
TOTAL	594	\$7,566,105.38	\$12,737.55

Ashbriitt provided only the demolition and dehumidification/mold abatement work to the interiors. It appears that H.A. Contracting, Inc. and D. Stephenson Construction, Inc. performed the restoration work for the units serviced by Ashbriitt. These contractors also provided both demolition and restoration at other portable classroom units. The average costs for interior repairs listed above have not been adjusted to reflect this difference.



### **Building Condition Assessment Inspections**

The audit indicates that between 10/31/05 and 11/2/05 the Building Department inspected the district's portables and documented the conditions of the portables. These reports were not provided to F&CM staff. The audit further indicates that certain portables did not require the roof repairs performed by Ashbriitt. One building inspector at the time that participated in the "walk-thru" inspections indicates that the inspections excluded inspecting the conditions of the rooftops of the portable classrooms due to time constraints and the lack of access to the portable roofs.

F&CM staff discovered that much of the damage to the portable roofs could not have been observed from the ground level. In many cases the central area of the roof material and plywood decking had lifted from the roof frame while leaving the edges of the roof intact. In other cases the roof had penetrations and other surface damage not visible from ground level. Therefore, the reliance solely on the building inspector reports to determine whether the work was justified is unreasonable.

Coincidentally, the audit does not take into account the fact that PPO and the Safety Department are responsible to conduct "windshield safety inspections" immediately following a hurricane event. These inspections result with written reports, photographs, and the generation of PPO work orders. Examples of the written reports, photographs, and the PPO work orders are found in the Flanagan HS Case Study in [Exhibit 7](#), under [Step 2](#).

The PPO and Safety Department reports are not intended to determine exactly how much work was needed at each school. Crews later visited each site and updated the work orders to include additional damage that could not be discovered during a brief initial "windshield safety inspection." Discovery of additional work would then result with an expansion of the scope of work by a contractor. This helps to explain why Ashbriitt's final scope of work had expanded beyond the initial scope assigned by Project Management staff.

The auditors' consideration of the PPO and Safety Department reports would reveal that substantially more work may have been necessary than was revealed in the Building Department Assessment Reports. In fact, as concluded in the case of Flanagan HS, the audit alleges that two (2) portable classroom units required repairs while the initial PPO and Safety Department reports [Exhibit 7](#), under [Step 2](#) indicated at least ten (10), and as many as sixteen (16) portable classroom units required repairs on 10/27/05. The omission of the information in the PPO and Safety Department reports by the auditor understates the number of units requiring service at Flanagan HS, and, thereby incorrectly concludes that the district was over-billed by Ashbriitt for fifteen (15) units of the seventeen (17) units or rooms charged to the district.

### **Building Code Inspections**

The ability to schedule or receive inspections while the work was in process was also often impossible. The 619 portable classrooms identified as requiring repairs alone stretched the Building Department resources beyond its ability to respond to every inspection request. Many projects performed by different contractors went without inspections. In this case the audit reports about 30 of the 83 roofs repaired by

Ashbriitt were inspected by the Building Department. This ratio does not appear to be unusual in the weeks immediately following Hurricane Wilma.

In the case of the roofs repaired by Ashbriitt, staff requested inspections on several occasions but the Building Department could not perform those inspections. Later, the Building Department suggested that F&CM staff hire an outside firm to perform destructive testing to inspect beneath the roof coverings. F&CM staff decided not to perform such inspection because:

1. Destructive testing would damage the roof and require a patch.
2. The damage would void the warranty.
3. The cost of the destructive test and required patch was not justified.

The roofs repaired by Ashbriitt were inspected by F&CM staff and have performed satisfactorily in the 3 ½ years since they were installed. The one remaining question relating to the failed final inspection has to do with a Notice of Acceptance (NOA) and whether the materials fastening the roof meet the building code requirements. Because roof materials were limited at the time, and, NOA's were not available for all materials used during this period, staff is unable to resolve this issue.

#### **Processing the Contract and Ashbriitt's NTPs**

According to the procedures, Contracts staff was responsible to prepare contracts, review prices, and process the Notices to Proceed (NTP). The NTP in **Exhibit 6**, documents the contract terms and conditions. Contracts staff then reviews invoices for conformance to the contract requirements. Staff began the process of preparing a contract with Ashbriitt on 11/3/05. By 11/22/05 staff had reviewed a contract proposed by Ashbriitt, and in response, presented Ashbriitt with a draft contract on the district forms. Numerous attempts were made by staff over the ensuing year to compel Ashbriitt to accept the district's terms and execute the NTP. Each time staff made contact, Ashbriitt's staff indicated they were extremely busy and would respond soon. Ashbriitt never indicated it did not wish to contract with the district, in fact, Ashbriitt applied for contractor pre-qualification on 7/24/06 and was approved as a pre-qualified State General Contractor by the School Board on 9/6/06.

In this case, invoices were reviewed at the same time the contract was prepared and the NTPs issued. This was because Project Managers had received invoices that were delivered to schools by C&B. Staff did not act on the invoices because it was determined that a contract with C&B did not exist. At the same time staff was attempting to execute a contract with Ashbriitt and issue the NTPs. Later, Ashbriitt's subcontractors began complaining that they had not received payment for the work they had performed for Ashbriitt. Contracts staff was asked to assist project management in resolving the problem.

Review and consideration of the invoices and processing of the NTP was hampered by the fact that three key project managers were not involved during resolution of this issue. First, the project manager originally involved in the assignments was reassigned to other duties. Secondly, the project manager who replaced that project manager resigned. Finally, the project manager responsible to oversee the portables department was reassigned. This issue was resolved with the hiring of two project managers who were subsequently assigned to assist with the processing of Ashbriitt's NTPs and invoices.

## AUDIT OF ASHBRIITT, INC. AND C&B SERVICES INVOICES

July 16, 2009

Page 11

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Resolution of this issue required that Ashbriitt execute NTPs, obtain invoices from its subcontractors, prepare its invoices to the district, and comply with the requirements cited earlier. Ashbriitt's initial invoices were not separated by the type of work (roofing vs. interior work), costs were not indicated by unit quantity or price, and the invoices were not on a "per-portable" classroom basis. Ashbriitt was unwilling to perform the work necessary to make many of the changes to the invoices. Staff then decided that it would be necessary for staff to perform the analysis required to solve this problem.

A contract was issued with the first NTP and the subsequent NTPs were issued as follows:

Date Issued	Amount	Scope
2/9/07	\$1,001,252.78	Roof Repairs and/or Replacement for 77 Units at 17 locations
8/8/07	\$79,275.00	Roof Repairs and/or Replacement - 3 Units at Dandy MS and 4 Units at Meadowbrook ES
12/6/07	\$1,205,090.36	Interior Repairs to 168 Units at 19 Locations

The amount authorized by NTP compared with the actual payments is as follows:

Category	Authorized Amount	Amount Paid
Roofing	\$1,080,527.78	\$944,358.47
Interiors	\$1,205,090.36	\$1,239,024.10
Total	\$2,285,618.14	\$2,183,382.57

The roofing NTPs and invoices were processed first because the proposed invoices included unit prices and quantities. These prices and quantities were more easily determinable than those related to the interior demolition and dehumidification/mold abatement. Project Management staff reviewed the roofing assignment lists, confirmed the locations of each portable classroom unit, and visited each site to confirm whether the portable classroom units claimed by Ashbriitt were completed by Ashbriitt. This task was made easier as a result of the unique material Ashbriitt utilized in the roofing work. Ashbriitt's roofing work was distinguished from other contractors' roofing by a unique, white, edge strip visible from ground level.

Additionally, in the case of any discrepancies in the documentation, or portable classroom unit numbers or locations, senior Project Management staff intervened by researching and determining the correct locations and number designations. The invoices for Park Trails ES and Quiet Waters ES were identified as having an identical portable classroom unit number (250CX) at each location. Through research of the portable location database by senior Project Management staff, and a visit to each site, staff concluded that unit number 250CX was located at Park Trails ES. The invoice for Quiet Waters ES was subsequently revised to correct this error.

With respect to Meadowbrook ES, portable classroom units 935C, 163, 159, and 1162phc were not included on the original assignment list issued by Project Management. These units then appeared on an invoice submitted by Ashbriitt and were stricken by staff because they did not appear on the original assignment list. Senior Project Management staff then visited Meadowbrook ES and confirmed that units 935C, 163, 159, and 1162phc received roof repairs performed by Ashbriitt. Incidentally, unit 1162phc was

part of a double-wide unit also comprised of unit 1161phc. Unit 1161phc was approved as part of the initial invoice. Ashbriitt was then allowed to invoice later for these units under a second invoice which was subsequently approved.

Regarding William Dandy MS, portable classroom units 783C, 7M, and 128 were not included on the original assignment list issued by Project Management. These units then appeared on an invoice submitted by Ashbriitt and were stricken because they did not appear on the original assignment list. Senior Project Management staff then visited William Dandy MS and confirmed that units 783C, 7M, and 128 received roof repairs performed by Ashbriitt. Ashbriitt was then allowed to invoice later for these units under a second invoice which was subsequently approved.

In contrast with the roofing work, the demolition and dehumidification/mold abatement work was more difficult to quantify and verify. Demolition and dehumidification/mold abatement work leaves behind little or no physical evidence upon which to quantify the work performed. The following photos submitted by Ashbriitt depict the nature of this work at Deerfield MS.



The work claimed by Ashbriitt also exceeded the work assigned by the portables project managers. Therefore, staff undertook the following steps to verify and quantify the demolition and dehumidification/mold abatement work performed by Ashbriitt.

First, Project Management compared the assigned work with the invoices and determined that certain work was performed beyond that which was assigned by Project Management. There was the possibility that PPO staff, school-based staff, or others may have requested the additional work. Therefore, staff issued copies of the invoices with a request that PPO and school-based staff identify any work they may have requested.

Next, Project Management staff performed visual inspections of the roofs to confirm whether the invoiced work had been performed. During these visits, Project Management staff exchanged the memo,

# AUDIT OF ASHBRIITT, INC. AND C&B SERVICES INVOICES

July 16, 2009

Page 13

questionnaire, and Ashbriitt's invoices with school-based staff and discussed the work in question. Many of the school-based staff responded and the response are indicated in Exhibit 4.

Because there were usually multiple contractors working at a school, Project Management and Contracts staff compared the invoices received from Ashbriitt with those of other contractors working at the same site. All of the invoices were identified and the data on those invoices pertaining to units and quantities were catalogued in the spreadsheets in Exhibit 5. As indicated above, if the demolition work invoiced by Ashbriitt had been performed, and if the other contractors had not invoiced for that demolition work, then it was concluded that Ashbriitt must have performed that demolition work at that site.

Finally, this comparison was also utilized in identifying the quantity of demolition work performed by Ashbriitt. Staff was able to extrapolate the quantity of demolition work performed by Ashbriitt from the quantities of restoration work performed by others on the units serviced by Ashbriitt. The data utilized to extrapolate this information and the resulting quantities are included in Exhibit 5.

This is demonstrated in the Flanagan HS Case Study as follows. First, all of the invoices are listed in Exhibit 5a. In this case we are looking at Unit 580C. Note that the invoices include installing new ceiling tile and insulation and provide unit quantities.

Flanagan High	H.A Contracting	580C	Install Ceiling Tile	SQ FT	792
Flanagan High	H.A Contracting	580C	Install Insulation	SQ FT	792

Then, when it is confirmed that only Ashbriitt invoiced for demolition of the new ceiling tile and insulation in Exhibit 5a, Ashbriitt is designated as having performed the demolition in Exhibit 5b.

Flanagan High	Ashbriitt	580C	Demo Ceiling	SQ FT	792
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Finally, all of the demolition costs are determined for each facility in Exhibit 5c by assigning costs to the unit quantities from Exhibit 5a.

School Name	Contractor	Portable Number	Item	Units	Quantity	Rate \$/Unit	Extended Cost (\$)
Flanagan High	Ashbriitt	145N	Demo Ceiling	SQ FT	792	6.55	5,187.60
Flanagan High	Ashbriitt	32N	Demo Ceiling	SQ FT	748	6.55	4,899.40
Flanagan High	Ashbriitt	580C	Demo Ceiling	SQ FT	792	6.55	5,187.60
Flanagan High	Ashbriitt	651C	Demo Ceiling	SQ FT	792	6.55	5,187.60
							20,462.20

School Name	Contractor	Portable Number	Item	Units	Quantity	Rate (\$/Unit)	Extended Cost (\$)
Davie El.	Stephenson	391C	Demo Ceiling	SQ FT	770	6.55	5,043.50

In the case of Flanagan HS it is estimated that the demolition costs were approximately \$20,462.20. The total cost for interior repairs at Flanagan HS was \$23,147.52. This would indicate that the dehumidification/mold abatement costs were \$2,685.32.

With the demolition costs separated from the dehumidification/mold abatement work, staff was now able to assess the reasonableness of those costs. There may have been opportunities to expand work and costs for dehumidification/mold abatement. There are also valid reasons for the expansion of the scope of work. Project managers reported that temporary tarps provided by FEMA had been installed by the district on portable classroom unit roofs. The first two weeks after the hurricane were relatively dry, and then Broward County experienced heavy rains. These tarps then failed after Ashbriitt had performed the dehumidification/mold abatement work. Ashbriitt then re-performed the dehumidification/mold abatement work.

Project managers complained that Ashbriitt's rapid response initially resulted with work having been performed long before the project managers' ability to observe ongoing work. These project managers were concerned that they were unable to inspect the work and control the costs of these activities. The project managers did not, however, document or report any inappropriate activities or specific overcharges.

In order to determine whether the cost for the dehumidification/mold abatement work was reasonable, staff relied on the daily reports submitted by Ashbriitt's subcontractor, C&B. The summaries of these reports were included with the invoices submitted by Ashbriitt. Staff had no comparable internal source to use as a basis and sought the assistance of FEMA and Broward County Board of Commission staff. Certain costs including per diem, administration and other excesses were reduced or excluded on the recommendation of FEMA and Broward County Board of Commission staff.

Another unique characteristic of the work performed by Ashbriitt enabled project managers to identify the work performed by Ashbriitt. Upon completion of the demolition and dehumidification/mold abatement process, Ashbriitt applied a white colored mold inhibitor to the treated surfaces. When project managers were conducting field visits during and immediately following the work, they noted the existence of this unique characteristic and considered this during the invoice approval process.

The costs for dehumidification/mold abatement could not be assigned a "per portable" cost. In fact, these costs are not directly related to the listing of portable classroom units, rooms, or buildings on the invoices. The dehumidification/mold abatement costs are not sensitive to the number of rooms listed. These costs are instead directly related to damage sustained and the time spent at each site, and materials and equipment utilized in servicing the portable classroom units at that site. The results of this analysis are included in **Exhibit 5d**.

After each of the foregoing steps were taken by staff to identify the roofing and dehumidification/mold abatement work completed by Ashbriitt, it was determined that Ashbriitt had an entitlement to payment. Staff was now in a position to prepare NTPs for the work and submit them to Ashbriitt. This process resulted in a reduction of the amounts paid to Ashbriitt from that of C&B as well as Ashbriitt's initial invoices as indicated in **Exhibit 3**.



The inquiry of PPO and School-based staff, several spreadsheets, and other documents in **Exhibit 5** were developed to coordinate the mass of information necessary to determine what costs were justified. The audit concludes that these documents were “manufactured to create a fraudulent documentation trail to justify payment and create an appearance of F&CM providing due diligence...” In fact, these documents were analyzed to ensure that fraud not exist. Numerous documents and detailed testimony have been provided to the auditors. Staff indicate d to the auditors that these documents were compiled to comply with FEMA, the contract, and other requirements. These documents verify that the work was completed by Ashbriitt, inspected in part by building code inspectors, requested by district representatives, and verified by F&CM staff. These facts were omitted from the audit.

### **Processing Ashbriitt’s Invoices**

Before the NTPs were processed, the senior project manager rejected initial invoices submitted by Ashbriitt indicating the invoices appeared to be “grossly over-billed” with “vague supporting documentation.” This was resolved during the NTP process illustrated above.

The senior project manager then directed staff to “place the burden of proof on Ashbriitt” and “make sure FEMA would reimburse the invoiced amounts.” Staff then met with representatives of FEMA, the Safety Department, and Broward County Board of Commissioners to compare unit prices and allowable charges. Staff required that Ashbriitt adjust its invoices accordingly and the invoices met the criteria set forth by FEMA, the Safety Department, and Broward County as requested by the senior project manager.

Next, the senior project manager rejected the invoices and insisted that the warrantees attached to the invoices be revised to remove the dollar limit of the warranty coverage. Staff demanded removal of this limitation for the purposes of affording the district full coverage for any warranty defects and Ashbriitt complied. Staff disagrees with the audit comment that this rendered the warrantees “useless.” In fact, the district received a higher degree of protection as a result of Ashbriitt’s compromise on this issue.

Finally, after making the above revisions to the invoices, the senior project manager indicated that some additional form of authority was necessary to approve the invoices submitted by Ashbriitt. The memo dated 9/18/07 related to the roofing repairs in **Exhibit 6** was then prepared and the invoices for retainage held for the roofing repairs were approved. No such memo was prepared relating to the interior repairs and those invoices were also processed at a later time. The final payments were made to Ashbriitt about February 2008.

### **A Case Study – Flanagan HS**

In order to provide an example of the process conducted to review Ashbriitt’s invoices, staff randomly selected the emergency work at Flanagan HS. The case study, **Exhibit 7**, includes all of the documentation, and provides a demonstration and explanation of the steps that were taken by staff to confirm whether Ashbriitt completed the work in its invoices. The steps taken for Flanagan HS were also undertaken for each of the schools in question. Each step is accompanied by documentation used in the analysis of the invoices and the conclusions that are based on that documentation.



In the case of Flanagan HS, for Invoice No. 0584-25, as indicated in the table on page 20 of the audit, two (2) portable classroom unit interiors were "serviced" while the district paid for seventeen (17) portable classroom units and areas of the permanent buildings. The basis for documenting the "serviced" units in the audit was the field reports prepared by C&B. The case study includes written reports prepared by C&B documenting work to seventeen (17) portable classroom units and several areas of the permanent buildings.

In addition, the case study also includes other documents including field reports prepared by the project manager during the restoration work, invoices from other contractors for the restoration work resulting from C&B's demolition work, and a confirmation by school-based staff that Ashbriit or C&B completed the work indicated on the invoices. These documents provide evidence that work was performed on seventeen (17) or more portable classroom units or other rooms, not two (2) as reported in the audit.

The case study will be discussed further in response to Audit Recommendation No. 5.

### **Conclusion**

The audit overlooks numerous documents that contradict the audit findings. The audit discounts the observations and testimony of staff, misrepresents the actions of staff, and reports unfounded allegations of collusion and fraudulent documentation.

In addition, as noted above in the case study, the audit recommendations appear to be based on incorrect and incomplete information. **The auditors should revisit these findings and conduct a more thorough and complete review.**

### **Administrative Responses to the Recommendations**

#### **1. Request reimbursement in the amount of \$237,580 from Ashbriit, Inc. for overbilling the district for Hurricane Wilma Roofing Repairs**

We strongly disagree with the statement "As a result of their billing practices and failure to provide the District with the proper licensure, C&B invoices were held until Ashbriit, Inc. was selected by F&CM to process the invoices." The fact is that Ashbriit was represented as the prime contractor from the very first contact with Ashbriit, and, the issuance of the PO to C&B was an error that was later corrected.

The initial reaction to the invoices by the district's cost estimator and senior project manager was the "sticker shock" of seeing post Hurricane Wilma prices for the first time. Soon after receiving invoices from many other contractors district staff realized that construction costs had about doubled.

We agree that the district could have been over-charged by contractors during the recovery from Hurricane Wilma. The construction market was chaotic and as a result prices were difficult to determine. Construction costs had escalated as a result of many factors in 2005 that compounded the effects on the costs of recovering from Hurricane Wilma. A booming construction economy, coupled with the recovery from Hurricane Katrina and the hurricanes of 2004, resulted with incomparable costs that were difficult

to assess, changed on a day to day basis, and increased more than 150% in one year even after the situation stabilized in early 2006. Our staff diligently collected data and compared it with the invoices to determine whether there was entitlement to payment and a reasonable unit price for work that was confirmed as having been completed. A summary of comparable costs to repair portable classroom roofs is included in **Exhibit 3**.

In fact, staff was concerned that because of the difficulties assessing the costs being generated during the Hurricane Wilma recovery, that any of the contractors performing work could gouge the district and it would be difficult to detect any unjustifiable cost inflation. The costs submitted by Ashbriitt were compared with costs already approved by FEMA, the senior project manager, Project Management staff, and others.

To be consistent and fair, should the district revisit the amounts invoiced and paid to Ashbriitt, it should also audit costs paid to the other contractors. Should price gouging be detected, the district should also seek recovery of any other such excesses.

**We recommend that the audit be revised to consider and report all of the available documented evidence and testimony before recommending further action.**

**2. Improve the internal control procures over the vendor payment process and establish warranty requirements to state the actual value of warranty coverage.**

Extensive improvements have been implemented since Hurricane Wilma in an effort to improve the payment process and ensure compliance with all of the technical details associated with emergency recovery work – including specification of the warranty requirements.

Within six months of Hurricane Wilma, district staff prepared bid documents for “Construction Services for Emergency Projects” (CSEP), advertised for bids, received bids, and recommended awards of CSEP contracts to 13 bidders. Since that time, the board has awarded 54 CSEP contracts. The contracts specify the prices and all of the provisions found in other district contracts, as well as emergency recovery reporting, assignments, performance, and invoicing procedure. Contracts staff provides training for the contractors and district’s project managers annually at the approach of each hurricane season, on issues relating to administration of the CSEP contracts.

The CSEP agreements also include provisions specifying that the approved District Design and Material Standards (D&MS), and, front end contract administration documents (Divisions 0 & 1), are requirements of the CSEP contracts. The D&MS documents included in the CSEP contracts specify the items to be covered under extended warranties, the terms of those warranties, and the submittal requirements for the warranty documents.

**Staff believes this finding has been resolved for several years and recommends that the auditors consider whether staff has taken significant steps to improve the district’s response to emergencies.**

**3. Verify completeness of roofing work and compliance with applicable building codes for all roofs replaced, as invoiced by Ashbriitt, Inc. Also request return of the retainage until the verification process has been performed and all inspections passed.**

During the Hurricane Wilma recovery process, the amount of work in progress exceeded the district's ability to supervise, manage, and inspect all of the work. As a result, uninspected work was performed by various contractors. This is no fault of the other contractors. Ashbriitt's invoices underwent more scrutiny than other contractors who had been paid in full long before Ashbriitt actually submitted invoices. During review of Ashbriitt's invoices Project Management requested building code inspections of the roof work from the Building Department. The Building Department suggested destructive testing as indicated above and staff decided that such testing was not feasible.

If the district should revisit the inspections of work performed during its recovery from Hurricane Wilma, and to be consistent and fair, it should also audit projects performed by other contractors to determine whether this issue is isolated to Ashbriitt, or in fact, caused by the district's limited resources during the Hurricane Wilma recovery period. It should be noted that the roofs installed by Ashbriitt's forces have not experienced any unusual failures in the 3-½ years since they were installed.

**We recommend that the audit be revised to consider and report all of the available documented evidence and testimony before recommending further action.**

**4. Improve current processes for verification of work needed to ensure validity of projects prior to issuance of Notice to Proceed.**

As mentioned in Item No. 2 above, F&CM has taken the necessary steps under its control for the issuance of the NTP. The inspections and reporting of the conditions of the district's facilities after a disaster are the responsibility of the Physical Plant Operations and Safety Departments. The audit mentions reports prepared by the Building Department. F&CM Contracts Department staff and Project Management staff did not receive the reports. If so, staff would have taken these reports into consideration. In this case, given the apparent limitations of the reports, and the availability of more detailed reports, the Building Department reports would not change the outcome in this matter.

F&CM staff has coordinated with the Physical Plant Operations and Safety Departments to improve the reporting activities. F&CM will also coordinate with the Building Department if in fact it is also responsible to report conditions of the district's facilities after a disaster.

With respect to the "undamaged portable units" it appears that Building Department personnel performed a "walk-thru inspection" implying that the roofs were not damaged. This would explain the discrepancy between the inspection reporting "undamaged portable units" and roof repairs performed by Ashbriitt's forces. It has also been documented that because of untested temporary repairs and subsequent heavy rains that such damage was not detected in any of the initial damage assessments.

Since F&CM has not been provided these reports, F&CM Project Management staff will review the Building Department assessment condition reports to determine whether the conditions included a roof

inspection. In the event that F&CM Project Management staff finds that the inspections excluded the roof, it will coordinate with the Building Department to improve the reporting process.

5. Request reimbursement from Ashbriitt, Inc. in the amount of \$528,028.15 for overbilling and/or double-billing. Additionally, strengthen the invoice review, request and approval process.

The audit reports that “interior work was either not performed at all or was double-billed.” There are two cost components included with the interior work – interior demolition and dehumidification/mold abatement. The costs for both activities were combined in a single amount for each school. Staff required that the costs be separated and quantified. The costs for demolition were evaluated on a unit quantity basis. The costs for dehumidification/mold abatement are based on labor time and material.

In the case of Flanagan HS it is estimated that the demolition costs were approximately \$20,462.20. The total cost for interior repairs at Flanagan HS was \$23,147.52. This would indicate that the dehumidification/mold abatement costs were \$2,685.32. Review of the case study in **Exhibit 7, Step 4** indicates Ashbriitt documented work in a total of 19 units/rooms and invoiced for 17 units/rooms. F&CM documented that ten (10) portables were reported as needing roof work by PPO and up to sixteen (16) portables needed roof or exterior wall siding work were reported by the Safety Department.

The following photographs provided by the Safety Department clearly indicate severe damage to more than 2 portable classroom units at Flanagan HS.



In response to the “overbilling and/or double-billing” issue, costs based upon unit quantities such as labor time, materials, and equipment are not directly related to whether a portable classroom number is mentioned once, twice, or more. These costs are not evaluated on a “per portable” basis. Such costs are instead directly related to the damage sustained at a location and the labor time, materials, and equipment incorporated at each site in servicing the portable classroom units at that site.

Staff’s review identified three locations where the invoices identified both the “state-issued” and “school-issued” portable numbers -- Deerfield MS, Pioneer MS, and Pompano MS. Staff visited each location and

confirmed these designations as duplications. Staff determined that the inclusion of both numbers in the reports or on the invoices did not result with an inflation of costs or double-billing.

In response to the suggestion that “... the work was not performed,” staff audited a number of documents to confirm that the work was performed. As already mentioned, interior demolition was a function of the subsequent replacement quantities. In addition to extrapolating the unit quantities from the restoration work, staff had visited the sites to observe the finished work and reviewed inspection reports to confirm whether the work had been performed.

Confirming the dehumidification/mold abatement work was more difficult. There were inconsistencies in Ashbriitt’s reports as indicated in the audit. There may have been opportunities to expand work and costs for dehumidification/mold abatement. There are also valid reasons for the expansion of the scope of work. The first two weeks after the hurricane were relatively dry, and then Broward County experienced heavy rains. Temporary tarps then failed after Ashbriitt had performed the dehumidification/mold abatement work requiring Ashbriitt to re-performed the dehumidification/mold abatement work.

Project managers complained that Ashbriitt’s rapid response resulted with work having been performed before the project managers’ reached the site. Ashbriitt’s reports indicate that a former project manager for the portable department was on site during the work. The project manager did not, however, document or report any inappropriate activities or over-charges.

In order to determine whether the costs for the dehumidification/mold abatement work were reasonable, staff relied on the daily reports submitted by Ashbriitt’s subcontractor, C&B. The summaries of these reports were included with the invoices submitted by Ashbriitt. Staff sought the assistance of FEMA and Broward County Board of Commission staff. Certain costs including per diem, administration and other excesses were reduced or excluded on the recommendation of FEMA and Broward County Board of Commission staff.

The reports indicate only two (2) dehumidifiers were utilized at Flanagan HS and the Equipment Log documents that they were utilized in unit 145N. There are comments in the reports indicating other portable classroom units were dehumidified, and presumably, the dehumidifiers were moved from unit-to-unit and subsequently not documented as such on the Equipment Log. School-based staff confirmed that Ashbriitt performed the work indicated in the invoices.

Another unique characteristic of the work performed by Ashbriitt enabled project managers to identify the work performed by Ashbriitt. Upon completion of the demolition and dehumidification/mold abatement process Ashbriitt applied a white mold inhibitor to the treated surfaces. When project managers were conducting field visits during and immediately following the work, they noted the existence of this unique characteristic and considered this during the invoice approval process.

The costs for dehumidification/mold abatement could not be assigned a “per portable” cost. In fact, these costs are not directly related to the listing of portable classroom units, rooms, or buildings on the invoices. The dehumidification/mold abatement costs are not sensitive to the number of rooms listed. These costs are instead directly related to damage sustained, the time spent at each site, and materials and

equipment utilized in servicing the portable classroom units at that site. The results of this analysis are included in **Exhibit 5**. We disagree with this audit finding and recommendation as follows:

1. There is no documented evidence of over-billing or double-billing for interior work.
2. There is documented evidence the interior work was performed.
3. As indicated in the response to Recommendation No.2, staff has implemented improvements to strengthen the invoicing process.

**We recommend that the audit be revised to consider and report all of the available documented evidence and testimony before recommending further action.**



### Exhibits

- 1)
  - Web-shot of New Times article entitled "The Broward School Board awards a million dollars in work to an unlicensed company" dated 4/16/09
  - Email from Stephanie Kraft dated 7/13/09
  - Superintendent's memo dated 10/25/05 "Authorization to Process Emergency Repair Purchases"
  - Facilities & Construction Management Emergency Procurement Procedures
  - Portable Department Initial Cost Estimate dated 11/30/05
  - School Board Meeting Agenda Request Form dated 12/13/05 for Post Approval of Hurricane Wilma Repairs
- 2)
  - Meeting notes and phone message documenting the meetings with Ashbriitt in November 2005
  - Excerpt of a contract submitted by C&B between Ashbriitt, Inc. and the Broward County Board of County Commissioners
  - An email to Ashbriitt dated 11/22/05 discussing the contract between Ashbriitt, Inc. and the Broward County Board of County Commissioners
  - A draft contract prepared by staff for Ashbriitt dated 11/22/05 for Ashbriitt
  - A draft contract marked "NG" prepared by staff for C&B dated 11/16/05 for Ashbriitt
  - Meeting notes documenting meetings with Ashbriitt from December 2005 to December 2006
  - Email dated 1/23/06 advising project management that Ashbriitt is the prime contractor
  - Insurance Certificate supplied by Ashbriitt dated 1/20/06 naming SBBC as additional insured
  - Ten (10) letters to Ashbriitt from 1/18/06 to 1/19/07 regarding the contract
- 3)
  - Table - Cost Comparison of Portable Classroom repairs
  - Table - Ashbriitt Roof Invoices
  - Table - Ashbriitt Interior invoices
  - Email dated 5/2/07 to Ashbriitt regarding per diem and other charges
  - Email dated 7/23/07 to Ashbriitt regarding per diem and other charges
  - Email dated 9/27/07 to Ashbriitt regarding per diem and other charges
- 4)
  - Memo dated 9/18/07 to Selected Principals requesting Hurricane Wilma Hurricane Information
  - Ashbriitt/C&B Interior Invoice Update summarizing the responses to the 9/18/07 memo
- 5)
  - Four Tables
    - 5a) Accounting of all interior repairs by invoice numbers by school with unit quantities
    - 5b) Analysis of all interior repairs to identify demolition work
    - 5c) Tabulation of demolition performed by Ashbriitt with unit quantities and costs
    - 5d) Tabulation of all roofing and interior work by room and location performed by Ashbriitt
- 6)
  - Three (3) NTPs and Contract Documents issued to Ashbriitt
  - Memo to Executive Director dated 9/18/07 regarding Roof Retainage Payments
- 7)
  - Flanagan HS Case Study