

New Jersey State Commission of Investigation

Waste and Abuse in Public School Roofing Projects

Summary of Findings

The Commission launched an investigation of public school roofing projects in 1998 based upon confidential complaints and preliminary evidence suggesting widespread waste and abuse. The probe was comprehensive in nature and statewide in scope, involving a review of 115 separate projects in 39 school districts across 13 of New Jersey's 21 counties. Projects examined by the Commission carried a total taxpayer investment of more than \$38.4 million. Evidence of some form of waste and/or abuse was uncovered in more than half of the districts where projects were evaluated.

As detailed below, the Commission's findings fall into five key areas:

- **Conflicts of interest and professional misrepresentation**
- **Manipulation and subversion of public bidding and contracting**
- **School safety issues**
- **Improper labor practices/payroll and tax violations**
- **Inadequate oversight**

Conflicts of Interest and Professional Misrepresentation

School districts across New Jersey have paid millions more than they should have for roof repairs and replacements, in part, because projects were riddled from start to finish with conflicts of interest and deception.

- Project design consultants presumed by district officials and boards of education to be independent experts may actually be secretly compensated by roofing material suppliers. This hidden financial relationship forms the basis for a scheme that results in excessive project costs.

- Thousands of dollars in secret payments were funneled by a major roofing materials supplier to a consultant who repeatedly wrote project specifications favoring the firm's products. The consultant used this money for personal expenses and failed to report it for tax purposes.
- Key players in the school roofing industry, including a leading roof-design consultant and several contractors, were found to have criminal records while securing contracts at taxpayer expense.
- Roof inspections were carried out by firms and/or individuals who had a financial stake in the project.
- A leading supplier of roofing materials routinely presented itself as a manufacturer of products bearing its own label. In reality, the firm produced few materials and instead chiefly re-labeled products made by others.
- School district officials responsible for oversight of roof maintenance enjoyed a social relationship with both a design consultant and a roofing company sales representative who together cashed in on lucrative contracts in a succession of districts.

Manipulation and Subversion of Public Bidding and Contracting

The process by which boards of education award contracts for roof repairs and replacements was found to be rife with abuses that thwart the public's ability to obtain quality work at the most reasonable price.

- Design consultants/architects, working in secret partnership with manufacturers and suppliers of roofing materials, have routinely crafted "proprietary" project specifications that favor a given set of products, thus eliminating competition in the award of contracts.
- Technical "hurdles" are inserted throughout project specifications to foreclose the possible substitution of less expensive materials of similar or equal quality.
- Installation contracts are steered into the hands of favored contractors through a variety of means, including inadequate public notice of project proposals, selective offers of preferential pricing and mandatory pre-bid meetings. In at least one instance, the mandatory pre-bid meeting was held the same day the bid proposal was advertised.

- In some instances, work on public school roofs has been turned over to sub-contractors without approval by the school district and in violation of State Division of Building and Construction rules.

School Safety Issues

A number of unusual and questionable circumstances give rise to concerns about the safety and structural integrity of public school roof repairs and replacements completed through this process.

- In some instances, project plans were drawn or merely copied by individuals who were not licensed architects. In others, no design professionals were utilized at all. Drawings lacked the requisite detail and architectural seal, and requisite building permits were not obtained prior to construction.
- Less expensive and sometimes inferior roofing products may be used in place of specified materials. Specified materials sometimes are left out altogether with no substitutions.
- Structural problems raised in various feasibility studies may not be addressed in project plans and specifications.
- On-site inspections were lax, non-existent or tainted by conflicts of interest.

Improper Labor Practices/Payroll and Tax Violations

In an effort to undercut their competition and maximize profits, certain roof installation contractors have engaged in practices that help them evade and circumvent laws governing proper labor and payroll practices.

- In some instances, contractors have been able to secure school roofing work by submitting low bids secretly conditioned on the fact that their laborers will be paid substantially less than the legally mandated prevailing wage.
- Certified payroll forms submitted in connection with school roofing projects have been found to be replete with phony employee social security numbers and false data relative to hours worked and wages paid.
- Some contractors have failed to make standard employee payroll deductions deductions for income tax, disability insurance and unemployment benefits. These contractors have also failed to remit their own contributions toward these benefits.

Inadequate Oversight

The abuses uncovered by the Commission in public-school roofing projects were abetted by the action, and inaction, of school district officials and by lax oversight and guidance at the state and local levels.

- Ranking school district officials placed millions of taxpayer dollars at the disposal of consultants, contractors and roofing manufacturers without asking the most basic questions about their qualifications and possible connections.
- District officials in a number of instances okayed questionable contracts even though they had been warned of potential abuses.
- District officials responsible for roof maintenance struck up social relationships with roofing consultants and sales representatives who secured a share of various districts' roofing business. In several cases, these officials agreed after the fact to act as references for a roofing consultant.
- New Jersey lacks an effective mechanism at the state level to monitor the public-school roofing industry and to provide school districts with technical training and advice on how to avoid abuses.