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Memorandum

Privileged and Confidential

TO: Steve Pasichow
Ron Calvosa

CC: William Rogers
Thomas Thacher
Joe Deluca

FROM: Terrence McDonald
Steven Mania

DATE: March 27, 2003

RE: Report on Safeway Environmental Corporation

Introduction

Thacher Associates (TA), as part of our site-wide environmental monitoring role, has examined the qualifications and evaluated the invoices submitted by Safeway Environmental Corporation (Safeway), an environmental remediation Contractor, working at the World Trade Center (WTC) project site. Safeway's services included environmental remediation of asbestos and mold along with limited demolition and disposal of the materials.

TA's review included Safeway's invoices submitted through Bovis Lend Lease (Bovis) and submissions provided to TA as a result of two (2) TA requests for information. The total amount of the invoices reviewed to date is approximately 3.4 million dollars. The period of time examined consists of February 21, 2002, through September 12, 2002.

TA performed a review of the invoices and supplemental documentation with particular focus on: (1) the solicitation of Safeway's services for asbestos abatement and mold remediation; (2) the Firm's and field personnel's technical qualifications; (3) billing (labor, materials and equipment) and (4) regulatory and project compliance. This report



is designed to summarize our findings relative to TA's review of the invoices and back-up documentation along with findings developed as a result of our field investigations.

TA has analyzed the submittals and reviewed the invoices for potential overcharges and discrepancies and, where applicable, compared them to findings derived from our field observations. According to Safeway, copies of all requested project documents in the possession of Safeway have been submitted to TA for evaluation.

The findings documented in this report are in many instances a sample representation of issues and discrepancies found within the submissions. Based on our findings and due to the complexity of issues identified, TA recommends that an extensive, in depth study of Safeway's records, with special emphasis on payroll.

Summary of Findings

TA's review has resulted in the identification of several areas where Safeway has over billed for the work it provided on site. Based upon our analysis, TA estimates that Safeway has over billed in excess of \$433,000.00. This aggregate amount relates to overcharges for labor, equipment, and materials and the excessive overhead and profit mark-up of subcontractor's invoices.

Contract Award Process, Asbestos Abatement/Demolition

Safeway initially worked near the World Trade Center disaster site through private work performed at the World Financial Center (WFC), directly adjacent to the WTC location. According to an interview with Safeway Principal Arthur Wolfman, Safeway was contacted by Jim Abade of Bovis/Lend Lease to perform a limited asbestos abatement. "The original Purchase Order was a Time and Material contract for the abatement of 600 linear feet of asbestos," according to October 15, 2002, correspondence from Damon Caromilas (Safeway's Controller). TA found no supporting documentation indicating that competitive quotes or bids were sought for the services provided by Safeway.

In addition to the 600 linear feet of asbestos, Safeway also performed work at the PATH Tunnel, Escalator, South Projection, etc. TA found no evidence indicating that a contract, work order or documented directive to perform asbestos remediation, other than the abatement of 600 linear feet of asbestos, were issued.

According to Safeway, the work grew "tenfold", since the initial Purchase Order. The asbestos abatement/demolition portion of Safeway's project was completed between February 21, 2002, and June 30, 2002.

Contract Award Process, Mold Remediation

Toward the end of the project, and prior to other construction demolition activities moving forward within Building 5, Levels B2 and B4, mold remediation was required.



In concert with Bovis, the Department of Design and Construction, (DDC) assembled a bid solicitation document for the purpose of soliciting firms to perform the mold remediation.

Bid solicitations for mold remediation were sought from three (3) contracting firms on two (2) separate occasions. The first round of bids was submitted by ANS, Safeway and Pinnacle Environmental. The first round of bids was cancelled because the scope of work and time constraints changed. Subsequently, the same three (3) contractors were asked to re-bid the project. For the second round of bids, received on May 29, 2002, only Safeway and Pinnacle Environmental responded. No quote was received from ANS and Safeway was determined to be the lowest responsive bidder with a not to exceed, time and material bid in the amount of \$485,000.00.

The mold remediation project was completed between June 10, 2002, and July 21, 2002. The total Contract amount invoiced to the project is \$465,220.11.

Analysis of Technical Qualifications

The Corporation – Safeway

In review of Safeway's technical qualifications, TA requested from Safeway a copy of the Contractor's Asbestos Abatement License issued by the State of New York, Department of Labor. TA found that Safeway was properly licensed for asbestos abatement. TA also reviewed attachments provided in Safeway's proposal for the Mold Remediation portion of the project. In an attachment labeled as "Significant Projects Completed," Safeway provides an extensive list of projects that, according to Safeway, were successfully completed. Safeway also provided a list of owned equipment demonstrating a well-stocked operation. Based upon TA's review of Safeway's history and technical qualifications it appears that Safeway was qualified for the assignments.

Workers

As a result of request to Safeway, TA received an electronic version of scanned licenses issued to Safeway employees by the State of New York, Department of Labor, Division of Safety and Health, and the City of New York, Department of Environmental Protection. TA's analysis revealed that most of Safeway workers were licensed by the above mentioned agencies. However, TA's comparison of licenses with Safeway's payroll revealed that some employees did not have licenses. TA's investigation of this matter led to the identification of unlicensed workers who were receiving "handler" prevailing wages, and according to Safeway's time records, performed functions such as truck drivers and warehouse attendants. This aspect of our analysis is addressed in the Billing Analysis section of this report.



Waste Disposal

The submitted documentation indicates that Safeway contracted the services of six (6) entities to perform the collection, transportation and disposal of asbestos, mold and metal containing waste generated by the project and handled by Safeway.

TA reviewed the waste manifests with emphasis on: the type of waste slated for disposal, the disposal contractor's credentials, the waste pickup points, the transfer stations and ultimate disposal destinations, and the chain of custody records (inclusive of dates, signatures, waste volume and/or weight, etc). Of the six (6) haulers identified, Asbestos Transportation Corporation is the only waste hauler who completely filled out the required manifest documentation. As a result of our analysis, TA recommends the rejection of payments for all the remaining waste haulers on the basis of lack of the necessary information pertaining to the tracking of waste transportation.

Billing Analysis

1. Asbestos Abatement /Demolition Invoices

Labor

Review of invoices revealed numerous issues pertaining to payroll. Due to the number of personnel employed on the project, the amount of corrections made to the payrolls and lack of a clear trail supporting said changes, only a sample time frame (from June 2, 2002, through June 30, 2002) was examined. TA's review of the sample time frame revealed that the invoices lacked adequate support documentation.

Comparing the Labor Report with the Payroll Summary, TA noted that some Safeway employees have multiple entries listed on the Labor Report. The documentation reviewed does not provide a clear answer as to why there are multiple entries on the Labor Report to support one (1) paycheck. This raises the question of whether the multiple entries are being utilized to track non-Ground Zero projects.

Retroactive payroll adjustments contain errors and lack the necessary audit financial trail to determine appropriate billing. The payroll issue becomes even more complicated because the backup documentation provided by Safeway does not resolve the anomalies and therefore, TA is of the opinion that an in-depth study of payroll is warranted. Some of TA's findings relative to payroll include the following:



- a. Safeway double billed for four (4) of its employees who performed work on both the asbestos abatement/demolition project and mold remediation project. This results in an over billing in the amount of \$ 2,266.33.
- b. Safeway has made errors with regard to overtime rates charged to the project. Employee daily and/or weekly time invoiced to the project is billed at time and one half where no prior time during the billing cycle is reflected to justify the overtime rate. This issue raises a concern of Safeway billing labor from other projects to the Ground Zero project.
- c. Deductions for lunch breaks are billed at time and one half. In accordance with the Trade Agreement for Local Unions 78, 66 and 12A, "Employees shall receive a one half (1/2) hour unpaid meal period ... Employees working a shift of more than 12 hours shall receive an additional one-half (1/2) hour unpaid meal period ...". This resulted in over billing in the amount of \$79,549.04.
- d. Safeway over billed the project by charging labor for 24 hours where the daily logs support only 12 hours worked. This resulted in an overcharge in the amount of \$3,970.21.
- e. Safeway invoiced the project to employee tax and deductions verses employer tax liability. This same payment was reported with correct tax deductions in the labor cost report and backed out in a separate batch transaction. The hours in question were added to the next pay period. The original entry was not backed-out of the project, resulting in double payment. This resulted in an overcharge of \$1,674.10.
- f. TA requested Safeway to "... provide a clear trail representing all payroll adjustments and/or corrections." Safeway submitted an explanation that is inaccurate, demonstrating a failure to adequately research and accurately evaluate its in-house documents.

At the same time, Safeway referred to its response to Bovis' inquiry regarding discrepancies between sign-in sheets and electronic swipe card logs. Safeway provided an explanation indicating that "Certified payroll confirms that employee was paid." This response does not address the issue raised by TA.

- g. TA noted instances where Safeway employees were not paid initially due to the lack of daily logs or swipe card records. In these instances, corrections were made to the payroll records based solely on Bovis sign-in sheets. Conversely, TA noted that Bovis sign-in sheets also reflect Safeway employees who were not invoiced to the project.
- h. TA noted that Safeway made several corrections to its payroll records. Several of the payroll corrections resulted in other errors. Correction entries



on employees reportedly not paid, were made, and in some instances resulted in the employee being paid twice for the same work performed. Also, payroll corrections resulting in back-out adjustments appear to be consistently excluded from the project totals.

- i. Safeway invoiced for clerical services performed at the project site. In accordance with the DDC policy, clerical services are part of the Contractor's overhead. This issue resulted in project over billing in the amount of \$5,538.58.
- j. Safeway invoiced for supervisory personnel (other than licensed Asbestos Supervisors) who, in accordance with DDC's policy, should be billed to the Contractor's overhead. This resulted in an overcharge of \$113,656.19.
- k. Safeway invoiced for drivers who delivered materials to the site. TA interprets DDC's policy to require that delivery of materials to the site is part of the Contractor's overhead. This resulted in an overcharge of \$5,332.06.
- l. Certified payroll, initially certified on various dates by Mr. Wolfman, was modified and re-certified by Mr. Wolfman on October 8, 2002, and provided to TA as support documentation. This modification (reflecting reduction of employee hours billed to the project and union rates) and re-certification of the payroll raises the issue of credibility and validity of the certified payroll.

Materials

TA reviewed back-up documentation pertaining to materials purchased and invoiced to the project. Due to the complexity of the project, retroactive tracking of the used materials is difficult, if at all possible. TA did, however, review the rates charged and was able to determine that Safeway's charges appeared to be reasonable.

Safeway invoiced the project for laboratory analysis performed by ATC Associates, Inc. The laboratory analysis represents samples collected by Safeway personnel, allegedly to comply with OSHA regulations related to worker exposure. The project administration coordinated and implemented an extensive worker protection and monitoring program for all personnel employed on the project. Due to this initiative, TA is of the opinion that the additional sampling performed by Safeway is redundant and should not be invoiced to the project. In addition, in response to TA's inquiry, Safeway provided extensive documentation of field data sheets and sample analysis. Our analysis of the provided documentation revealed that Safeway collected and had analyzed more samples than invoiced to the project. Furthermore, records indicate that samples were collected on personnel that, according to the daily time sheet and certified payroll report, were not at the site. This discovery further substantiates TA's concern with regard to invoicing private work to the WTC disaster project.



Equipment

- a. During the course of the project, Safeway sub-contracted services from New York Breaking Company, Inc., to perform minor demolition. Rates charged for other tier sub-contractors were invoiced at 10% plus 5%, as opposed to 5%, as dictated by the DDC's policy. This resulted in an overcharge of \$9,842.80.
- b. TA also identified that more usage time was billed for the equipment than for labor. In response to TA's inquiry, Safeway stated that "NY Braking [sic] did not invoice us on the amount of hours the machine was utilized but for how many 24-hour periods we had it in our possession." Safeway's usage of its own or sub-contracted equipment, is subject to the same policies as any other contractor working on the project. Records of equipment status (Idle/Standby/Working) should be submitted as part of Safeway's backup documentation and charged accordingly. TA found no such records within Safeway submittals. This resulted in an overcharge of \$20,216.13.
- c. Safeway employed Dynamic Equipment, Corp., (Dynamic) for the lease of a 763 Bobcat at a rate of \$520.00 per day. In Requisition 18, Safeway invoiced for services provided by Dynamic for a Bobcat 763 at a rate of \$130.00 per day. Safeway offered no explanation for the differing rates other than "We paid them the whole amount and expect to be reimbursed accordingly." This resulted in an overcharge of \$2,427.50.
- d. Safeway billed for waste disposal at cost, plus 10% and 5%. Waste disposal by other tier contractors should be invoiced at cost, plus 5%. This resulted in an overcharge of \$14,329.45.
- e. TA identified that Safeway invoiced the project for disposal of waste. TA recommends the rejection of payments invoiced for all of the contractors with the exception of Asbestos Transportation Co., Inc. The rejection of payments is recommended based on the lack of critical information depicting the integrity of the waste disposal. Information lacking in the documentation provided includes waste pick-up point, waste destination, driver names, waste generator's names, signatures and dates. The total amount of the invoices rejected by TA is \$61,379.26.

Insurance

Safeway invoiced the project for Asbestos Liability Insurance in Requisitions 11, 12, 13, 16, 21 and 24. It is TA's understanding that all contractors employed on this project were covered under a general site-wide liability insurance policy and therefore were exempt from purchasing individual liability insurance. This resulted in an overcharge of \$15,939.57.

2. Mold Remediation



Labor

Review of invoices revealed numerous issues pertaining to payroll. Due to the number of personnel employed on the project, the amount of corrections made to the payrolls and lack of a clear trail supporting said changes, only a sample time frame (from June 2, 2002, through June 30, 2002) was examined. TA's review of the sample time frame revealed that the invoices lacked adequate support documentation. Retroactive payroll adjustments contain errors and lack a straightforward financial trail necessary to determine appropriate billing. The payroll issue becomes even more complicated considering that the backup documentation does not resolve the anomalies. Through TA's review process of invoices submitted for analysis, as well as Safeway's response to our inquiries TA was able to determine that the invoices lacked adequate support documentation. Other issues pertaining to payroll include lack of union benefits for some of the employees and billing for clerical services. TA is of the opinion that an in-depth study of payroll is warranted in order to reach sound conclusions. Some of our findings relative to payroll include the following:

- a. Safeway double billed two (2) of its employees who performed work on both the asbestos abatement/demolition project and mold remediation project. This resulted in an overcharge of \$612.03.
- b. Safeway also appears to have made errors with regard to overtime rates charged to the project. Employee daily and/or weekly time invoiced to the project is billed at time and one half where no prior time during the billing cycle is reflected to justify the overtime rate. This issue raises a concern of Safeway billing time from other projects to the Ground Zero project.
- c. Deductions for lunch breaks, which due to the 12-hour work shifts are billed at time and one half, have not been deducted. This resulted in an overcharge of \$11,353.83
- d. TA requested Safeway to "... provide a clear trail representing all payroll adjustments and/or corrections." Safeway submitted an explanation that is inaccurate, demonstrating a failure to adequately research and accurately evaluate its in-house documents.
- e. TA noted instances where Safeway employees were not paid initially due to the lack of daily logs or swipe card records. In these instances, corrections were made to the payroll records based solely on Bovis sign-in sheets. Conversely, TA noted that Bovis's sign-in sheets also reflect Safeway employees who were not invoiced to the project.
- f. Safeway made several corrections to its payroll records. Several of the payroll corrections resulted in other errors. Correction entries on employees



reportedly not paid, were made, and in some instances resulted in the employee being paid twice for the same work performed. Also, payroll corrections resulting in back-out adjustments appear to be consistently excluded from the project totals.

- g. Safeway invoiced for clerical services performed at the project site. In accordance with the DDC policy, clerical services are part of the Contractor's overhead. This resulted in an overcharge of \$1,503.24.
- h. Safeway invoiced for supervisory personnel (other than licensed Asbestos Supervisors) who, in accordance with DDC's policy, are part of the Contractor's overhead. This resulted in an overcharge of \$19,874.52.

Materials

TA reviewed back-up documentation pertaining to materials purchased and invoiced to the project. Due to the complexity of the project, tracking of the used materials retroactively is difficult, if at all possible. TA did, however, review the rates charged and was able to determine that Safeway's charges appeared to be reasonable.

Equipment

- a. Safeway billed for waste disposal at cost, plus 10% and 5% (Requisition #24) and cost, plus 10% and 10% (Requisition #21). Waste disposal by other tier contractors should be invoiced at cost, plus 5%. This resulted in an overcharge of \$44,335.38.
- b. Safeway double billed for services sub-contracted from Strong Equipment. The same invoice appears in two (2) requisitions. This resulted in an overcharge of \$4,109.57.

Medical

Safeway invoiced for various medical screening for workers. TA is of the opinion that environmental remediation is a "unique industry" requiring Periodic Medical Surveillance for workers and should be built into the Contractor's overhead. This resulted in an overcharge of \$13,493.81.

Insurance

Safeway invoiced the project for Asbestos Liability Insurance in Requisition 21. In accordance with a DDC Memo, all contractors employed on this project were covered under a general site-wide liability insurance policy and therefore were exempt from purchasing individual liability insurance. In response to TA's inquiry relative to the issue of insurance charges, Safeway stated that, "To date we have not received any type of confirmation of denial. Until we have actual



confirmation we will not include the liability into the overhead portion of our bill. We are in a unique industry where liability insurance is very costly and exceeds the 10% overhead that we are entitled to. Once it is determined, we will adjust bills accordingly." This resulted in an overcharge of \$1,758.08.

III Summary of Analysis

Contract Award Process, Asbestos Abatement /Demolition

Safeway was brought to the project as a result of World Trade Center disaster activities performed at the World Financial Center (WFC), directly adjacent to the WTC project site. As per October 15, 2002, correspondence to TA from Damon Coromilas of Safeway, "The original Purchase Order was a Time and Material Contract for the abatement of 600 linear feet of asbestos." TA found no supporting documentation indicating that competitive quotes or bids were sought for the services provided by Safeway.

In addition to the abatement of 600 linear feet of asbestos containing materials, asbestos related work was performed at the PATH Tunnel, Escalator, South Projection, etc. It is our understanding that Safeway performed asbestos abatement at all of the aforementioned locations. On two (2) separate occasions, TA requested from Safeway support documentation necessary to complete our analysis. The request resulted in a written response and backup documentation. The backup documentation contained no contract, work order or documented directive to perform any asbestos related work other than the abatement of 600 linear feet of asbestos containing material. Since the initial Purchase Order, the work grew tenfold and resulted in \$2,917,579.87 being billed to the project.

Contract Award Process, Mold Remediation

As a result of various fire suppression activities, ruptures and exposure to the elements, some buildings in and around the "ground zero" area have been identified as contaminated (amplified mold growth). Prior to other construction demolition activities proceeding forward, work within Building 5, in particular levels B2 and B4, required mold remediation.

In concert with Bovis Lend Lease (Bovis), the Department of Design and Construction (DDC) assembled a bid solicitation document for the purpose of addressing the microbial contamination identified. Bid solicitations for mold remediation were sought from three (3) contracting firms. Bids were solicited on two (2) separate occasions. From information obtained by TA, the original bids were submitted by ANS, Safeway Environmental and Pinnacle Environmental. The original quotes were not accepted due to the waiver of the mandatory closure date for the World Trade Center Disaster Relief Project and a change in the project schedule. With the original bids rejected, quotes were



again sought and the original three (3) contractors were asked to re-bid the project. On the second bid, May 29, 2002, there were some changes in the requirements and directives which advised that the project overtime and overall project cost should be reduced. This was due to the fact that a new and less restrictive completion schedule had been established by DDC (June 1, 2002, to July 3, 2002). On the second round of solicitations, Safeway Environmental Corporation and Pinnacle Environmental responded. No quote was received from ANS, one (1) of the original bidders.

The original price quote of ANS was higher than the prices submitted by both Safeway Environmental and Pinnacle Environmental because ANS's method of remediation involved drying ovens rather than a biocide application.

TA's analysis of this project only involved Safeway Environmental Corporation's work. Thus no technical determination or opinion is offered for the different ANS and Safeway remediation strategies. Safeway's remediation work appeared sound and in accordance with current industry guidelines, standards and practices, according to TA's analysis.

The Safeway Environmental Corporation bid excluded supplying electrical power within the work area. Safeway requested an additional sum of \$17,500.00 to supply the electrical power. This price was not accepted since the needed electrical power could be supplied by Bovis Lend Lease through the use of their existing generators. Safeway was determined to be the lowest responsive bidder. The total, not to exceed amount of the proposal was \$485,000.00.

Analysis of Technical Qualifications

The Corporation – Safeway

In review of Safeway's technical qualifications, TA requested from Safeway a copy of the Contractor's Asbestos Abatement license issued by the State of New York, Department of Labor, Division of Safety and Health. TA found no issues pertaining to Safeway's licensure for asbestos abatement. TA also reviewed attachments provided in Safeway's proposal for the Mold Remediation portion of the project. In an attachment labeled as "Significant Projects Completed," Safeway provides an extensive list of projects that, according to Safeway, were successfully completed. Safeway also provided a list of owned equipment demonstrating a well stacked operation. In view of Safeway's history, supplemental documentation provided and project staffing, it appears that Safeway was qualified for the assignments.

Workers

As a result of our inquiry, TA received an electronic version of scanned licenses issued to Safeway employees by the State of New York, Department of Labor, Division of Safety and Health, and the City of New York, Department of Environmental Protection. TA's findings indicate no issues with the licenses



provided. However, TA's analysis of worker licensure in comparison with Safeway's payroll revealed that some licenses were missing. TA's pursuit of this issue led to a concern associated with wage rates for workers who, according to Safeway, performed functions such as truck driver and warehouse attendant. This aspect of our analysis is addressed in a separate section of this report.

Waste Disposal

The submitted documentation indicates that Safeway contracted the services of six (6) entities to provide waste containers, transportation and disposal of waste generated by the project and handled by Safeway. The following sub-contractors utilized by Safeway on the project were identified in the submittals:

Asbestos	Asbestos Transportation Co., Inc., Hampton Bays, NY
Metal Debris	Waldorf Carting Corp., Mount Vernon, NY
Mold & Asbestos	Strong Equipment, Staten Island, NY
Sub to Strong Equip.	Hi Tech Trans LLC, Newark, NJ
Sub to Strong Equip.	Cooper Tank Transfer – Brooklyn, NY
Sub to Strong Equip.	IESI Corporation – Bayonne, NJ
Sub to Strong Equip.	IESI Varrick Street, NY
Sub to Strong Equip.	IESI Brooklyn, NY

TA reviewed the waste manifests with emphasis on the waste hauler's responsibility to properly document various waste transport points and disposal. The analysis included the type of waste, disposal contractor's credentials, type of waste generated at the site, waste pickup points, transfer stations and destination, chain of custody records inclusive of dates, signatures, waste volume and/or weight, etc.

TA recommends the rejection of payments invoiced for all of the above contractors with the exception of Asbestos Transportation Co., Inc. due to the lack of critical information depicting the integrity of the waste disposal. Information lacking in the documentation provided includes waste pick-up point, waste destination, driver names, waste generator's names, signatures and dates. (Exhibit 1)

Billing Analysis

1. Asbestos Abatement/Demolition Invoices

Labor

Review of invoices revealed numerous issues pertaining to payroll. Due to the extent of personnel employed on the project, the amount of corrections made to the payroll and lack of a credible, clear trail supporting said changes, only a sample time frame (from June 2, 2002, through June 30, 2002) was examined. TA's review of the sample time frame revealed that the invoices lacked adequate



support documentation. Retroactive payroll adjustments contain errors and lack a straight forward financial trail necessary to determine appropriate billing. The payroll issue becomes even more complicated considering that the backup documentation does not resolve the anomalies. Through TA's review process of invoices submitted for analysis as well as Safeway's response to TA's inquiries, TA determined that the invoices lacked adequate support documentation. The payroll issue becomes even more complicated considering that back-up documentation does not resolve the anomalies. Other issues pertaining to payroll include lack of union benefits for some of the employees, billing for delivery and warehouse personnel and supervisory labor. TA is of the opinion that an in-depth study of payroll is warranted in order to reach sound conclusions. Some of our findings relative to payroll include the following:

- a. Safeway double billed four (4) of its employees who performed work on both the asbestos abatement/demolition project and mold remediation project from June 17, 2002, to June 28, 2002. This error resulted in over billing of \$2,266.33 (Exhibit 2)
- b. Safeway has made errors with regard to overtime rates charged to the project. According to the Trade Agreement for Local Unions 78, 66 and 12A, "Overtime shall be defined as all hours worked in excess of eight hours per day or forty (40) hours per week." Employee daily and/or weekly time invoiced to the project is billed at time and one half where insufficient straight time is logged to justify the overtime pay (Exhibit 3). The total overcharge can not be determined without a thorough analysis of the entire payroll history. This issue also raises a concern of Safeway charging time from other projects to the Ground Zero project.
- c. Lunch breaks, which due to the 12 hour work shifts are billed at time and a half, have not been deducted. In accordance with the Local 12A and Local 78 Union Trade Agreement, lunch breaks are non-billable. "Employees shall receive a one-half (1/2) hour unpaid meal period, ... Employees working a shift of more than 12 hours shall receive an additional one-half (1/2) hour unpaid meal period." TA has identified that employees took between one half hour to one hour lunch breaks. (Exhibit 4) The total overcharge can not be determined without a thorough analysis of the entire payroll history and back-up documentation. However, TA estimated that the over billing, based on one-half hour represents \$79,549.04. (Exhibit 5)
- d. Safeway over billed the project by charging labor for 24 hours when the daily logs support only 12 hours worked. The total overcharge equates to \$3,970.21. (Exhibit 6)
- e. Safeway invoiced the project for employee tax and deductions as opposed to employer tax liability. This same payment was reported with correct tax deductions in the labor cost report and backed out in a separate batch



transaction. The hours in question were added to the next pay period. The original entry was not backed-out of the project, resulting in double payment. This error resulted in over billing of \$1,674.10 (Exhibit 7).

- f. In response to TA's request to "... provide a clear trail representing all payroll adjustments and/or corrections." Safeway submitted explanations that are inaccurate, demonstrating failure to adequately research Safeway's in-house documents (Exhibits 7 and 8). For example, in response to TA's inquiry, Safeway made an adjustment to its payroll based on a sign-in sheet produced by Bovis, dated June 14, 2002, where the date in question was June 13, 2002 (Exhibit 9).

At the same time, Safeway referred to its response to Bovis' inquiry regarding discrepancies between sign-in sheets and electronic swipe card logs. Safeway provided an explanation indicating that "Certified payroll confirms that employee was paid." (Exhibit 10) This response does not address the issue raised by TA.

- g. TA noted instances where Safeway employees were not paid initially due to the lack of daily logs or swipe card records. In these instances, corrections were made to the payroll records based solely on Bovis sign-in sheets. Conversely, TA noted that Bovis sign-in sheets also reflect Safeway employees who were not invoiced to the project (Exhibit 11). This demonstrates the lack of integrity in the documentation submitted and therefore compromises the validity of payroll adjustments.
- h. TA noted that Safeway made several corrections to its payroll records. Several of the payroll corrections resulted in other errors. Correction entries on employees reportedly not paid, were made and in some instances resulted in the employees being paid twice for the same work performed. Also, payroll corrections resulting in back-out adjustments appear to be consistently excluded from the project totals. (Exhibit 12 and 8)
- i. Safeway invoiced for clerical services performed at the project site. In accordance with the DDC policy, (Exhibit 13), clerical services are part of the Contractor's overhead. This issue resulted in project over billing in the amount of \$5,538.58 (Exhibit 14).
- j. Safeway invoiced for supervisory (other than licensed Asbestos Supervisors) who, in accordance with DDC's policy, (Exhibit 12) are part of the Contractor's overhead. This resulted in over billing in the amount of \$113,656.19 (Exhibit 15).
- k. Through its comparison of licensed personnel invoiced to the project, TA established that Safeway invoiced for drivers who delivered materials to the site. Safeway confirmed that the drivers, Adam Koza and Tadeusz Spiewak,



were not licensed asbestos handlers. TA is of the opinion that delivery of materials is part of the Contractor's overhead. This item resulted in over billing in the amount of \$5,332.06. (Exhibit 14)

- l. Certified payroll, initially certified on various dates by Mr. Wolfman, was modified and re-certified by Mr. Wolfman on October 8, 2002, and provided to TA as support documentation (Exhibit 16). This modification (of hours worked and labor rates) and re-certification of the payroll raises the issue of credibility of the certification.

Materials

TA reviewed back-up documentation pertaining to materials purchased and invoiced to the project. Due to the complexity of the project, tracking of the used materials retroactively is difficult, if at all possible. TA did, however, review the rates charged and compared them to the Safeway supplier's invoices. Our analysis indicates that Safeway's charges are fair and reasonable.

Safeway invoiced the project for laboratory analysis performed by ATC Associates, Inc. TA reviewed a representative portion of the submitted documentation relevant to OSHA compliance and industry standards and compared them to daily time sheets and certified payroll reports. The laboratory analysis represent samples collected by Safeway personnel, allegedly to comply with OSHA regulations related to worker exposure. The project administration coordinated and implemented an extensive worker protection and monitoring program for all personnel employed on the project. Due to this initiative, TA is of the opinion that the additional sampling performed by Safeway is redundant and should not be invoiced to the project. In addition, in response to TA's inquiry, Safeway provided an extensive documentation of field data sheets and sample analysis. Our analysis of the provided documentation revealed that Safeway collected and had analyzed more samples than invoiced to the project. Furthermore, records indicate that samples were collected on personnel that, according to the daily time sheets and certified payroll reports, were not at the site at the time the samples were collected. This discovery further substantiates TA's concern with regard to invoicing private work to the project. (Exhibit 17)

Equipment

- a. During the course of the project, Safeway sub-contracted services from New York Breaking Company, Inc., to perform minor demolition. Rates charged for Other Tier Contractors were invoiced at 10% plus 5% as opposed to 5%, as dictated by the site policy implemented by the DDC (Exhibit 18). This resulted in over billing in the amount of \$9,842.80. (Exhibit 19)



- b. TA also identified that more usage time was billed for the equipment than for labor. In response to TA's inquiry, Safeway stated that "NY Braking [sic] did not invoice us on the amount of hours the machine was utilized but for how many 24-hour periods we had it in our possession. As a result there could be many instances where there is more equipment time billed than labor time." Safeway's usage of its or sub-contracted equipment is subject to the same policies as any other contractor working on the project. Records of equipment status (Idle/Standby/Working) is required as part of Safeway's backup documentation (Exhibit 20) and is to be charged accordingly. TA found no such records within Safeway's submittals. This resulted in an over billing of \$20,216.13 (Exhibit 21).
- c. Safeway employed Dynamic Equipment, Corp., (Dynamic) for the lease of a 763 Bobcat at a rate of \$520.00 per day. In Requisition 18, Safeway invoiced for services provided by Dynamic for Bobcat 763 at a rate of \$130.00 per day. Safeway offered no explanation for the differing in rates other than "We paid them the whole amount and expect to be reimbursed accordingly." This resulted in an over billing of \$2,427.50 (Exhibit 22).
- d. Safeway billed for waste disposal at cost, plus 10% and 5%. Waste disposal by other tier contractors should be invoiced at cost, plus 5% (Exhibit 18). This issue resulted in an over billing in the amount of \$14,329.45 (Exhibit 23).
- e. TA identified that Safeway invoiced the project for waste disposal. TA recommends the rejection of payments invoiced for all of the contractors with the exception of Asbestos Transportation Co., Inc. The rejection of payments is recommended due to the lack of critical information depicting the integrity of the waste disposal. Information lacking in the documentation provided includes waste pick-up point, waste destination, driver names, waste generator's names, signatures and dates (Exhibit 1). The total amount of the invoices rejected is \$61,379.26 (Exhibit 24).

Insurance

Safeway invoiced the project for Asbestos Liability Insurance in Requisitions 11, 12, 13, 16, 21 and 24. TA is of the opinion that all contractors employed on this project were covered under a general site-wide liability insurance policy and therefore were exempt from purchasing individual liability insurance (Exhibit 25). In response to TA's inquiry relative to this issue, Safeway stated that, "To date we have not received any type of confirmation of denial. Until we have actual confirmation we will not include the liability into the overhead portion of our bill. We are in a unique industry where liability insurance is very costly and exceeds the 10% overhead that we are entitled to. Once it is determined, we will adjust bills accordingly." This issue resulted in an over billing of \$15,939.64 (Exhibit 26).



1. Mold Remediation

Labor

Review of invoices revealed numerous issues pertaining to payroll. Due to the number of personnel employed on the project, the amount of corrections made to the payroll and lack of a credible, clear trail supporting said changes, only a sample time frame (from June 2, 2002, through June 30, 2002) was examined. TA's review of the sample time frame revealed that the invoices lacked adequate support documentation. Retroactive payroll adjustments contain errors and lack a straight forward financial trail necessary to determine appropriate billing. The payroll issue becomes even more complicated considering that the backup documentation does not resolve the anomalies. Through TA's review process of invoices submitted for analysis as well as Safeway's response to TA's inquiries, TA was able to determine that the invoices lacked adequate support documentation. Furthermore, Safeway's response to TA's inquiries indicates that retroactive payroll adjustments contain errors and lack a straight forward financial trail necessary to determine appropriate billing. Other issues pertaining to payroll include lack of union benefits for some of the employees and billing for clerical services. TA is of the opinion that an in depth study of payroll is warranted in order to reach sound conclusions. Some of our findings relative to payroll include the following:

- a. Safeway double billed two (2) of its employees who performed work on both the asbestos abatement/demolition project and mold remediation project from June 17, 2002, to June 28, 2002. This issue resulted in an over billing of \$612.03 (Exhibit 2).
- b. Safeway has made errors with regard to overtime rates charged to the project. According to the Trade Agreement for Local Unions 78, 66 and 12A, "Overtime shall be defined as all hours worked in excess of eight hours per day or forty (40) hours per week." Employee daily and/or weekly time invoiced to the project is billed at time and one half where insufficient straight time is logged to justify the overtime pay (Exhibit 27). The total overcharge can not be determined without a thorough analysis of the entire payroll history. This issue also raises a concern of Safeway charging time from other projects to the Ground Zero project.
- c. In accordance with the Local 12A and Local 78 Union Trade Agreement, lunch breaks are non-billable. "Employees shall receive a one-half (1/2) hour unpaid meal period, ... Employees working a shift of more than 12 hours shall receive an additional one-half (1/2) hour unpaid meal period." TA has identified that employees took between one half of an hour to one hour lunch breaks (Exhibit 4). The total overcharge can not be determined without a thorough analysis of the entire payroll history and back-up documentation. However, TA estimated that the over billing, based on one-half hour



represents \$11,353.83 for the time period of June 3, 2002, to July 21, 2002. (Exhibit 28)

- d. TA requested Safeway to "... provide a clear trail representing all payroll adjustments and/or corrections." Safeway submitted an explanation that is inaccurate, demonstrating failure to adequately research Safeway's in-house documents (Exhibit 8).
- e. TA noted instances where Safeway employees were not paid initially due to the lack of daily logs or swipe card records. In these instances, corrections were made to the payroll records based solely on Bovis sign-in sheets. Conversely, TA noted that Bovis sign-in sheets also reflect Safeway employees who were not invoiced to the project. This demonstrates the lack of integrity in the documentation submitted and therefore the validity of payroll adjustments (Exhibit 11).
- f. TA noted that Safeway made several corrections to its payroll records. Several of the payroll corrections resulted in other errors. Correction entries on employees reportedly not paid, were made and in some instances resulted in the employees being paid twice for the same work performed. (Exhibit 8) Also, payroll corrections resulting in back-out adjustments appear to be consistently excluded from the project totals.
- g. Safeway invoiced for clerical services performed at the project site. In accordance with the DDC policy, (Exhibit 13), clerical services are part of the Contractor's overhead. This issue resulted in project an over billing of \$1,503.24 (Exhibit 14).
- h. Safeway invoiced for supervisory personnel (other than licensed Asbestos Supervisors) who, in accordance with DDC's policy, (Exhibit 13) are part of the Contractor's overhead. This issue resulted in an over billing of \$19,874.52 (Exhibit 29).

Materials

TA reviewed back-up documentation pertaining to materials purchased and invoiced to the project. Due to the complexity of the project, tracking of the used materials retroactively is difficult, if at all possible. TA did, however, review the rates charged and compared them to the Safeway supplier's invoices. Our analysis indicates that Safeway's charges are fair and reasonable.



Equipment

- a. TA identified that Safeway invoiced the project for disposal of waste. TA recommends the rejection of payments invoiced for all of the contractors with the exception of Asbestos Transportation Co., Inc. The rejection of payments, is recommended due to the lack of critical information depicting the integrity of the waste disposal. Information lacking in the documentation provided includes waste pick-up point, waste destination, driver names, waste generator's names, signatures and dates (Exhibit 1). The total amount of the invoices rejected is \$44,335.38 (Exhibit 30).
- b. Safeway double billed for services sub-contracted from Strong Equipment. The same invoice appears in two (2) requisitions. This issue resulted in an over billing of \$4,109.57 (Exhibit 31).

Medical

Safeway invoiced for various medical screening for workers in the amount of \$13,493.81 (Exhibit 32). TA is of the opinion that environmental remediation is a "unique industry" requiring Periodic Medical Surveillance for workers and should be built into the Contractor's overhead.

Insurance

Safeway invoiced the project for Asbestos Liability Insurance in Requisition 21. In accordance with a DDC Memo (Exhibit 25), all contractors employed on this project were covered under a General Liability and Worker's Compensation Insurance Policy and therefore were exempt from purchasing individual liability insurance. In response to TA's inquiry relative to the issue of insurance charges, Safeway stated that, "To date we have not received any type of confirmation of denial. Until we have actual confirmation we will not include the liability into the overhead portion of our bill. We are in a unique industry where liability insurance is very costly and exceeds the 10% overhead that we are entitled to. Once it is determined, we will adjust bills accordingly." This issue resulted in an over billing of \$1,758.08 (Exhibit 26).