

# WESTBANK CHRISTIAN CENTER



COMPLIANCE AUDIT  
ISSUED MARCH 23, 2011

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**POST OFFICE BOX 94397**  
**BATON ROUGE, LOUISIANA 70804-9397**

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LOUISIANA LEGISLATIVE AUDITOR  
DARYL G. PURPERA, CPA, CFE

March 23, 2011

**MARK A. COOPER, DIRECTOR**  
**GOVERNOR'S OFFICE OF HOMELAND**  
**SECURITY AND EMERGENCY PREPAREDNESS**  
Baton Rouge, Louisiana

Pursuant to your request and our agreement, we performed a compliance audit of certain transactions of the Westbank Christian Center (Westbank). Our audit was conducted to determine the propriety of certain financial transactions submitted to the Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP) in support of reimbursement requests under the Federal Emergency Management Agency Public Assistance program.

Our audit consisted primarily of inquiries and the examination of selected financial transactions, records, and other documentation. The scope of our audit was significantly less than an examination conducted in accordance with *Government Auditing Standards*.

The accompanying report presents our findings and recommendations as well as management's response. This report is intended primarily for the information and use of GOHSEP management and the Louisiana Legislature. This is a public report and copies have been delivered to the appropriate public officials.

Respectfully submitted,

Daryl G. Purpera, CPA, CFE  
Legislative Auditor

LT:JS:JM:dl

WBCC 2010



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## **Executive Summary**

Pursuant to the Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP) management's request and our agreement, we performed a compliance audit of the Westbank Christian Center (Westbank). We audited certain transactions of the Federal Emergency Management Agency's (FEMA) Public Assistance (PA) program related to hurricanes Katrina and Rita to determine the propriety of those transactions submitted to GOHSEP.

In our work on PA transactions at GOHSEP, certain anomalies were discovered in regard to Westbank. GOHSEP management asked that we conduct an in-depth review of the documentation that Westbank submitted to support the costs it incurred to rebuild its school and renovate a temporary building. We determined that:

- Westbank did not pay invoices totaling approximately \$190,667 that were submitted for reimbursement to GOHSEP to support school replacement related disbursements.
- Westbank submitted a \$650,000 invoice to GOHSEP for reimbursement that was unsupported and appears to be fictitious and invoices that contained \$152,854 for work that appears was not performed.
- Westbank received reimbursements of \$59,908 for renovation work that appears to have not been performed and conflicts of interest may exist. In addition, \$29,428 worth of appliances and school equipment purchased as part of the renovation were removed from the building when Westbank sold it.
- Westbank paid the project manager overseeing construction of the new school 80 percent of the project management contract value but the work was only 45 percent complete.
- Westbank did not comply with the procurement requirements of Title 44 of the Code of Federal Regulations (CFR) 13.36(d), which require competitive proposals (bids) and selection of the lowest qualified bidder.
- Westbank overpaid the general contractor \$113,764 and has been reimbursed \$577,940 more than the school building's current value.
- Westbank allowed its contractor to construct a building that does not conform to the scope of work outlined by FEMA in the related project worksheet.

## **Background**

The federal government makes disaster relief funding available to state, local, and Indian tribal governments under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (Stafford Act). The Stafford Act authorizes the PA program that is administered by FEMA. The rules and regulations that govern the PA program are codified in Title 44 of the CFR.

Under the PA program, GOHSEP is the grantee for the State of Louisiana. All funding for the program flows through GOHSEP to eligible sub-grantees. PA guidelines define eligible sub-grantees as state agencies, local governmental entities, qualifying nonprofit entities, and Indian tribes. These entities submit requests for reimbursement for disaster-related expenses to GOHSEP. GOHSEP personnel review the supporting documentation submitted by sub-grantees and release payments.

Westbank is a nonprofit corporation located in Gretna, Louisiana that operates a school for grades K-8. Westbank is operated by Ms. Thera Ellison, Director/President. FEMA determined that Westbank was eligible for disaster relief funding for damages caused by Hurricane Katrina. Based on its eligibility, FEMA provided funding to Westbank through four project worksheets (see following table). Those project worksheets estimate the cost of repairing storm-related damages and will be revised to reflect actual cost once known. FEMA has also written a fifth project worksheet but has not made that funding available (obligated) to Westbank yet.

Project Worksheet Number	Scope of Work	Obligated Amount
4096	Replace school	\$3,724,033
4081	Replace school contents	91,061
4006	Replace special function and storage building	537,309
4767	Renovate temporary school	114,940
19263	Repair sidewalks, parking areas, and playgrounds and replace fencing and trash containers (unobligated)	NONE
<b>Total</b>		<b>\$4,467,343</b>

Westbank requested and received \$2,464,308 as follows:

- \$2,276,328 during the period December 28, 2007, through April 29, 2010, from project worksheet 4096 of which \$1,125,000 was received through a construction advance
- \$81,667 on September 27, 2007, from project worksheet 4006
- \$106,313 during the period May 25, 2006, through May 8, 2007, from project worksheet 4767



**Misused and/or Missing Funds (project worksheet 4096)**

Westbank did not pay invoices totaling approximately \$190,667 that were submitted to GOHSEP to support school replacement related reimbursements.

Westbank requested and received \$2,276,328 in reimbursements/advances from GOHSEP for school replacement related expenses. Included in that amount are:

- \$1,823,026 to construct a replacement building;
- \$350,000 to demolish the old school building; and
- \$103,302 for project management fees.

We reviewed the financial records including the reimbursements and expenses relating to the replacement school. Our review revealed that Westbank only paid \$2,085,661 of the construction-related expenses. Therefore, \$190,667 in disaster-related reimbursements/advances were not used for their intended purposes or have not been approved by GOHSEP.

Our review of Westbank's bank statements and cancelled checks indicated that \$158,484 in disaster-related expenses were not submitted to GOHSEP for reimbursement. According to Ms. Ellison, this amount was used to pay operating expenses of the school, which is prohibited by federal regulations.<sup>1</sup>

The remaining \$32,183 of the \$190,667 includes four checks totaling \$17,800 that cleared the bank. We asked Ms. Ellison on numerous occasions for the cancelled checks, but she has not yet provided them. Therefore, we do not know what these funds were used for. Ms. Ellison stated she thought she had three years after the completion of the project to reconcile the reimbursements to the payments and that she intended to put the money back. We explained to Ms. Ellison that the PA program is a reimbursement program and that the reimbursements she received should have been used to pay the invoices she submitted.

The remaining \$14,383 of the \$32,183 was still in Westbank's bank account as of the September 2010 bank statement.

**Invoicing Irregularities (project worksheet 4096)**

Westbank submitted a \$650,000 invoice to GOHSEP for reimbursement that was unsupported and appears to be fictitious and invoices that contained \$152,854 for work that appears was not performed.

Westbank's contract with Recovery Development Group (RDG), the general contractor, required payment in four \$650,000 draws. However, Westbank asked GOHSEP for and received a construction advance of \$1,125,000. Westbank used the advance to cover the first draw and to pay for the demolition of the old building. To receive additional funding, Westbank had to

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<sup>1</sup> FEMA - 322, Public Assistance Guide, October 1999, page 33 - Private Nonprofit (PNP) operating costs for providing services are not eligible, even if increased by the disaster event.

present documentation to GOHSEP indicating the advanced funds had been spent completing eligible work.

Therefore, Westbank submitted a \$350,000 invoice from Harris Construction for the demolition of the old building and a \$650,000 invoice from RDG for the first construction draw. During a conversation with representatives of RDG, we were informed that the \$650,000 invoice Westbank submitted to GOHSEP was not an RDG invoice. The RDG representatives provided us with a copy of the actual RDG invoice. Westbank has not submitted the actual RDG invoice to GOHSEP for reimbursement.

When we asked Ms. Ellison about the invoice, she stated that the invoice she submitted to GOHSEP was not the one provided by RDG. Ms. Ellison did not provide any further information of its origin other than to say it could have been created by her daughter, Ms. Aneika Walton. Ms. Walton was a grant administrator for Westbank at the time.

Westbank also submitted invoices totaling \$469,391 to GOHSEP and received reimbursement based on those invoices for at least \$152,854 for work that appears was not performed. Those invoices indicated the following work was complete:

- Bricks
- Interior doors and windows installed
- Exterior doors and windows installed
- Elevator installed
- Metal stairs installed

During a site visit in April 2010, we noted the following:

- The building had not been bricked, but some of the bricks were on site.
- The interior doors and windows were not installed.
- The exterior doors and windows were not installed.
- The elevator was not installed.
- The metal stairs were not installed.

During a site visit in May 2010, we noted that none of the work mentioned above had been completed, but the windows were being delivered.

Therefore, it appears Westbank submitted RDG invoices for work that appears was not complete that were certified by the architectural firm, St. Martin Brown and Associates, LLP, and approved by the project manager, CaddMaxx, to GOHSEP for reimbursement. Mr. Charles Woessner, the project manager for CaddMaxx, stated that neither Westbank nor RDG had the

necessary funds to make the deposits needed to order the stairs or the elevator. Mr. Woessner also stated that invoicing for incomplete work was done to help “prop up” RDG and that neither RDG nor Westbank had funds to purchase materials or pay sub-contractors for work to be completed. Mr. Woessner further stated that when CaddMaxx was hired in October 2009, they attended a meeting with GOHSEP representatives to discuss the project’s issues. During that meeting, they discussed billing for work as completed that was actually not complete in order to have the available funds to make deposits or to purchase materials. According to Mr. Woessner, the GOHSEP representatives at the meeting knew Westbank was submitting invoices to GOHSEP for reimbursement for work that was not complete.

Another site visit was conducted on September 27, 2010. The replacement school was boarded up, the gate was locked, and the project field office had been removed.

### **Incomplete Work and Conflicts of Interest (project worksheet 4767)**

Westbank received reimbursements of \$59,908 for work it appears was not performed, and conflicts of interest may exist.

The PA program provides funding for temporary facilities so that normal functions can continue until the permanent facility is repaired or replaced. As such, FEMA provided funding to Westbank to renovate a building it could use as a school until the permanent building could be rebuilt. Westbank owned the building that was used as the temporary facility.

The scope of work required renovating part of the building and replacing contents. The temporary facility was also supposed to be used until the permanent facility was complete, but Westbank sold the temporary facility on February 13, 2009. Westbank originally purchased the building for \$350,000 in 1993 and sold the building in 2009 for \$850,000. The permanent facility is still not complete. Ms. Ellison stated that the building had to be sold to use the proceeds of the sale to pay past due loans to continue construction of the new school building.

Westbank submitted invoices to GOHSEP totaling \$114,688 and received reimbursements of \$106,313 based on those invoices for work on the temporary facility. However, according to the new property owner and a recent site visit, it appears that at least the following renovation work was not completed:

- Installing exhaust fans in the boys’ and girls’ restrooms
- Repairing the roof
- Replacing ceiling tiles
- Painting some walls and door frames
- Replacing door hardware
- Replacing bathroom partitions
- Installing safety locks on cabinets

Westbank submitted \$59,908 worth of invoices from Lockett Construction, LLC, to GOHSEP for reimbursement for the renovation of the temporary building. Mr. John Lockett, owner of Lockett Construction, stated his company provided Westbank with an estimate to do the work, but Mr. Ron Ellison, one of Ms. Thera Ellison's sons, may have done some of the work. Mr. Lockett stated that his company was not paid for doing the work. Therefore, Westbank was reimbursed \$59,908 for renovations that may not have been done.

In addition, \$29,428 worth of appliances and school equipment purchased as part of the renovation were removed from the building when Westbank sold it. Ms. Ellison stated that she has the appliances in storage and the school equipment is being used at the school she is currently operating. Ms. Ellison also stated that to the best of her knowledge all the work on the renovation invoices is complete except for the purchase and installation of a dishwasher totaling \$700.

Westbank also requested and was reimbursed \$11,000 for an invoice provided by Ellison Renovations, a company owned by Ms. Ellison's son, Mr. Ron Ellison. Mr. Ellison is also a registered agent of Westbank. Section 13.36(b)(3) of 44 CFR prohibits employees, officers, agents, immediate family members, or partners of the grantee or sub-grantee from participating in the selection, award, or administration of a contract supported by a federal award.

#### **Project Management Fees (project worksheet 4096)**

Westbank paid CaddMaxx, the project manager overseeing construction of the new school, 80 percent of the project management contract value, but the work was only 45 percent complete.

GOHSEP hired RS Means to conduct an independent evaluation of the construction completed to date. RS Means is part of Reed Construction Data Company and is recognized nationally for valuing commercial construction. In a report to GOHSEP dated June 27, 2010, RS Means indicated the building was approximately 45 percent complete.

Westbank requested and has been reimbursed \$103,302 of its \$129,000 contract with CaddMaxx for project management fees. Westbank paid CaddMaxx the total amount received. Therefore, the project manager received 80 percent of the project management contract value while only 45 percent of the work to construct the building was complete. CaddMaxx submitted an amendment to its contract to FEMA to determine eligibility. FEMA denied the amendment. Had FEMA approved the \$80,412 amendment, it would have narrowed the gap between project completion and the amount received for project management from 80 percent to 49 percent. Forty-nine percent completion approximates the percentage of completion (45 percent) for the construction of the replacement facility.

## **Improper Procurement (project worksheets 4096 and 4006)**

Westbank did not comply with the procurement requirements of 44 CFR 13.36(d), which require competitive proposals (bids) and selection of the lowest qualified bidder.

### Replacement School

Westbank advertised for sealed bids for construction in November 2006 with a due date of December 7, 2006. Westbank received its only bid from Associated Contractors, LLS on December 14. That bid indicated a cost of \$2,480,478. Westbank rejected the bid but did not document the reason as required by the regulations. Westbank did not contract with Associated Contractors, LLS.

In July 2007, Westbank re-advertised for sealed bids with a due date of July 25, 2007. Westbank received its only bid from Harris Builders, LLC on July 24. That bid indicated a cost of \$2,996,870, which included demolition of the storm damaged school and construction of a replacement school. Though the federal regulations<sup>2</sup> require a cost analysis when competition is limited, Westbank entered into a contract with Harris Builders on August 10, 2007, without conducting the required cost analysis. Harris Builders demolished the existing building and after receiving \$350,000 for the demolition ceased working under the contract. According to Ms. Ellison, Harris Builders terminated the contract.

Without re-advertising, Westbank received another bid on November 11, 2007, from the Recovery Development Group (RDG). That bid indicated a cost of \$2,901,456, which included demolition of the storm-damaged school and constructing a replacement school. On February 1, 2008, Westbank and RDG entered into a \$2,600,000 contract that did not include demolition costs. RDG had its architect, St. Martin Brown and Associates, LLP, provide a detailed cost breakdown to GOHSEP on behalf of Westbank. GOHSEP accepted the cost breakdown as a cost analysis without knowing it had been conducted by an RDG subcontractor. Since the cost breakdown did not include verification as required by the federal regulations, it does not appear that a valid cost analysis was conducted.

### Special Function and Storage Building

Without advertising, Westbank received four proposals to demolish the special function and storage building. This building is separate from the school building but is located on the same property. The proposals were as follows:

- A \$24,400 proposal from Pro Tree Service and Demolition was received on January 29, 2007.
- A \$31,998 proposal from Jordan's Trucking and Bobcat Service was received on January 23, 2007.

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<sup>2</sup> 44 CFR 13.36 (d)(4) states, in part, that procurement by noncompetitive proposal is solicitation of a proposal from only one source, or after solicitation of a number of sources, competition is determined inadequate. In these situations, a cost analysis that verifies the proposed cost data, the projections of the data, and the evaluation of the specific elements of cost and profits is required.

- A \$52,428 proposal from McKay's Bobcat and Excavating Service was received on December 23, 2006.
- A \$81,000 proposal from Harris Builders was received on January 29, 2007.

Westbank selected Harris Builders, the highest bidder, and entered into a contract for \$81,666.<sup>3</sup>

Ms. Ellison stated that Harris Builders was selected because they could begin work within five days and the other bidders could not mobilize for two to three weeks. Ms. Ellison further stated that she was incurring daily fines because the building posed a threat to the community and the City had condemned it.

#### Project Manager

Without advertising, Westbank received two proposals for project management services related to the school replacement. Arthur Bennett III submitted a proposal on September 24, 2009, for \$35,000, and ABM Enterprises, Inc., submitted a proposal on September 25, 2009, for \$156,000. Neither of these firms was selected as the project manager.

On September 18, 2009, Westbank entered into a \$129,000 contract with CaddMaxx, Inc., to provide project management. Westbank has not provided a copy of that proposal but provided a letter from CaddMaxx to Ms. Ellison dated September 25, 2009, that refers to the proposal CaddMaxx prepared for Westbank.

#### **Contractor Over Payment and School Building Value (project worksheet 4096)**

Westbank overpaid the general contractor \$113,764 and was reimbursed \$577,940 more than the school building's current value.

#### Contractor Over Payment

Westbank overpaid the general contractor, RDG, \$113,764 for general requirements for the replacement school. RDG's bid, dated November 11, 2007, listed general requirements totaling \$486,866. RDG billed Westbank 100 percent of the general requirements on its first invoice. GOHSEP reimbursed Westbank and Westbank paid RDG the \$486,866 for general requirements. RDG included general requirements on subsequent invoices even though it had been paid 100 percent of what the contract required. Westbank paid RDG an additional \$113,764 for general requirements based on those invoices.

Westbank submitted \$78,764 of the additional \$113,764 to GOHSEP for reimbursement. GOHSEP reimbursed Westbank that amount. The remaining \$35,000 is included on an invoice that Westbank has not submitted to GOHSEP for reimbursement.

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<sup>3</sup> Westbank actually paid Harris Builders \$81,667 under project worksheet 4006 for the demolition work.

### School Building Value

Site visits conducted in April 2010 revealed that not all the construction work that Westbank has been reimbursed for was complete. Because of the misuse of funds, invoicing for incomplete work, and procurement issues that were subsequently uncovered, GOHSEP hired RS Means to conduct an independent valuation of the construction completed to date. RS Means is part of Reed Construction Data Company and is recognized nationally for valuing commercial construction.

On June 27, 2010, RS Means provided GOHSEP a report indicating the estimated value of Westbank's school building is \$1,245,086 and it is approximately 45 percent complete. Since Westbank has already received funding totaling \$1,823,026, it has received \$577,940 more than the building is currently worth. RS Means also reported it would take another estimated \$1,549,810 to complete the building before addressing any of the structural issues identified.

The RS Means report noted the following structural issues that cause concern about the integrity of the building:

- The structure does not appear to be built as designed.
- The general construction is below standard.
- The slab may have been installed improperly and problems were noted.
- The area below the slab may need to be excavated and filled with new material.
- The HVAC is not installed according to the plans.
- The sprinkler system cannot be installed properly.
- The window cut-outs do not conform to the plans.

RS Means recommended that the building be inspected by structural and mechanical engineers to determine its safety.

### **School Building Not Constructed to Specifications (project worksheet 4096)**

Westbank allowed its contractor to construct a building that does not conform to the scope of work outlined by FEMA in the project worksheet that obligates funding for the project.



PA program regulations require Westbank to rebuild the school according to the scope of work contained in the project worksheet or seek approval from the state and/or FEMA to use the funds for an alternate<sup>4</sup> or improved project.<sup>5</sup> The scope of work outlines what is to be accomplished and how it is to be accomplished. In addition, the scope of work is how FEMA determines the funding needed to complete the project.

The scope of work for Westbank's school reconstruction is described in the project worksheet as a two-story wood-framed building with brick veneer on the first floor and metal siding on the second floor. The roof is to be a built up mansard. However, the building currently being erected is significantly different from the one described in the scope of work.

The current construction is a modular type building with steel insulated panels along with steel framing and a steel truss system. Since neither GOHSEP nor FEMA was aware that Westbank and the contractor altered the building's specifications, neither has authorized the resulting potential improved project. This change could potentially limit the amount of funding Westbank can receive to the estimated cost to rebuild the original school. FEMA's current estimate to rebuild the building is \$3,724,033.

When GOHSEP became aware of the procurement and invoicing issues, they took action to minimize the state's risk. GOHSEP stopped all reimbursements to Westbank, requested an independent review by RS Means, and requested that the Legislative Auditor conduct a review of all Westbank's reimbursements and expenditures.

To minimize the state's risk in the future, GOHSEP management should:

- (1) provide PA program training to potential private nonprofit sub-grantees with a focus on program regulations and procurement;
- (2) monitor sub-grantees who do not appear to follow PA program regulations more closely;
- (3) conduct more frequent site visits to ensure that the scope of work is being followed; and
- (4) seek reimbursement of the questionable grant funds provided to Westbank.

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<sup>4</sup> 44 CFR §206.203(2)(d)(2) describes an alternate project as a project where the grantee or sub-grantee has determined that the public welfare would not be best served by restoring a damaged facility or its function to the pre-disaster design and seeks approval from FEMA to use the funds for a purpose that better serves the public welfare.

<sup>5</sup> 44 CFR §206.203(2)(d)(1) describes an improved project as a project where the grantee or sub-grantee uses the opportunity to improve a facility beyond its pre-disaster design as a result of disaster related restorative work. The grantee must approve the project and in some situations FEMA and the grantee must approve the project.



## Management's Response





**BOBBY JINDAL**  
GOVERNOR

**State of Louisiana**  
**Governor's Office of Homeland Security**  
**and**  
**Emergency Preparedness**

**MARK A. COOPER**  
DIRECTOR

December 3, 2010

Daryl Purpera, CPA  
Legislative Auditor  
State of Louisiana  
1600 North Third Street  
Baton Rouge, Louisiana 70804-9397

RE: Recovery Assistance Division Report  
Westbank Christian Academy

Dear Mr. Purpera:

We have reviewed the reference report and agree with the facts and generally agree with the conclusions and recommendations. The recommendations in your report are consistent with current policies and procedures and our plans to reinforce training and monitoring for our private non-profit applicants. Specifically, we are instituting the following:

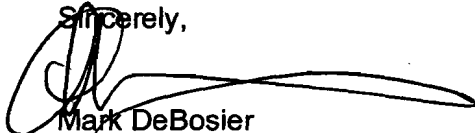
- 1) Developing comprehensive procurement and contract training courses tailored for PNPs. Most of our governmental applicants are familiar with state and federal procurement rules. However, we have realized that many of our PNP applicants do not have adequate knowledge and experience in federal procurement regulation or sound contracting experience. This training will be required for all PNP applicants and available to all governmental applicants.
- 2) We currently conduct periodic site visits on a random selection basis and site visits are scheduled by individual request from GOHSEP grant administrators, Applicant Liaisons, and by the Documents Review team to validate suspicious activities. We concur with your recommendation to conduct more site visits, primarily for PNP applicants and will push for the additional staff to perform that work.
- 3) We currently closely monitor applicants who do not appear to follow program regulations. As is the case with this particular project, we have been monitoring activities for the past two years.
- 4) In addition to the specific recommendations in your report, we plan to strengthen the initial review process in our Express Pay System (EPS) to better ensure that projects are successful. Such review improvements include verifying certain requirements such as

the inclusion of performance bonds, access to contractor's pertinent records are included in the contract documents.

Regarding recoupment of the questionable grant funds, and subject to any exculpatory explanation from the applicant in response to the draft report, we will seek recoupment of the \$482,193 that was identified in the report as not used for intended purposes.

The report also references a GOHSEP commissioned evaluation of the construction work that identifies structural deficiencies in the school building and an estimated value of work completed. The applicant has been notified of the structural deficiencies and that the estimated value of the completed work is far less than the approved invoices and the amounts reimbursed by GOHSEP. The applicant has also been advised that no further payments will be made on this project until the construction work advances to be consistent with the payments made to date and until the project architect has address the structural concerns. GOHSEP has already requested that the Attorney General's office file a lien against the property to protect the State's interest in the event of a project default and subsequent grant de-obligation.

Sincerely,



Mark DeBosier  
Deputy Director  
Disaster Recovery

# ***CADDMAXX, INC.***

***Construction Management Services***

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**SUPPORT SERVICES FOR ALL OF YOUR DEVELOPMENT, ARCHITECTURAL, ENGINEERING AND CONSTRUCTION NEEDS**

February 25, 2011

Mr. John L. Morehead, CPA  
Asst. Legislative Auditor and  
Director of Recovery Assistance Service

Dear Mr. Morehead:

Please find enclosed CADDMAXX, INC's reply to the Auditor's Report on Westbank  
Christian Center, dated November 9, 2010.

If you have any questions, please do not hesitate to call.

Sincerely,



Marvin R. Alexander  
President

# ***CADDMAXX, INC.***

## ***Construction Management Services***

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SUPPORT SERVICES FOR ALL OF YOUR DEVELOPMENT, ARCHITECTURAL, ENGINEERING AND CONSTRUCTION NEEDS

### **Project Management's Audit Response**

February 25, 2011

#### **Response to Executive Summary**

CaddMaxx, Inc. (CMI) has supported all requests to date made by the Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP) and carefully reviewed the twelve (12) page Audit Report dated 2/14/2011. CMI is a twenty year old professional Architectural and Construction support service provider, selected by Westbank Christian Center (Westbank), with the support of GOHSEP to provide Project Management services for PW 4096 Replacement School Building only.

- CMI cannot comment on any scope of work, management of funds or GOHSEP's processes, for any PW's not in CMI's contract and prior construction for PW 4096. We can only render an opinion for information learned after the fact.
- CMI assumed project management of Westbank Christian Center's Replacement School project in October, 2009. At the pre-construction meeting, we informed all present including representatives of GOHSEP that we did not know what happened on this project in the past; and did not want to look backwards. Our mission was to restart the construction and bring the project to completion. We made a statement that all parties involved shared the responsibility for the present project status.
- At that point in time the project had been shut-down for approximately 9 months. There was no acceptable reason for the shut-down presented by the owner, the contractor or GOHSEP. To label it as a "distressed project" was an understatement. The construction documents were incomplete – no drawings, no specifications issued, no schedules, and no review process systems of any kind in place.
- CMI found no logical reason why GOHSEP advanced funds for construction, without proper proof the PA had followed standard procedures to began construction.
- The PA has provided information and answered questions to the best of their knowledge and ability at the time of this audit. CMI has reviewed all of the information provided and believe the PA, at no time had any intention to misuse funds for any of their PW's. They have been trying to rebuild and survive for more than five (5) years post Katrina the best way they know how under unusual circumstances.
- The PM contract for services is not and was never agreed to be based on a percent of work in place. When accepting this project there was countless unknowns. All parties involved agreed that more time would be spent in the beginning and less time toward the end. CMI has time sheets with the description of services provided for the amount mentioned in the audit.

- The percentages of work completed in the audit is a opinion and not a fact. The Professional of Record does not agree with the percentage presented in the audit and the percentage cannot be concluded to be fact.

### **Response to Back Ground**

- CMI advised the contractor to change the submittal documents to an A.I.A. format Application and certified for payment 701/703 was used. CMI did not review the total package of completion for the entire building; only that portion involving the restarting construction.
- CMI delineated all long-lead items for understanding a possible completion schedule.
- It was discovered that the contractor "RDG" was without resources to order these critical materials and equipment.
- At a meeting with Mr. Jeffery Bare and Ms. Kelly Daigle of GOHSEP, they were advised that the contractor was without assets. CMI asked if deposits and C.O.D. were permitted. CMI pointed out that without these long-lead items, the project could not continue. We were told that these critical path items could be ordered and deposits paid.
- CMI reviewed all payment applications and based on restarting the project, the costs adjusted or agreed on the amount of construction altered and in place.
- Weekly progress meetings were held that included all involved. Minutes of these meetings were published and transmitted. (The auditors should review these minutes).
- The contractor produced the submittal of AIA G703 and used column "G" listed all total completed and stored. He indicated that his software program was setup this way.

Reference is made on pages 6 and 7 to a conversation with Mr. C. Woessner. Mr. Woessner states: (This was a casual conversation which I believed was part of the "partnering" process between CMI and GOHSEP. I referred earlier to a meeting with Mr. Jeffery Bare and Ms. Kelly Daigle. I did not say that work was billed that was not completed. I shared that the contractor was without resources. The intent of the conversation was to demonstrate that the contractor was without assets and unable to conduct business without great difficulty. The entire paragraph in the report is out of content and does not reflect his statements or intent.)

The owner/PA was not familiar with FEMA or GOHSEP requirements and procedures and was constantly making errors in the invoicing procedures. It is our opinion that the owner needed professional PM support prior to disbursement of funds.

Prior to CMI PM services, GOHSEP Representatives frequently visited the site and met with the owner offering conflicting instructions and advice. GOHSEP reviewed an onerous contract written by the contractor and issued no comments. A large up-front cash disbursement was issued by GOHSEP, to the owner without following guidelines. The contractor had no experience as a designer-build contractor and GOHSEP did not know it was a design-build project at the time CMI was hired by the owner.

The professional opinion of CMI to all parts of this audit report that mentions, Misused and/or Missing Funds, Invoicing Irregularities, Project Management Fees, Improper Procurement, Contractor Over Payment and School Building Value, and School Building Not Constructed to

Specifications. At the present stage of this projects are grossly misrepresented in the roll of GOHSEP in this audit. The unusual methods used by, countless FEMA personnel, countless GOHSEP personnel, the contractor's circumstances and the PA's inability to take on a task as overwhelming as completely rebuilding after a major disaster should have been managed by GOHSEP to assure the intended results of all parties involved.

With all of the issues this client/PA faced since Hurricane Katrina and with little GOHSEP/FEMA oversight. The project was on schedule and within two month of beneficial occupancy when GOHSEP halted the funding. CMI believes the building can still be completed if the owner/PA and GOHSEP negotiate the issues contained in the audit and if funding is reinstated.