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) Contracts & Grants, DWSD

Activity Date:
October 10, 2012

Reporting Official and Date:
(b)(6), (b) (7)(C)
Acting Assistant Special Agent in Charge
10-OCT-2012, Signed by (b)(6), (b) (7)

Approving Official and Date:
(b)(6), (b) (7)(C)
Special Agent in Charge
10-OCT-2012, Approved by (b)(6), (b)
Special Agent in Charge

SYNOPSIS

On October 10, 2012, U.S. EPA CID Special Agent (SA) (b)(6), (b) (7)(C) contacted (b)(6), (b) (7)(C) employee of the Detroit Water & Sewerage Department (DWSD) Contracts & Grants Section.

DETAILS

On October 10, 2012, U.S. EPA CID Special Agent (SA) (b)(6), (b) (7)(C) contacted (b)(6), (b) (7)(C) employee of the Detroit Water & Sewerage Department (DWSD) Contracts & Grants Section. (b)(6), (b) (7) office number is (b)(6), (b) (7). (b)(6), (b) (7) was informed of the identity of the interviewing agent and provided the following information.

(b)(6), (b) (7) has been employed by the DWSD since 1984 although (b) (6) did take a disability retirement for a few years. (b)(6), (b) (7) came back to the DWSD in 1998 and started working on design/build contracts in 2000.

(b)(6), (b) (7) was called by a DWSD Security employee, (b) (6) LNU, who asked (b) (6) to come downstairs and talk to (b) (6) (b) (6) explained that he had heard from other Contracts & Grants employees that (b)(6), (b) (7)(C) had spent three days shredding documents during the time of the federal investigation. (b) (6) represented that the DWSD was investigating this allegation. (b)(6), (b) (7) told (b) (6) that (b) (6) didn't know anything about (b)(6), (b) (7) shredding documents and had been on medical leave or vacation when the shredding was supposed to have taken place. (b)(6), (b) (7) commented to SA (b)(6), (b) (7) that "everyone on the floor" has talked about this incident. (b)(6), (b) (7) has been told that (b)(6), (b)(6), (b) (7) brought doughnuts to the staff during the shredding which was out of the ordinary as did not allow staff to eat at their desks.

(b)(6), (b) (7) does not know if any documents are missing from the contract files which (b) (6) worked on and were a part of the federal investigation. (b)(6), (b) (7) did notice that the contract templates used for CM 2014 and CM 2015 as well as some others were no longer on the computer system used by C&G. (b)(6), (b) (7) finds this unusual as those documents are considered part of the official department file and are maintained for years. C&G staff use the contract templates for later contracts. The scoring sheets for CM 2014 and CM 2015 are also missing from the computer system.

(b)(6), (b) (7) explained that (b) (6) was assigned to the evaluation committee for DWS 844, the predecessor of DWS 844A. Motor City Electric was the highest ranked bidder for this contract. Prior to the official awarding of the contract (b)(6), (b) (7) was summoned to the Board of Water Commissioners board room on the 5th floor. (b)(6), (b) (7) was joined by (b)(6), (b) (7) and maybe (b)(6), (b) (7). The

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three met with (b)(6), (b) (7)(C) and (b)(6), (b) in the board room. (b)(6), (b) told the employees that they would not be filling the contract (844), to put the file away and not to say anything to anyone. (b)(6), (b) (7) recalled this as being very unusual and commented that the tone of the meeting was borderline threatening. (b)(6), (b) (7) does not recall (b) (6) saying anything during the meeting but recalled that (b) (6) was there as it was the first time (b) (6) met (b) a. After this meeting the contract was re-bid as DWS 844A.

(b)(6), (b) (7) was also involved in the evaluation of DWS 844A. (b)(6), (b) (7) recalled (b)(6), (b) (7) coming into an evaluation meeting and telling the committee that they were not to recommend a bidder for the contract. (b)(6), (b) (7) never felt that the evaluation team had a favorite (bias) but of course used prior positive experience with the bidding contractors in their evaluation of the proposals.

(b)(6), reaction to the awarding of 844A to DFT was a horrible feeling and that "something shy-stie" was going on. (b)(6), (b) (7) has a good friend who works for DCI and told (b) (6) that they got a call saying that they did not get the contract, only to get another call later to say they were getting the contract. (b)(6), (b) (7) commented that the awarding of the contract to DFT was unfair to Motor City. (b)(6), (b) (7) knew that (b)(6), (b) (7)(C) and (b)(6), (b) (7) had a relationship because a year or two before this contract was awarded (b)(6), (b) and (b)(6), attended an event at either Cobo Hall or the Renaissance Center with officials from Dubia. (b)(6), (b) (7) and (b)(6), (b) also traveled to Dubai together.

The reasoning of Motor City not agreeing to no change orders did not seem fair either given the nature of the contract and the fact that DFT's bid was $2 million higher than Motor City's. (b)(6), (b) (7) explained that given this cost difference DFT likely would not need any change orders as they had the money already built into the contract. If Motor City had executed the contract it was quite possible that even if they had submitted change orders they would not have cost $2 million. (b)(6), (b) (7) characterized the decision to employ dual negotiations as "off the back" (unprecedented).

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