United States Environmental Protection Agency
Criminal Investigation Division
Investigative Activity Report

Case Number
0506-0026

Case Title:
Ferguson Enterprises Inc.

Reporting Office:
Detroit, MI, Resident Office

Subject of Report:
Interview of (b)(6), (b) (7)(C), Principal Construction Inspector, DWSD

Activity Date:
May 24, 2010

Reporting Official and Date:
(b)(6), (b) (b)(6), (b) (7) RAC
25-MAY-2010, Signed by: (b)(6), (b)(6), *RAC*

Approving Official and Date:
(b)(6), (b) (7)(C), SAC
01-JUN-2010, Approved by: (b)(6), (b) (7), *ASAC*

SYNOPSIS

05/24/2010 - .S. EPA CID Special Agent (SA) (b)(6), (b) (7)(C) interviewed (b)(6), (b) (7)(C) Principal Construction Inspector, Detroit Water and Sewerage Department (DWSD) regarding various DWSD contracts.

DETAILS

On May 24, 2010, U.S. EPA CID Special Agent (SA) (b)(6), (b) (7)(C) interviewed (b)(6), Principal Construction Inspector, Detroit Water and Sewerage Department (DWSD) regarding various DWSD contracts. Also present during this interview was (b)(6), (b), Deputy General Counsel, City of Detroit Law Department. After being informed of the identity of the interviewing agent and the purpose of the interview, (b)(6), (b) provided the following information:

(b)(6), (b) (7)(C) (b)(6), (b) (b)(6), (b) (7)(C), Detroit, MI 48224; DOB: (b)(6), (b) cellular: (b)(6), (b) (b)

(b)(6), (b) has been a Principal Construction Inspector for the DWSD for eleven years. (b)(6), (b) is currently assigned to the Asset Management Group but previously worked for the Field Engineering Services Group where (b was involved with numerous sewer construction projects. (b)(6), (b) has worked for the DWSD for 21 years.

DWS 864 covered the rehabilitation of sewers on the east side of Detroit and was awarded to Lakeshore Engineering (LSE). DWS 865 covered the rehabilitation of sewers on the west side of Detroit and was awarded to the joint venture of Inland and Xcel. Both contracts consisted of cleaning and point repairs of sewers in designated areas of the city and were for three year time periods.

(b)(6), (b) was asked if (b could recall anything abnormal or unusual in the manner in which the contracts were carried out. (b)(6), (b) replied that under both contracts Ferguson Enterprises Inc. (FEI) was a subcontractor and carried out the work contrary to the job specifications. (b)(6), (b) was not sure if this was done to cut corners and save money but noted that the general contractors did not stop this activity. (b)(6), (b) added that the monthly pay estimates submitted by FEI at times listed more quantities of work than had actually been done. These amounts were more than the DWSD field inspectors had approved as well. This occurred approximately ten times over the course of the contracts and amounted to tens of thousands of dollars in payments. Whenever (b)(6), (b) was given a pay estimate (b asked the FEI representatives to produce the supporting paperwork, such as manifests or load tickets however these were never produced. (b)(6), (b) (7) and (b)(6), (b) of FEI both called (b)(6), (b) on occasion to ask why (b hadn't signed the pay estimates.

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(b)(6), (b) response was always to ask for back up documentation. The field level construction inspectors were told by (b)(6), and (b)(6), (b) to go ahead and submit the pay estimates as is and it didn't matter what the DWSD employees said about them.

(b)(6), (b) reviewed a copy of a Stop Work Order (b issued to FEI on August 19, 2004, for DWS 865. (b)(6), (b) recalled issuing the order and added that it was one of several (b issued to FEI over their failure to perform the restoration work on the contract. In response to the order (b)(6), and (b)(6), (b) (7)(C) told (b)(6), (b) that they would expedite the restoration work. (b)(6), (b) added that FEI got better at doing the restoration work over time. The August 19, 2004 order was predicated by (b)(6), (b) receiving numerous complaints from the residents of one community where FEI had left the site without performing the restoration. (See Attached) The orders are sent to the general contractor who then transmits them to the sub contractor. (b)(6), (b) did not receive any pushback from (b) management regarding the orders.

(b)(6), (b) was assigned to DWS 849: Outfall Contract. (b)(6), (b) opined that FEI may have received a no show contract from LSE which was the construction manager. (b)(6), (b) described how (b)(6), and (b)(6), attended the first couple of pre construction meetings on behalf of FEI but subsequently just stopped coming to the meetings. The work which was supposed to be completed by FEI was given to Lanzo. A lawsuit was filed over the death of a Lanzo employee at the site and FEI was named as a co-defendant since the company was listed as a sub contractor on the original contract.

(b)(6), (b) was aware of sites in the City of Detroit where the DWSD encountered contaminated soils during sewer construction work: Michigan and Cass (Book Cadillac/Best Western); Fruit and St. Jean intersection; and Jefferson/Mt Elliot behind the Walgreens. (b)(6), (b) was certain that (b had signed off on the transportation of these soils to the proper landfill but does not know if the DWSD received copies of the completed manifests from the landfills.

(b)(6), (b) was asked by (b)(6), (b) (7)(C) to do spot checks at the Garden View Estates site. (b)(6), portrayed it that NTH was on site to inspect and monitor FEI's work on installing new sewer lines. (b)(6), (b) never saw any pay estimates or manifests for the project and does not know of anyone within the DWSD who did.

(b)(6), (b) described how (b was in Royal Oak on a day off and saw a FEI truck being loaded with soil from a construction job. (b)(6), (b) later that day drove to a DWSD job site located at Waterloo and Mt. Elliot and saw the same truck dumping soil into an excavation site. (b)(6), (b) asked the truck driver to produce a load ticket for the soil and was given a generic "receipt" akin to one you can buy at any dollar store. (b)(6), (b) contacted (b)(6), LNU from Royal Oak and told (b) of the situation. (b)(6), (b) believes the soil was not contaminated but knew that FEI was being paid by Royal Oak for the proper disposal of the soil while also being paid by the DWSD for "clean" backfill.

(b)(6), (b) also described how FEI used a lot at Chene and Vernor near Gratiot for stockpiling soils. The property was rumored to be owned by the girl friend of (b)(6), (b) (7)(C) and was held under the company name of Silver Cup. At some point in 2008 the State of Michigan ordered that a berm be built on the site and the soils to be removed.

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ATTACHMENT

DWS 865 Stop Work Order

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