

The School Board of Broward County, Florida  
**AUDIT COMMITTEE**

MINUTES OF AUDIT COMMITTEE MEETING

July 23, 2009

In the absence of the Chair and Vice Chair, Ms. Charlotte Greenberg, Committee member, called the Audit Committee meeting to order at 12:30 p.m. at the Kathleen C. Wright Building in the 1<sup>st</sup> Floor Board Room. Members and guests were introduced.

Members Present: Ms. Ada F. Bravo  
Ms. Ellen Colonnese  
Mr. Anthony DeMeo  
Mr. Joseph Epstein  
Ms. Charlotte Greenberg  
Mr. Steve Hurst, CFP  
Mr. Neal Shapiro

Staff Present: Mr. James F. Notter, Superintendent of Schools  
Mr. Donnie Carter, Chief Operations Officer  
Mr. Ed Marko, Office of General Counsel  
Mr. Thomas B. Cooney, Office of General Counsel  
Mr. Patrick Reilly, Chief Auditor, Office of the Chief Auditor (OCA)  
Ms. Ann Conway, Director, Operational Audits, OCA  
Mr. Dave Rhodes, Director, Facility Audits, OCA  
Mr. Joe Wright, Facility Auditor, OCA  
Mr. Mark Magli, Property Audit Supervisor, OCA  
Ms. Patricia McLaughlin, Confidential Clerk Specialist C, OCA  
Ms. Megan Gonzalez, Confidential Clerk Specialist B, OCA  
Ms. Hermine James, Auditor, OCA  
Ms. Danielle Thomas, Auditor, OCA  
Mr. Jerry Graziose, Safety Department  
Mr. Robert Hamberger, Chief Building Official, Building Department  
Mr. Jeff Moquin, Support Operations  
Mr. Kevin Bellamy, SBBC Contracts  
Ms. Maureen Dinnen, School Board Chair  
Ms. Stephanie Kraft, School Board Member  
Mr. Michael Garretson, Deputy Superintendent, Facilities & Construction  
Maintenance Division (F&CM)  
Mr. Ron Morgan, Building Department  
Mr. John Hodge, Contracts Department  
Mr. Michael Solley, F&CM  
Mr. Sam Bays, F&CM  
Mr. Denis Herrmann, Contracts Department  
Mr. Brian Swantek, SBBC Portables

Guests Present: Mr. Carl Hofmann, Jr., Moore Stephens Lovelace, P.A.

Ms. Anne Vignos, Court Reporter, Esquire  
Ms. Patricia Mazzei, Miami Herald  
Ms. Akilah Johnson, Sun Sentinel  
Ms. Wanda Barlow, Auditor, OCA, Retired  
Mr. Ralph Dahlgren, Ashbritt Inc.  
Mr. Michael Moskowitz, Moskowitz, Mandell, Salim & Simowitz, P.A.  
Mr. Andrew Luciani, Citizen  
Mr. Daniel McLaughlin, Penguin Press

## Old Business

### **Minutes**

A motion was made to approve the Minutes from the June 25, 2009 Audit Committee Meeting. Motion carried.

### **Audit of the Ashbritt, Inc. and C&B Services Invoices for District Portable Repairs Related to Hurricane Wilma**

Ms. Charlotte Greenbarg called the meeting to order at 1:00 p.m. and stated that the only topic to be discussed was the Ashbritt audit contents. She further stated that audit orientation materials had been passed out to all Audit Committee members. She asked Mr. Reilly for his introduction of the audit and stated that his comments would be followed by the Audit Department's presentation, and then the administrative responses, followed by the Audit Committee's questions and discussions.

Mr. Reilly stated "We are here to discuss the Ashbritt/C&B Audit and invoices for District portable repairs related to Hurricane Wilma. During the May 14, 2009 Audit Committee meeting, our office was asked to look at the Ashbritt Inc. and C&B Services transactions relating to the roof repairs for Hurricane Wilma. We completed the audit and presented it to the Facilities & Construction Management Department (F&CM) for review and to the appropriate management staff on June 9, 2009, with the intention of bringing the audit to the June 25, 2009 Audit Committee meeting. However, the report was withdrawn and rescheduled for today's meeting. I would like to provide a concise powerpoint presentation that will support our observations and recommendations and also to address F&CM's bullet points on page 57 of the audit report. We respectfully ask that the Audit Committee members make notes and hold all comments and questions until the end of the presentation. Is that acceptable?"

The Committee replied "Yes".

Mr. Dave Rhodes presented the powerpoint, stating "I will give an overview on each slide, the Committee members have received copies of the powerpoint. The first item regarding the bullets on page 57 of the audit report is regarding the question being asked by the F&CM Division regarding why we chose to turn this information over, when we felt there were some fraud indicators in the beginning.

**(Exhibit 1)** After the original interview I had with the Project Manager in 2006, 3 months after this information was brought to me, I did some preliminary research.

**(Exhibit 2)** I spoke with him (Project Manager) and he told us about a meeting that had taken place regarding the scope of work, simply stating that this particular company, C&B Services was the group that was there when that meeting of the minds happened between the School Board and the group that was going to contract. The consideration was the \$1 million purchase order that they were going to get as a result of that. He stated at the meeting in early November, that his job was to get a scope of work and to design contracts.

**(Exhibit 3)** This is a question I had asked the Design Contracts Director, Mr. Denis Herrmann; what the nature of the agreement was with these people. At that point, there had already been some discussion about the costs being excessive and about the firm's not being licensed to do work in the State of Florida.

**(Exhibit 4)** The initial response was that C&B was a sub-contractor for a firm named Ashbritt, Inc.

**(Exhibits 5 & 6)** When we asked if Ashbritt had executed the contract, Mr. Herrmann couldn't explain C&B's actions, acting as the prime contractor, but also that Ashbritt was in the preparation. This was still back in March 2006, the preparation of putting the contract together, and they had still not signed a contract. For purposes of understanding the timeline, the work had been completed by January 16, 2006. This was still two months after that.

**(Exhibits 7 & 8)** At that point, I tried to get some information on the \$3.1 million item that was approved by the School Board and I was given Jack Cooper, the Senior Project Manager, who got involved at the point, and stated that the findings were correct. Looking back in the trailing e-mail, there was some discussion at that point, trying to resolve the contract issues with C&B and Ashbritt. This was the first time it was really corroborated by some other person that C&B was apparently working through Ashbritt.

**(Exhibit 9)** I thanked Jack for his help and asked him if there was any other information including the invoices that I could obtain copies of, which I ultimately did receive.

**(Exhibit 10)** I had some more questions for the Contracts Director, after speaking with Mr. Herrmann, because I wanted to see what the scope of work was for Ashbritt or C&B regarding the new information and also to determine whether or not there had been a Notice to Proceed (NTP) issued. Ultimately, the way the control process goes is that there is some type of agreement between the two parties that they are going to contract with one another; then there would be a purchase order requested, approved, issued and a NTP would follow. At that point, there would be a 60 day window.

**(Exhibit 11)** Mr. Herrmann stated that the matter could not be resolved until he could talk with Mr. Garretson.

**(Exhibit 12)** This information was copied to Mr. Garretson. He was stating that the facts were not correct.

**(Exhibit 13)** I responded by asking him to give us the information that was clearer, so we would have a better understanding, because these were very serious issues that were brought to our attention. In the audit's management responses on page 15 of the audit report, we gave some different reasons why we rejected the concept that Ashbritt was the prime contractor. That's very important, because it helps to understand when the work was done, who performed the work,

who should have been invoicing the District, and how it went from a \$1 million purchase order to nearly \$2.2 million in invoices.

**(Exhibit 14)** This slide is reiterating that same e-mail where Joe DeLillo responded stating that there was an agreement between C&B and the other members who attended that early November meeting, and immediately a contract was ordered and the work was assigned to C&B Services.

**(Exhibit 15)** This is a November 3<sup>rd</sup> e-mail, whereby the Project Manager was memorializing the meeting and sending a scope of work and work instructions to Ron Chattagnier, the Project Coordinator who was working for C&B Services. This again indicates and supports that the contract was directly with C&B Services.

**(Exhibit 16)** On November 7, 2005, the District received a proposal addressed to the Project Manager, Joe DeLillo and the School Board on C&B letterhead, even identifying the specific materials they would use, and any other exclusions, based on their proposal.

**(Exhibit 17)** Document #4 rejecting the idea was the request for a purchase order to C&B Services that was requested and signed by the Project Manager, approved by the Executive Director, and again, approved by the Deputy Superintendent and forwarded to the Capital Review Department for them to issue a purchase order, which they did.

**(Exhibit 18)** We have a document that came directly from their responses with some post-it notes on it, which showed that the November 16, 2005 NTP was never executed, but clearly you can see on the top left that there is a note that states 'Problems, Contract on Hold'. It looks to me that DH, which are the initials of their Contracts Director, signed that on November 17, and then at the very bottom, it states 'Company name to be changed to Ashbritt'. So here it was the 17<sup>th</sup> of November and we still had all the indicators that the company that was contracted to do the work was C&B and that Ashbritt had not yet signed any kind of an agreement with the District.

**(Exhibits 19 & 20)** This is just a clearer version of that same unexecuted NTP that came from the files on the server at the F&CM Department. This was for C&B Services, again unexecuted.

**(Exhibit 21)** The first invoices that we received were consistent with when we first received notification that the invoices that were coming in were inflated with a company that wasn't licensed to do business in the State of Florida. We are looking at an invoice that was actually stamped in at Building 4, which is the Records Reception Building, and that's the stamp that shows it came in during that time period (February 9, 2006).

**(Exhibits 23 & 24)** This is information that shows that on the November 22, 2005, there was a Project Management meeting where there was an attached spreadsheet handed out to all the Project Managers. Based on an e-mail that was sent from the Construction Director to Mr. Ragland, the Executive Director, this was sent to all the Project Managers to be included as part of their meeting minutes for that day's meeting. As you can see, on November 22, 2005, the date that went out, there's clearly a line item that shows that C&B Services was the contractor; it shows that there was an NTP that had been issued on November 10, 2005 for a million dollars, yet it was pending a signature to come back. You will also notice that this was in alphabetical order; I included page 1 of 3 and I can certainly verify or pass out the other two sheets if you would like me to, but there is definitely no mention of Ashbritt at this point in time. Again, this was by November 22, 2005.

**(Exhibit 25)** Document #8, supporting the rejection of that claim, is simply the purchase order that was issued, based on that meeting and subsequent requests for a purchase order, ultimately resulting in a purchase order to C&B Services. By the time this had come out, they had already been on-site and working for 18 days. The amount that they were issued was \$1 million, based on the agreement that was documented and provided to me by the Project Manager.

**(Exhibit 26)** This shows that in the days before the purchase order was issued, there was staff in the Capital Payment Department who were trying to verify the name and address of the firm that was contracted with the District, and it was pursuant to a NTP for emergency repairs for Hurricane Wilma, C&B Services disaster clean up. They also showed that the full name of the company was Crochet & Borel Services, Inc.

**(Exhibit 27)** This is a vendor requisition; ultimately, this date was November 10, 2005, which is consistent with that spreadsheet that we looked at a few minutes ago, which showed that the NTP was issued on the 10<sup>th</sup>. This also shows that the requesting person on this document is the Contracts Director, who was at the original meeting at the very beginning of November.

**(Exhibit 28)** This slide shows where the information was ultimately brought to the Project Manager; my understanding at that time was this was pretty well known information in the Facilities Department, but this is the Cost Estimator at that time, Thomas Myers. He is essentially stating that he's sending this information based on a request and that the company was not licensed to do work. They had been given specific instructions by the Contracts Department on how to establish the proper licensing to do business in the State of Florida, and that they even set up a joint venture with the General Contractor, or that they were to work with an attorney to put together a group where there would be a General Contractor relationship, so that they could work in the State.

**(Exhibit 29)** This is a memo that came from that Cost Estimator, Tom Myers, to the Contracts Director, on 1/17/06, stating 'I have reviewed the hourly rates, equipment charges, material and mobilization charges, the hourly rates are two-times "RS Means" (there's a company out there that publishes industry standard costs for work) and he was comparing that to the industry standard cost workbooks that were available at that time. He was saying that pursuant to those costs, he identified that the costs for these items were two-times "RS Means" and he also said that the rates for the other items were not reasonable.

**(Exhibit 30)** The next memo, again, same day from the same person to the same person, shows that he's also contacting the Project Managers, two of whom are now gone, and of course, the Capital Payments Supervisor, who issued the purchase order. He's letting them know that C&B Services is not a Florida contractor of any sort. SBBC is required only to contract with entities licensed in the State of Florida. This firm is not so licensed; additionally, if they are not licensed, they are not insured, nor are they registered to do business. I recommend continuing business at the recommendation of SBBC Legal Department. Sometime after this memo was released, the invoices were gathered and provided to (according to another memo that we'll see later) our Office of General Counsel for some type of review; we were never given any information regarding that disposition. Clearly, they continued to work through their 60 days, as their invoices show.

**(Exhibit 31)** The next item is a little different; on line item #15, you can see that Mr. Ron Chatagnier was the Project Coordinator for C&B Services. If you look across at that line, you will see that he had charged 8 per diem charges for that one day alone. Although there were other

projects that he was working on, as you'll see on this top area of the page, there were 13 or 14 of these documents; I believe there were 6 charges that were for SBBC schools, and each one of these per diem charges was \$150 per day. Ultimately, it was far in excess of what "RS Means" would have provided and at some point, we'll talk about "RS Means", which was documented as \$40 per day during that same time period and one per diem a day for your client would have been acceptable".

Mr. Reilly added "In the per diem charges, this also included overhead and profit added when we were invoiced".

Mr. Rhodes continued "Also, I would like to clarify that this document clearly shows that this was just for one day of all their per diem charges. One other thing is that line item #19 is a company called FERS, (Florida Environmental Remediation Services) that was the sub-contracted labor pool that they were hiring from in Pompano Beach and for every one of their workers, they were charging per diem charges for all their clients. They were locally based and therefore, not eligible for per diem charges, as they didn't need food and lodging expenses.

**(Exhibit 32)** Now, we can see that pursuant to those two memos that came from the Cost Estimator on January 17, 2006, stating that this firm wasn't licensed and that they were overcharging, the purchase order, ultimately the payments, were put on hold and this was initialed by Pam Norwood, the person who issued the purchase order. That is consistent with when they found these problems, and some people who were in that control loop, in our opinion, attempted to do the right thing by stopping this purchase order and not paying those until there was some type of a review done. Again, you can see this is for C&B Services for the \$1million dollar amount pursuant to bid no. JJ-2, which is ultimately that School Board meeting from 11/8/05. A side note is that they were not identified on the list of approved contractors that the Board approved at that meeting.

**(Exhibit 33)** Here is a secondary instructional document that was sent to Ron Chatagnier from C&B Services about a week after the original agreement was made at the meeting that was documented earlier. What he's saying is that 'your firm's been approved for initial cost of services amount and a NTP is being prepared and you will be contacted to come to our office shortly for execution (of the NTP).' The group at F&CM stated that this was never actually executed, but again, the District did incur ultimately \$2.2 million in invoices for work that was provided specifically by C&B Services. It gives a little bit more instruction as to who they're to call for inspections, who they're to call for their daily work arrangements to ensure that people know what school they are at, what location they are servicing."

**(Exhibit 34)** Mr. Reilly stated "The blocked out area is from a magic marker, the words there are 'C&B Services has'".

Mr. Rhodes stated "that was a dark colored highlighter that caused that, but since we didn't want to change the source document, it came out like that. On January 23, 2006, there was an e-mail from the Director of Contracts and it was addressed to Jim Livingston and stated that additionally 'we will not be contracting with C&B, the contract will be with Ashbritt, once they resolve licensing, insurance and contract issues'. This is an important slide because on January 16<sup>th</sup>, C&B had completed their work. As of this date, we can still see that there was no contract with Ashbritt, there are statements at this point in time stating that would be the case, but this is stuff that all came out after it was ultimately determined and documented by staff that this company was not licensed to work in the State and that they were overcharging the District.

**(Exhibit 35)** In July, 2006, this was the Capital Payments supervisor stating to the Contracts Director that ‘we are in the process of doing our year-end close out; we’ve got \$898,000 in unpaid invoices’. These invoices were among the first group that came in and were stamped in. The rest of those invoices were never stamped in by that Building, so the amount of invoices that we had to deal with at the end of the process when we were gathering all the information from the files included some that were stamped in and some that were not stamped in. I’d like you to keep that in mind, because in a little while, that’s going to become an important factor. Meanwhile, she’s stating that ‘our questions are ‘What is the status of this contract’? She knew that there was a contract when she issued that purchase order. Do we have a legal obligation as a result of that NTP and the PO issued? Regardless of the fact that we were unable to find a completely executed NTP on many other occasions on audits that we’ve done, she has informed us repeatedly that NTP’s are not issued unless they have the purchase orders and appropriate documentation. In here, she’s clearly identifying that an NTP was issued and that was part of the reason that it got to the point of the PO and the work that was being performed. Ultimately, she’s saying if we haven’t already done so, it may be appropriate to refer this matter to our Legal Counsel; we need to ascertain the status of the contract invoices in order to properly close the books at year-end. That was her primary interest at that point. Down here, you can see that the response she received from the Contracts Director was ‘we’ve referred the matter to Legal; however, the emergency contract was and is intended to be with Ashbritt, not C&B. We dealt with Ashbritt from the start and not C&B, because that’s their sub’.

**(Exhibit 36)** Here is an invoice where we get into some of the roofing stuff, because here is where we got a little confused on how things worked on the roofing invoices and the roofing process. You can see here that there is \$28,302 for what are called ‘other charges’. This is consistent with all their other invoices that show roofing charges and for the pick-up and delivery of garbage; that they would pick up debris from the sites. It was primarily a very nominal amount for those other charges, so when we looked at the invoices, we could usually follow this right back to the last page and we were taught this by the Project Managers and by one of the Contracts people that was helping us to understand these invoices when we were reviewing and scanning them. So this \$28,302.77 represents the actual roofing costs. When you look here, you can see that there was 10% overhead and profit that was applied to that amount of money. That’s important, because as we talked about earlier, we mentioned a later, marked up amount of \$1,965 per roof, pursuant to Ashbritt’s invoices over and above this amount that already had the 10% profit and overhead added to it.

**(Exhibit 37)** This is the same exact invoice; this one is stamped in, the other is not. We never really understood why we would have one that is stamped in the file and one that is not. All these numbers are consistent and identical with the other one.

**(Exhibits 38 - 44)** This shows that Nations Roof sub-contractor, who was providing the roofing services, their invoices were for C&B, based on work that was being done at Charles Flanagan High School for the School Board of Broward County, and ultimately, the client information here is C&B Services. They provided an invoice for three portables; these are Portables #26, 30 and 31, based on the school numbers, then the State numbers for these portables identified these same portables as numbers 145N, 580C and 32N. The sub-contractor’s invoices, identifying \$9,360 per roof, showed an additional change order amount of \$221.57. This number (circled) did not necessarily correspond to anything we could find, so for right now, I won’t draw too much attention, other than to say, it didn’t get passed on, specifically. Now, this is portable 145N. We wanted to take a couple of pictures of these roofs, so that we can see exactly what it

is, that after the fact, F&CM could go back and verify these from the ground to ensure that the work was provided for the amounts of the invoices. This is one that was on the invoice that had the roof done at Flanagan High; you can see both numbers shown there clearly for the children, as well as for the State purposes. This is Unit 580C, this is a picture showing exactly what the damage was right after the storm, and this is another look at 580C after the work had been done. We went to take a look and try to get an idea of what it was that F&CM was verifying visibly from the ground. This is portable #32N, also known as 31, and is consistent with those roofing styles that we saw. This is definitely a very easy style of roof to verify from the ground. Here we see that same change order amount; now it's clarified that it was change order #2 for 145N, same exact amount as on the other. We couldn't verify for certain whether that was a double bill because there was no back-up that identified what this change order was for on the prior invoice, but it does show that #651C, the fourth unit at Flanagan was being re-roofed in the amount of \$9,360. Here's a picture of 651C, and again, the roofing type of materials used are very consistent with the other three units and very verifiable from the ground.

**(Exhibit 45)** Now we see that Ashbritt was actually issued their purchase order on January 5, 2006, eleven days before C&B Services would complete their entire scope of work for the District. We also see that was printed on the 10<sup>th</sup>, but below is the important date at this point. It shows you that they did contract with Ashbritt, that they had gone through the same process as C&B to get this.

**(Exhibit 46)** Now, in the audit, we identified that there were many working versions of a NTP with Ashbritt that were not executed and the amounts that were identified in those NTP's varied from \$3.1 million down to \$1 million, down to \$760,000, which again, were not executed, but ultimately resulted in this NTP, which was executed and it was February 9<sup>th</sup>. It says here 'services to be provided are limited to portable roof repairs and/or replacement per C&B Services, Inc. proposal' dated November 7, 2005. Now it shows that the amount is not to exceed \$1.001 million."

Mr. Reilly pointed out "This NTP was dated February 9, 2007, almost 13 months after all the work was done, so this was created after the fact."

Mr. Rhodes continued "Here we've got unit prices for the roofing that actually are in conflict with the amount identified in the original C&B proposal, so at this point, there's a conflict. If you are going to bill pursuant to this proposal, but then you're also going to book and bill pursuant to this number that was identified in the two different sized portables, we clearly identified that the Ashbritt group had invoiced the District, based on this higher number and that higher number is where we identified the difference of \$1,965 per portable roof from the amount that we identified as having been invoiced by the sub-contractor.

**(Exhibit 47)** This is the very first invoice from Ashbritt, #0584-01 for roofing and this is at Flanagan High School. They had a list of sixteen locations where they provided roofing and these are numbered from 0584-01 through 0584-16. Their first round of invoices, after amounts were crossed out, were each in the amount of \$7,800 per portable, and that was because the warranty documents that were provided by Nations Roof, the sub-contractor, itemized and clearly identified that they were only accountable for an amount not to exceed \$7,800 per portable roof. Those warranties identified each and every portable that corresponded to each portable identified on their invoices that they provided to C&B Services. When they crossed out the different numbers and entered \$7,800, the Project Manager was reviewing these with the help of, I believe, his Senior Project Manager, and they caught this and very wisely identified this



situation. This then knocked the overall amount of these initial invoices from around \$920,000 down to around \$875,000. The next item that I would like to show is part of how we will later get into the idea of going out and reviewing the progress for the completion of a year and a half plus, after the actual work was completed.

**(Exhibit 48)** You can see on this cover sheet back from 12/26/05; it was to Ron Chatagnier, C&B Services, and it was being sent by Jim Livingston, the Project Manager, who eventually took over as the Lead Project Manager for that group, but the remark here, we found to be very interesting. It states ‘please fill out the attached status sheet, indicating the status of Wilma repairs for portables assigned to Pirtle’. That’s important because the portables that were assigned to Pirtle at Flanagan are the same portable numbers that were not documented, other than the assessment of these portables at Flanagan High, where they’re talking about the difference between two and seventeen or nineteen portables. It further states ‘Leave the box empty if it was not started, otherwise mark N/A for not applicable, CP for complete, IP for in progress. Try to have this updated by January 3<sup>rd</sup>, again, asking them to verify their own work, based on another firm’s scope of work.

**(Exhibit 49)** This was an electronic file; we took a snapshot of all the different files that were there and this was based on the FEMA documentation folders for Flanagan High and the project worksheet.

**(Exhibit 50)** The project worksheet shows on Item 6 that there were leaked portable classroom roofs and wetted insulation for each, unit #26, 28, 30 and 31. Those are the actual school assigned classroom numbers for the units for which we already looked at the pictures. Each of these did have the roofs completely replaced.

**(Exhibit 51)** Then we go to the 2<sup>nd</sup> page to line item #9 and we see that it says ‘repair seventeen each portable classroom unit 10 aluminum siding, 6 x 10, average size or 17 x 6 x 8 by other PW’s. These items here are the aluminum sided classrooms that we call the GE classroom; it’s not a wood classroom on the exterior; it’s aluminum. These are consistent with many of those units where we stated we were charged for interior work that was not provided by C&B Services. There’s one place where we completely agree with F&CM and that is that very early in the process, there was an assessment of multiple classrooms. There was a 4 hour amount of time and payment that was paid for the work that was provided in there. Ultimately, after the assessment, there was no other work that was documented to have happened in these portables. There was one other opportunity for them to do another assessment; when they went to do that, the classrooms were filled with children, so they were unable to complete that task. There was no other documentation of any daily work being provided in any of those units through the end of the project.’

Mr. Reilly pointed out “There were other contractors there doing work”.

**(Exhibits 52 - 55)** Mr. Rhodes continued “Some of the upcoming slides will show you that. Here, we’re looking at some photos that were available in the project worksheet folder from FEMA. We knew there were some problems. This is one of the units; they say it’s unit #30, but it’s either #26 or #28 on the picture, but they were identifying that as #30. This shows the inside of one of those units that had the new roof on it that we showed earlier that had the inside gutted, which is consistent with the two units that we were talking about, for which they actually provided services for and documented in their back-up documentation. This is showing some other unrelated damage. Note that this report was provided on December 9<sup>th</sup> here and December

12<sup>th</sup> here. The last date noted in the back-up documentation that C&B Services provided any services at Flanagan High School was December 6, 2005. This is a more recent report of any damages that had occurred at that site than even the documentation that was provided by the contractors themselves, and not identifying interior damages to those portables that were consistent with the billing that we received.

**(Exhibit 56)** This is a screen print of a project worksheet; it's an excel worksheet that shows the different scopes of work that were provided different contractors at Flanagan High School. This particular screen print was of work that was provided by Pirtle and these portable numbers here; most of those are consistent with those invoices on the interior invoices that we were disputing for Ashbritt on Finding #5.

**(Exhibit 57)** This is the same location; this happens to be the tab for a company called HA Construction and this shows that they provided services on four units, interior, and these four units are consistent with the four units that we already looked at. These show that the interiors were complete; one was still in progress to whatever degree.

**(Exhibit 58)** This shows C&B's scope of work at that same time and shows that their scope of work was roof and dry only on these four units. We had several versions of that spreadsheet and others that were similar to it. Often times they were not dated; it was very difficult for us to determine if it was a newer or older version of that spreadsheet. This one that we were just looking at happened to have been dated, as shown on the very top, 11/1/05; however, I've seen other versions that have had that same number on top, but had a completely different look and a smaller scope of work, so this was clearly evolving as time went on. They didn't update the data for us to be able to determine the date that this was provided. Again, the important part is that the scope of work and the damages identified here are consistent with what is in the C&B Services daily work logs and invoices, and ultimately, the project worksheets as put together by FEMA.

**(Exhibit 59)** This is a memo that was sent from the Deputy Superintendent to the Executive Director, stating 'this is to remind you that the procurement of the emergency repair services under procedures issued in early November were suspended December 23, 2005'. Since that time, \$18 million in additional repairs have been assigned or negotiated without following the current procedures. We think this is a very good memo, because he's putting a stop on things that have been, in some manner, out of control, or at least, beyond the control that was originally intended.

**(Exhibit 60)** The problem is, it's in conflict with this memo, because the invoices for the retainage amount for the roofing from Ashbritt was submitted to the District on September 17, 2007 and this memo on September 18, 2007, the Deputy Superintendent is saying 'this amount of \$94,000 is being retained and ultimately, without providing final inspections, you paid Pirtle, Wadsworth and Advanced Grouping', and then he identifies this executive order that months earlier, he had identified that was clearly no longer in effect. Then, here it says 'please make arrangements to immediately release retainage based upon the attached invoice'. The problem that we have with that is that it is circumventing the process to have these things inspected before the invoices were paid. So, we feel that represents circumventing that process, based on the fact that he sent this document out to the Executive Director.

**(Exhibit 61)** When I told you earlier to keep in mind that there is a difference in the invoices that were provided on behalf of C&B Services, we received these from Ashbritt in an e-mail. This is a screen print of the e-mail, which included all these Excel documents.

**(Exhibit 62)** These excel documents included a template of C&B Services raw invoices, and you can manipulate these invoices, change the amount of units of the prices and everything that was in there. Based on the fact that we received this from Ashbritt, we felt that this was totally inappropriate and unacceptable for them to have access to what was supposed to be their sub-contractors' invoices, when we had so many invoices that were not properly time stamped over by the Records and Retention Department. This, we believe, is a very significant weakness that would have allowed these invoices to have been potentially inflated before there was any mark-up on behalf of Ashbritt with their final invoices that were sent to the District.

**(Exhibit 63)** This is just a pdf print of that same invoice we just looked at to show you that it is precisely like the invoice we just looked at for C&B Services in the file. Let's talk about how that process works. When we began this review, we determined that C&B Services was no longer in business, so doing a Google search, we found that C&B had merged with another company called Cotton Companies. We contacted Cotton Companies to see if Ron Chatagnier had been a part of that merger, and maybe he had been absorbed by that parent group. He had been and we spoke with him by phone. We asked him for a complete file of all the invoices and back-up documentation and he informed us that he had sent all that information to Ashbritt. They no longer were a company and they no longer maintained any of that information. When we contacted Ashbritt to get all that information from them, Ashbritt informed us that they had put together 19 binders for all the different schools that they had worked on in the District and those 19 binders had then been taken over and delivered directly to the F&CM portables group, as well as their Contracts Group, so that they could have those invoices processed and things would be taken care of. Ultimately, even though there was some information that Ashbritt provided us through e-mails, like the templates of invoices and other e-mails they had sent that we asked for, it was ultimately back to what was at F&CM for us to be able to determine the overall cost based on the C&B invoices, and then the overall cost comparison, based on what we documented from Ashbritt. We took some more pictures to make sure we provided this Committee an idea of what these units that had been re-roofed looked like visible from the ground.

**(Exhibit 64)** This one, I think you'll agree, looks completely different from the other units that we had seen at Flanagan. It's got a completely different type of siding; this one has gray flashing.

**(Exhibit 65)** This is what it looks like on the top of the roof. We're not roofers, but it looked to us to be some type of white rubberized roofing and they said that it was some type of TPO. Mr. Morgan, is this some type of TPO?"

Mr. Morgan replied that he thought it was.

**(Exhibit 66)** Mr. Rhodes continued "That was what was in C&B's original cost proposal to us, so we had to take it on faith that that was a TPO type of roofing system. Then we went to another school, Cypress Bay, and took pictures of all the units that were identified there. Here we have white flashing, which looks very similar and generic in terms of the type of flashing. I did notice that this little piece on the end at some of these units we were looking at, I was able to detect that from the ground, and perhaps, this is something that F&CM might wish to comment on, whether or not, this is a part of what they were able to determine from looking at it from the ground.

**(Exhibit 67)** This is another, William Dandy. When we went to William Dandy to verify the units that were in the change order, we found two new groups of the three we were supposed to find. The third group was consistent with the roofs that had been there for a long time. It was a gravel roof that had been put on, hot mopped, with that gravel tar paper roof, so there were not

three roofs out there that we could even document that had been changed, even if the numbers had been improperly done. We spoke to the on-site staff, and they told us that Unit #171 had also had a patch on it at the same time, and we took some other photos of those up there, but that one was not consistent with the other roofing styles that we saw.

**(Exhibit 68)** This is at Nova High School. I wouldn't worry about the wires, I think that's just a project they're doing over the summer, but one of these was low enough to reach up and touch. This was another one that shows the gray flashing around the sides, and again, if you'll notice a little bump, (and that bump is consistent with the one I mentioned before) that may have allowed them, in certain cases, to verify these from the ground. I certainly would like to give that credit where credit is due, since that certainly could have been the case.

**(Exhibit 71)** Now, with this one, we're questioning if this was a Nations Roof project. We still haven't been able to determine this; we tried to find out who did this roof and we were unable to do so. This unit is behind the Building Department and they are working on trying to find out who did this and whether or not it is consistent with Nations Roof work or someone else's work, who may have provided roofing work at Flanagan High. That's the end of the presentation and we can take any questions you may have at this time".

Mr. Reilly stated "The audit had five observations and recommendations; four of them dealt with amounts that we feel should be reimbursed to the District for various things having to do with excessive per diem amounts charged, additional 17% mark up on 37 roofs, items relating to reversing the warranty in order to be billed consistent with the NTP that was created in February 2007. Also, one of the corrections we'd like to see in the future is the point that inspections need to be made and we think that the inspections should still be made. We're asking that the retainage be returned, representing 10% of the projects, until those items are done and corrected. We also believe that there were roofs redone, that per all the documentation and the PW's from FEMA and comments from the custodians at the locations, there were roofs that needed to be done and we identified a certain amount. I don't think there is anything we can do about that now, but in the future, that's something where we should only spend money on roofs that need to be done. Also, with the items related to the additional interior type of work, we feel that there is a certain amount, for a total of approximately \$765,000 that should be reimbursed from the vendor.

### **Audit Committee Discussions/Questions:**

Mr. Steve Hurst asked "My only question in regard to the presentation is that you mentioned the offset, the note said it was 2 times the normal amount".

Mr. Rhodes agreed.

Mr. Hurst continued "Is there any special consideration that's given in a time of disaster, when someone is from another area, when not a local vendor and travel is required, is there special dispensation or just by our normal labor guidelines"?

Mr. Rhodes answered "It certainly would be more when the materials and labor are hard to obtain. One of the issues that we saw was during a time that the Ashbritt invoices were being

prepared. There were discussions documented and they were in the responses provided by F&CM. The RS Means showed that the per diem rates should have been \$40 per day, rather than \$150 and there are notes that show those negotiations that were happening between them. The fact that they charged \$150 per day is not really what we're contesting. We're not saying that in that time of emergency they shouldn't have charged \$150 per day; in fact, we know that we probably would have to pay more from out of town vendors. What we're saying is that the \$150 per day should not have been charged multiple times per day or for local vendors that didn't need food and lodging. None of the amount of money that we're looking for for that line item is going back and contesting what RF Means said; we're only using that for clarification, as that was brought up by one of their staff members at the time".

Ms. Ellen Colonnese asked "As for local people, in an emergency like that, don't they sometimes get . . ."

Mr. Rhodes replied "No".

Mr. Anthony DeMeo asked if the invoice amounts exceeded the amended purchase orders?

Mr. Rhodes replied that there were no amended purchase orders. There was only \$1 million for C&B, who provided the services and the invoices that were ultimately processed in the amount of over \$2,183,000".

"And how about the Ashbritt contract?" Mr. DeMeo asked.

Mr. Rhodes replied "There's was a \$3.1 million P.O.

Mr. DeMeo asked "Did we pay amounts in excess of the adjusted contract amounts?"

Mr. Rhodes asked "For Ashbritt"?

Mr. DeMeo replied "For C&B and then Ashbritt".

Mr. Rhodes replied "Yes, we paid amounts in excess of that".

Mr. DeMeo asked "Was that something that shouldn't have been done?"

Mr. Rhodes answered "The claim that later happened that C&B was never the contractor, that it was always Ashbritt; if that argument was to hold up, then there never would have been a problem, because the amount of money invoiced never exceeded the \$3.1 million spending authority that they had. Based on the fact that it was a clear intention to enter a contract with C&B Services at a \$1 million amount for a purchase order that was never amended to increase for the amount of work that they provided and invoiced them for, for that reason, we think it's a big problem".

Mr. DeMeo asked "So, all together, the scope of the work was about \$3 million?"

Mr. Rhodes replied "No, it was \$2.2 million."

Mr. DeMeo asked "So, we paid . . ."

Mr. Rhodes replied "\$2.183 million".

Mr. DeMeo asked “And we think that’s excessive for the reasons set forth in the audit, the per diem and so on. Was the work inspected in accordance with School Board procedures?”

Mr. Rhodes replied “No”.

Mr. DeMeo asked “That was because of the extraordinary circumstances at the time?”

Mr. Rhodes replied “That was because during the 60 day period that the work was being provided, there was a suspension of the statutes per Executive Order #05-219 and we believe that allowed for some of that stuff; however, we had a lot of contractors that were still providing emergency affidavits for permits and they were calling in their own inspections. Based on their own documentation that this didn’t happen everywhere, but in this situation, they called in 30 different inspections. Of those 30, only one passed during the emergency and then, after the emergency, when they were supposed to be inspected prior to payment of the retainage, none of those inspections happened and that was not during the emergency period.”

Mr. DeMeo asked “So, this is now three years later. Have we inspected those and was the work satisfactory?”

Mr. Reilly replied “Right now, the latest revised responses state that they will do the inspections.”

Mr. DeMeo asked “I have questions about the per diems, as well. Sometimes, when recording time and per diems and hours, these things are recorded on a day or perhaps a week or two weeks, because a person is behind. Were these logs checked to see if that was the case; in other words, that if 8 were charged in one day, that didn’t represent eight previous days?”

Mr. Rhodes replied “Absolutely, they were checked and we identified that for each identified per diem charge in their per diem summary sheet, it corresponded back to a per diem charge that was in their daily invoices, their weekly invoices. Also, we went back and identified that it was also passed on in the invoices that Ashbritt provided later.”

Mr. DeMeo replied “OK, on page 46, I think you made the comment that the unit price, two unit prices are listed there, you said this was not the same amount and was inconsistent with the contract amounts?”

Mr. Rhodes answered “On page 16, that’s the actual proposal that’s being referred to; when you look at the cost at the bottom of that page for the two different sized units and compare those to the NTP, you can see the different numbers, and that’s the concept I was talking about.”

Mr. DeMeo said “OK. On the next slide, (page 47) there are some annotations in the right hand column, and I want to be clear if the individual who made those comments was a School Board official. The amount \$7,800 was written several times.”

Mr. Rhodes stated “Yes”.

Mr. DeMeo asked “Following on that warranty, the contractor issued a warranty covering up to \$7,800. Is that correct?”

Mr. Rhodes replied “Yes”.

Mr. DeMeo asked “So, we extrapolated that the amount we should have charged should be based on the amount the sub-contractor was paid?”

Mr. Rhodes replied “Yes”.

Mr. DeMeo questioned “First of all, why is that any of our business? How did we get that information, and why, if we’re contracting with the ultimate contractor, does it really matter as long as they discharge their responsibilities and complete the project timely and in accordance with the work scope? Why do we care what the sub-contractors were paid?”

Mr. Rhodes replied “Ultimately, it’s because Ashbritt was charging the District in excess of the cost of the work without ever providing the work.”

“Ok, that’s a whole different issue” replied Mr. DeMeo. The idea that work was allegedly performed on units, but was not, or that more expensive work was invoiced than was actually done, or that more units were charged than actually occurred, to me, is a separate issue. That should be pretty clear; there should be evidence one way or the other about that. The idea of the contract; if they contracted for a certain amount, do we care if they added 10%?”

Mr. Reilly answered “My concern is the need by all parties to eliminate the \$7,800 from the warranty that shows the work that was done. Going back to the NTP of February 2007, to later say that the costs of the roofs were going to be \$11,325, that allowed Ashbritt to tack on another \$1,965. There was already a profit. We verified with Nations Roof that their cost that they charged C&B was \$9,360. That was their total cost. The actual cost was \$9,360; to tack on another \$1,965 by the vendor who did none of the work, that’s one of my issues.”

Mr. DeMeo stated “What I’m trying to find out is if the \$11,000 was the contract amount. If we get information after the fact, we may find that Nations Roof hired 10 contractors locally to do the work for \$8,500. I’m not clear on whether the \$11,000 is what the contract was executed for and if it was also the amount we paid, except for those circumstances where work was performed or not performed and we were charged. Why we are concerned with that? I’m having a hard time with that concept.”

Mr. Rhodes replied “First of all, we’re only dealing with a certain portion of that population of portable roofs; 37 of those roofs is what we looked at, and those roofs had 10% overhead and profit already added by the sub-contractor to those costs, which identified the first mark-up”.

Mr. DeMeo asked “But, was that included in the \$11,000?”

Mr. Reilly answered “Yes”.

Mr. Rhodes also replied “Yes, before you get to the \$11,325, this has already been included over and above that \$9,360; now on top of that 10 [10% Overhead] and 10 [10% Profit], they’re adding 17% profit over and above the actual cost.”

Mr. DeMeo stated “That’s the difference between \$11,000 and \$9,300; I understand that. What I’m trying to understand is ‘Did we contract for \$11,000 and did we pay \$11,000, where we could verify that the work was done?’”

Mr. Reilly replied “There’s a company called C&B that did all the work, finished all the work by the end of January, 2006; then you have another company come along that’s going to do the invoicing and the payments, and we’ve tried to establish who really did the work and who we

had a contract with, but eventually the people who we actually paid was Ashbritt. As you progress through the process, you'll see that to establish what the cost was, as you said, you're not too concerned with what the sub-contractor of C&B actually paid to do the work, but it was critical that everyone took off the price from the warranties, and then had the NTP to show that they would have no problem billing us \$11,325. That's exactly what we did after we paid only the \$7,800. It was questioned about that and they weren't going to pay any more until they could establish any difference, but it was not. We cut a check a month later for another \$186,000 to bring it up to \$11,325, which, after the fact, agrees with the NTP, but they're not the ones who did the work. C&B had a final price at the most of \$9,360 and it flows all the way back. When you look at the very end at \$11,325, that's what we paid".

Mr. DeMeo said "I have observed in just a few meetings, being relatively new on this Committee, and I am struck with the professionalism of your group; you do good work. We are auditors in my firm and I think your audit is very high quality and very well thought out. In this audit report, there were words like 'collusive activities' used. In the context of a public entity, those are very serious charges and I was wondering what proof we have and have those charges been referred to the proper authorities and those who can act on them? Collusion and falsifying documents, I'm not even clear on what the collusion is; is it between someone within the School Board and the Contractors. There seems to be some allegation that documents were backdated or created after the fact, subsequent to the events to cover either. I'm not clear on this, missed procedures. I think that area really needs to be clarified and the charges need to be separately stated and specifically documented. I'm not even sure that it's appropriate for this group to be the first group to consider what action, if anything, should be done."

Mr. Rhodes replied "That's why we recommended that the report go to those appropriate authorities, so that they could look into that and see, because we don't have the ability to actually get in and answer those, but I think it was very clear in the audit where we identified collusive acts, based on the fact that there was \$7,800 per unit that was allowed to be paid, and based on the actions that were taken between the contractor, the sub-contractor and internal staff, those were removed and documented in a complete cycle, including those new documents without an amount being sent back to the District. That then moved that obstacle and allowed the additional money to be paid. Whether or not that turns out to be a collusive act that was against the law; whether or not it turns out to be a bungled attempt at trying to do the right thing; that's certainly something that the law can deal with, because there's only so much we can do in an administrative capacity."

"Thank you", Mr. DeMeo replied.

Ms. Ellen Colonnese stated "I'd like to follow up on what he said. During Wilma, my roof was damaged and I didn't pay; my insurance company paid \$60,000, whereby, years later, a friend of mine, who has a bigger roof, paid \$30,000. This kind of looks like I should have gone back and said I should have only paid \$30,000. I'm not quite getting it. That's one question, because, here on page 16, you do have the \$11,000 from C&B. My other question is, regarding the Purchase Order that was issued to C&B. I'm assuming this wasn't an emergency situation, so the licensing issue; what currently happens before you contract with someone? Do you make sure they're licensed and everything? Where this was an emergency situation, all of a sudden, you entered into a contract with them and then found out they were not properly licensed. What should have been done? You were saying, maybe it's just a bungled attempt to do the right thing; how should



this have been rectified? Do you back out the PO, are there paper trails and documentation? They already did the work by the time they figured out that they were not properly licensed.”

Mr. Rhodes replied “Our opinion, from the beginning, was that if they had paid the group that was unlicensed, it would have been a much better alternative to what ended up taking two years to go through this whole documentation process to pay money, over and above what should have been paid to begin with.”

Mr. Reilly stated “My point, too, is you have a company called C&B doing the work, actually invoicing, they have a PO, everything looks like it’s theirs, and then they have some issues. What we end up doing, instead of just saying ‘They did the work, let’s pay them, let’s do additional inspections to ensure things were done properly. If we have to correct them, that’s our problem.’ But to then give it to another contractor for them to be able to tack on a profit, that doesn’t seem viable to me to do that. It was a hurricane situation; we made an emergency PO, could we have gotten some local people; that doesn’t matter. We chose to use C&B; we used them; they did the work. Luckily, a lot of things that they did, they did very well. Things like not knowing if the inspections were done for the future; that’s a concern. We don’t want to be in that position, just hoping things work out fine. Looking back, that’s what I was wondering about. We did a prudent thing to get things rolling, we got the schools opened really fast; we wanted to get it done. Now, as they say in the report, and I entirely agree with them, we’ve already gotten plenty of contractors lined up. If we have a storm coming, we’re ready to roll. We’ve learned a lot. One of the things that came out of this audit that I’m concerned about is if we do have a problem, we have Project Managers working on them; we can’t wait 14 or 15 months after the work has been done to figure out who did the work and inspect it. That puts us in a very bad position where you are going to pay some vendors that may have not done the work, or pay some vendors twice. That has to really be controlled. That’s my concern about everything we do here; what are the internal controls? What are the procedures to make sure we are protected?”

Ms. Colonnese asked “So, this is an improvement that came about because of this issue, but I agree that the words that were thrown around in the audit maybe prevented us from getting the best result. A mistake was made, how do you know intent, when throwing around fraud and collusion?”

Mr. Rhodes answered “For example, the one we just talked about, that Mr. Garretson put out, stated that we were only going to be able to be paid \$7,800 per roof until such time that either the warranty documents were provided or the sub-contractor’s billing information was provided. They could have provided the sub-contractor’s billing information at \$9,360 per roof. Why wasn’t that the way they went, instead of having the documents altered for the warranty?”

Ms. Colonnese replied “I don’t know and you don’t know”.

Mr. Rhodes stated “These examples are called fraud indicators. That doesn’t mean that fraud happened; we said potential fraud, potential collusion, we said all these things that identify, from all of our training, that when there are fraud indicators, you have to bring that information forward. If we truly believe there is fraud or collusion or other illegal act happening, we have a professional and ethical responsibility to bring that up. We’re not trying to be judge and jury. We believe that these things happened; we have sufficient audit documentation that identifies and supports that these things have happened. From any other perspective, other than administrative, this report and all the back-up documentation we have, need to go to the appropriate authorities.

Ms. Greenbarg replied “The other question Ellen asked, if I paid \$60,000 and my neighbor paid \$30,000, is it fair to go back . . .”

Mr. Reilly replied “Maybe you were gouged, and with today’s prices, the supply and demand, I don’t know.”

Mr. Rhodes stated “One of the things that I think this Committee truly needs to understand is that not one of the findings that we have, did we talk about whether or not \$55 an hour for a laborer during regular times was excessive or \$82.50 overtime was excessive for a position that may exist in Texas, but doesn’t exist in Florida. There’s no such certification as a Certified Restoration Tech in the state of Florida. It may be a reasonable amount to pay someone in Texas, we didn’t even comment on that; we may have gotten gouged on that. We’re not even saying that the \$150 in per diem charges was excessive; we’re saying the way we were billed for per diem for ineligible people and multiple charges per day was where the infractions happened. When you’re talking about \$60,000 for your roof and \$30,000 four years later for your neighbor’s; we’re not even talking about that. We’re not asking about the individual unit cost; we’re not asking how the unit costs were applied or units that were not serviced for those unit costs, whether they were fair or not.”

Mr. Joey Epstein stated “I’m just a little disappointed in the chain of events that have occurred and how we’ve gotten here. I am in full agreement with the memo that I read this morning. In the big picture, I don’t really care how somebody gets someplace. If there’s an agreed upon contract amount, the work was done and the work was done to the specifications required in the contract, and I haven’t been convinced that there’s been big issues that that’s happened. Yes, I agree that maybe things were a little sloppy, I’m not happy with what did happen internally; I’m not really caught up, unless something was really done not subject to code or not in accordance with the contract, as to what globally happened here. I’m probably making more of my personal commentary than questions and I wouldn’t want to have a debate with the contractor, because legal ramifications may come into play, because of this. However, I’m not sure it wouldn’t be appropriate to have a representative from Ashbritt and hearing a commentary from them.

Ms. Greenbarg stated “I’ve been advised by counsel that that will not happen at this meeting. We’ll discuss that request at the end of the meeting. What was the contract amount with C&B?”

Mr. Rhodes replied “It was a \$1 million purchase order”

Ms. Greenbarg continued “And we paid . . .?”

Mr. Rhodes answered “We paid \$2.183 million and change.”

Ms. Greenbarg stated “I think that is the question that people have been asking; what was the contract amount?”

Mr. DeMeo asked regarding page 8 of the audit report “The amount of the contract shows as \$2 million. One shows as C&B and the other as Ashbritt.”

Ms. Greenbarg clarified that Mr. DeMeo was referring to the invoices, not the contract.

Mr. DeMeo continued “The table shows the amount of work done. One was the billing from C&B, you can see C&B broke it down, they showed the overhead and profit; contractors do that. The other shows the Ashbritt invoices where they include the overhead and profits in the various

categories. It looks like the scope of the work was \$2.1 million and we paid \$2.1 million. Whether we paid C&B or Ashbritt; whether they were the contractors, certainly licensing is an issue, we paid the contract amount, but did we pay something we shouldn't have paid in terms of just the contract. On this page, it seems we paid \$2.1 million and the contract amount was \$2.1 million. Is that correct?"

Mr. Rhodes replied "I don't agree with what I think I just heard, because I still believe, for example, if you're in Hurricane times and let's say the cost of the labor and materials are double; then that would mean you would assign half the amount of work that you normally would for a \$1 million purchase order. You wouldn't give them \$2.1 million worth of work to go out and do, and again, we would be talking about something totally different if Ashbritt had actually provided the services. They did not provide services, so the \$1 million intended purchase order was shattered and doubled and Ashbritt just passed it on."

Mr. DeMeo stated "Whether we should have done it or not . . . What I'm trying to find out is did we execute contracts for \$2.1 million?"

Mr. Rhodes replied "It was \$3.1 million, ultimately, with Ashbritt, of which \$1 million was C&B."

Mr. DeMeo stated "This table confuses me on page 8".

Mr. Rhodes replied "This is just a breakdown of their invoices. This is what we were able to find in the different categories for each of their total invoices. For example, what we thought we would see was a certain amount of invoices for C&B, and then we'll see five or six percent administrative fees tacked on to each of those different items across the line. We were shocked to see that amount of overhead and profit, administrative fees, different things completely vanished from these and were then redistributed through the other fees in the top portion of the Ashbritt invoices. That is not an appropriate way to invoice."

Mr. DeMeo stated "From an auditor's perspective and from hindsight, did we pay \$2.1 million?"

Mr. Rhodes replied "Yes".

Mr. Demeo asked "Did we pay more than \$2.1 million?"

Mr. Rhodes replied "No".

Mr. DeMeo asked "Did we pay \$2.1 million to Ashbritt only?"

Mr. Rhodes replied "Yes".

Mr. DeMeo asked "Did we pay nothing to C&B?"

Mr. Rhodes replied "Yes".

Mr. DeMeo stated "The million dollars that you refer to was the original scope, or original proposal from C&B, then there was confusion that they weren't licensed and so forth, OK. Now, whether or not the profit and the amounts were reasonable, a whole separate issue; I just have to figure out if we overpaid or not, I just want to understand the scope of work. I understand that and I think this clears it up. I have one other question. Somewhere in the audit report, a meeting was referred to at which a certain lobbyist attended. Why is that important?"

Mr. Rhodes replied “It’s just a fact”.

Mr. DeMeo asked “For our consideration, why is that important?”

Mr. Rhodes answered ““If it’s not important to you, I don’t think you should consider it.”

Mr. DeMeo asked “Why was it important to you, though?”

Mr. Rhodes replied “It was not important to me. It was a fact that was in the e-mail from the Project Manager who told me. It was important to him, to the point that he didn’t just say ‘some guy’, he said ‘it was lobbyist, Ron Book”.

Mr. DeMeo asked “Is this typical for the School Board where there are significant contracts, to have the contractor represented by counsel, let alone, a lobbyist, who’s also an attorney.”

Mr. Rhodes replied “I’m not sure I understand the question”.

Mr. DeMeo asked “On contracts of this size, at meetings with the School Board representatives, (Facilities), is it normal for a lobbyist to be part of the initial meetings?”

Mr. Reilly replied “I’ve seen it myself, yes. I don’t know how common it is. I can tell you for the contract for the external auditing services, for which we put out an RFP, most of those firms brought a lobbyist with them. Maybe you should get some other opinions on that”.

Mr. Notter commented “The Superintendent has had the luxury to work in every Division of this organization, I have led the Facilities Department at two different points in my career. In terms of normal, I would tell you that it’s not normal, normal being 7 out of 10. Does it occur? Yes, but in terms of consistency, for me, it’s normal. That is my benchmark. My answer to you in the years that I led the Division, it’s not normal that consistently, an attorney or a lobbyist comes in and works side by side with their representative in formalizing anything or moving that in that direction.”

Mr. DeMeo said “Ok, thank you. I’ll say what’s on my mind, maybe some others. One gets the impression reading this that perhaps there’s a suggestion that there was undue influence. When I see a comment like that, being an auditor, the wheels start turning. Based on what the Superintendent said, I don’t think it seems to be out of the ordinary to have representation, such as Mr. Book on these contracts, but, if that is the case, say it. If you or Facilities feel that there was some undue influence involved in the letting of this contract, that’s something I would really be concerned with. Whether or not someone breaks out a 10% profit, not in any way to say that it’s not worth pointing that out, it seems to me to be less important than some of these other larger issues.”

Ms. Greenburg asked “Maybe I misunderstood, you said it was not normal, didn’t you say that?”

Mr. Notter replied “It’s not consistent”.

Ms. Greenburg said, “OK, it’s an inconsistent occurrence. Maybe that’s why they mentioned it. We contracted the original contract with C&B for \$1 million. You ended up paying over \$2 million to a firm that didn’t do the work?”

Mr. Rhodes replied “Yes”.

Mr. DeMeo added “That’s not what I understand”.

Ms. Greenberg stated “That’s exactly what happened. Am I correct?”

Mr. Rhodes stated “That is correct, based on how you said that.”

Mr. Reilly added “We believe that \$765,000 should be reimbursed to us for the various points made in the audit, everything from the per diem to the additional \$17% markup by the 2<sup>nd</sup> vendor and all the other issues, between Findings 1, excluding Finding #4, related to monies that we feel are due back to us.”

Mr. Rhodes commented “If I might add to that, based on the nature of these transactions, we believe that the inappropriate amounts that were being charged, the way in which those costs were being passed on to the District, were passed on by C&B Services, the group that actually performed the work. If we believed that Ashbritt did anything at all, it was simply that they did not catch those things before they provided the invoices and we provided the checks to them. We believed that the actual inconsistencies in the billings, the discrepancies in the billing, any documentation that was overstated, inflated, double stated, overbilled, happened as a result of the work that was provided by C&B Services and the invoices. I’d say, in looking at this, the way that things really fell apart, was there wasn’t a really good look at the C&B invoices to make sure they were fairly stated to this District for the work that was done”.

Ms. Greenberg asked “As for the administrative responses, you received the revised response via e-mail. I asked you, Mr. Notter, you are essentially agreeing to go after the \$765,000, is that correct?”

Mr. Notter replied “I’m essentially agreeing to meet with counsel of this School District, and in fact, review all of the data that we have and ultimately go with the counsel’s recommendation after I have it and review it. I’ve been consistent with this Audit Committee with taking the audit, looking at the identified dollar amounts that the auditors recommend as a result of their audit, meet with legal counsel to see if legal counsel agrees that we have the ability and we should move forward to go after those dollars. I think where we get into a disagreement, the auditors will put down a particular dollar amount, \$1 for example, and ultimately when I meet with legal counsel of this District, and we look at the total cost of bringing that dollar amount back and/or if it’s not \$1 and it’s \$.75, it then becomes an issue that the auditor said \$1; therefore it shall be \$1. What I have now is a completed audit report with my staff’s recommended actions, speaking to the document that was handed out today. Now, as the CEO of this organization, it is my responsibility to go back with legal counsel and in fact, take the necessary legal action that we believe is needed to recoup any amount of dollars, up to the \$765,000. Legal counsel and I have the opportunity at times after we have a lawsuit filed, where we then have an opportunity to reach an agreement between ours and another organization. At that point in time, we may call an attorney client session, which is a private session with our Board, to give all the legal detail and potentially reach a resolution that our corporate Board would know and understand and say ‘yes or no’. This organization has a very clearly designed process for us to move forward and I am confident that, with this audit report, I will now take my steps in terms of that process and come to a resolution, from a legal standpoint. From an administrative standpoint, I believe that what was handed out today, gives this Audit Committee, my Board and this Superintendent what the Facilities Department plans to do, the deliverable date, and the person who this Superintendent holds accountable for it. This Audit Committee also has follow-up procedures that are very clear and defined. I believe we have very clearly defined the next steps.”

Ms. Greenberg asked “On page 1 of 4 of the revised responses, on number 2, ‘use outside consultant to evaluate cost’. With the district literally bleeding for capital money, I don’t know if the Committee concurs, but to cut as much cost as possible, I wouldn’t want to see us pay someone else to do this.”

Mr. Notter replied “I’m in agreement with that. I’ve certainly been known as a Superintendent who listens, and even sometimes to change my recommendations even to my Board. When I read this after receiving it from Mr. Garretson, I felt comfortable with it from this context. I’ve been brought up in a system of checks and balances from my family to my professional career and when I see something to this level in this audit, I am more comfortable having a third party look at it vs. necessarily having it from an internal look. Certainly, I’m not a CPA by profession or by license. With respect, Acting Chair, if you have one opposing view, I’d be willing to listen to professional auditors, but from the context of the Superintendent of Schools, it was purely from a third party, so that there would be no potentials of any kinds of gray clouds over what ultimately, we will bring to fruition. Again, this is our independent Audit Committee; this is very unique in this nation in terms of school districts. We put it together for all the right reasons, and that’s to improve our practices and procedures when we see where they need to be improved. I’ll open it up to the Committee from that perspective, but that’s my rational, purely from the most far right of being conservative and taking it out of any type of hands that there may be a look or connection that it’s ‘the fox watching the henhouse’, for lack of a better way to say that.”

Ms. Greenberg said “I’m not objecting to the third party; I’m objecting to paying a lot of money for the third party.”

Mr. Notter added “Those of you who’ve known me for 23 years know that I’m not a high roller. If it’s only the cost, that’s my responsibility.”

Ms. Greenberg continued “I want to make it clear that I have full confidence in the auditors; I believe their numbers. At this point, I’d like to read Duane Wolters e-mail, our Vice-Chair. He couldn’t be here today, but I’d like to read this for the record, please.”

E-Mail from Duane Wolter on 7/22/09

*I am sorry to report that my day job won’t free me to be at tomorrow’s audit committee meeting.*

*I would like to pass on a few thoughts.*

*The responses that staff submitted are NOT responsive to the findings or the recommendations. (Ms. Greenberg added “I don’t think he’s seen the revised responses”.)*

*They should be instructed to submit responsive answers to the points raised or concur and move on.*

*I still believe that the audit report is accurate and on point and should not be changed.*

*If there is nothing to add from the meeting in terms of clarification, then I believe that the report should be submitted as written.*

*I am 110% behind the committee and the auditor team. I will march with your leadership from this meeting.*

*If there is anything I can do from afar to assist, please call on me.*

*Thanks and it's been an honor to serve.*

*Duane*

Ms. Greenberg stated "My thoughts concur exactly with Duane's".

Mr. DeMeo commented "The real "meat" of this audit is the table that shows the \$528,000 (Finding #5 of the audit). As far as I'm concerned, you either have the documents to prove that or you don't. That's why I focused on that. That's a lot of money and those are huge discrepancies (page 25). That's 70 or 80% of your settlement request."

Ms. Greenberg asked "Dave, do you want to comment on that?"

Mr. Rhodes replied "Yes, I agree and again, this number was not determined, based on some amount in space that we pointed to and said that it should have been. This is simply time and materials, and when we look at the original responses that we received from F&CM, they were equally unable to dissect time and materials very easily or at all. What we were able to do, based on the amount of units that we identified as having been serviced and in the documentation provided by the contractors, compared to the other documentation that we looked at to see where the damages actually occurred, we identified simply a percentage of the total that they had and broke it down from there. Again, we're not commenting on whether or not these numbers that make up the \$1.239 million (if they had all been done) would that number have been an inflated number because of the hurricane; we're not even commenting on that. I want to make that clear. This is simply what was done vs. what wasn't, based on the contractor's documentation and verifying it against our own report."

Mr. DeMeo stated "Very disturbing, that those columns . . . What was invoiced and what was serviced. If there's proof about that, that's very serious, I think."

Ms. Greenberg added "It may be that the third party consultant turns up more money due, they (the auditors) may have been conservative."

Ms. Colonnese asked "Would it be a conflict of interest for our external auditors to be that party?"

Mr. Reilly stated that it would be a conflict.

Mr. Epstein agreed that the external auditors should not be that party.

Mr. Notter stated "My closing comment, as the Chief Executive Officer, Superintendent of this organization, obviously we're dealing with something that last occurred back in the mid 40's, such a huge event. I want to bring more for the audience and some of the auditors who serve on our Audit Committee. The pride that we have and what we do here is to have that third party independent look at some of the major functions of this organization. We're the sixth largest

school system in America. Clearly, we do a lot of business, a lot of functions, procedures and practices that happen on a day-to-day basis throughout this organization. I happen to be the one, at one point in my career, with an Indoor Air Quality audit. I vowed never to use the “M” word (mold) again. It was always Indoor Air Quality; however, even the wonderful play out in the media for Indoor Air Quality, I want to tell you the outcome of that. This organization, the Broward County Public School system became the National model for prevention, as well as intervention of Indoor Air Quality issues. Also, the Workers’ Comp audit, that in fact, was played out in much more of an editorial way than an audit way, and again, this organization ended with a national model in Workers’ Comp. A national model, being defined as my benchmark, where our people have gone to other organizations throughout this country, to share the best practices that ultimately resulted from this Audit Committee’s report, even in the midst of the whirlwind of the media, I don’t see this, Ladies and Sirs, any differently. Hurricanes are hurricanes down here. This is the first one that I’ve gone through of this magnitude that wiped out every signal light in Broward County, and, in fact, the auditors audited the practices, found material weaknesses, made recommendations. The head of our Facilities Department has a timeline, has a process, inclusive of legal counsel, and I believe we will come out not very different than we did with Indoor Air Quality or Workers’ Comp. We will have best practices to share with those folks here in the state of Florida and in other counties. In terms of what we need to do, most importantly, on the prevention side, which some of you on the Audit Committee have now identified that we now have emergency contracts in place; we didn’t have that before. So, there are pieces that clearly we learned from Wilma that are already in place. Equally as well is on the follow-up end, not the least of which is on the inspection end. This is not the first time I’ve sat here in Mr. Garretson’s shoes when we’ve had inspection issues. Again, I ultimately believe that we will have closure to this, and again, have people wanting to come, at least here in the state of Florida, to see what prevention and post activities are, so that we continue to lead this country in terms of being transparent in our community. With that, your Superintendent is now finished.”

The Committee made a motion to transmit. Motion carried.

Ms. Greenberg added “Before we adjourn, I want to make this statement. Our counsel, Mr. Marko advised, please correct me if I’m wrong, Mr. Marko, that this (Ms. Greenberg was referring to a handout she received from Ashbrite’s attorney, Mr. Markowitz) was not on the agenda, any addresses to the Committee that we’re not auditing was not on the agenda. The material can be given to the School Board. When the audit comes to the School Board, they can address the School Board.”

Mr. Notter stated “The Superintendent of Schools would certainly accept that information, as the Chief Executive Officer of this organization. Any materials that need to be sent should be sent to the Superintendent of Schools. If you choose to copy the Board, that’s fine. If you send it to the Superintendent, I will ensure that it is transmitted to anyone to whom it was intended.”

Ms. Greenberg asked the Superintendent for a follow-up. The Superintendent replied that he would do that.

Mr. Moskowitz wanted it noted for the record that he asked for the opportunity to speak and was denied.

The Committee assured him that it would be duly noted.



Mr. Moskowitz stated “I distributed to the Chair a letter addressed to each member.”

Ms. Greenbarg stated that Counsel advised her not to distribute that material.

Mr. Moskowitz requested his letters to be returned to him so he could send them himself.

Ms. Greenbarg said “OK”.

Meeting adjourned at 3:15 p.m.