

# Memorandum



DATE July 12, 2019

TO Honorable Mayor and Members of the City Council

SUBJECT **Media Coverage ADI Engineering**

The Dallas Morning News plans to release a story that questions the City's contracting methods. Specifically, the story is critical of the City's process for contracting with ADI Engineering, a firm hired to provide structural engineering services on homes built by DryQuick Restoration between 2015 and 2017.

After ADI Engineering completed its work, it was later revealed that the firm's owner had been charged with fraud, filed for bankruptcy, and lost his engineering license in 2015. This is an incident whereby the City's process for certifying a pool of technical service providers was not correctly followed. City staff from Housing and Neighborhood Revitalization, City Attorney's Office, Public Works, Procurement and Public Affairs, have been collaborating on an internal investigation and preparing a coordinated response to the reporter's questions. Concurrently, we are taking a second look at the work that was completed by the service provider. We will follow up to ensure that residents who were impacted by this work can go forward with confidence that their property is safe. Changes to the current housing procurement process include a revised vetting process for prospective contractors that incorporates a review of bankruptcies, lawsuits, and financial capacity.

Attached is a fact sheet summarizing the contracting activities related to DryQuick Restoration and ADI Engineering.

Should you have any questions, please contact my office at (214) 670-3390.



Michael Mendoza  
Chief of Economic Development & Neighborhood Services

c: T.C. Broadnax, City Manager  
Chris Caso, City Attorney (Interim)  
Mark Swann, City Auditor  
Biliera Johnson, City Secretary  
Preston Robinson, Administrative Judge  
Kimberly Bizer Tolbert, Chief of Staff to the City Manager  
Majed A. Al-Ghafry, Assistant City Manager

Jon Fortune, Assistant City Manager  
Joey Zapata, Assistant City Manager  
Nadia Chandler Hardy, Assistant City Manager and Chief Resilience Officer  
M. Elizabeth Reich, Chief Financial Officer  
Laila Aleqresh, Chief Innovation Officer  
M. Elizabeth (Liz) Cedillo-Pereira, Chief of Equity and Inclusion  
Directors and Assistant Directors



## Facts and Information

### Dry Quick Restoration & ADI Engineering

7/12/2019

#### Background

- Dry Quick Restoration is an independently owned restoration company specializing in water mitigation and new construction.
- Dry Quick Restoration's application was reviewed, and the company was approved to reconstruct eight homes in 2015. These homes were reconstructed over a period of 24 months during the years of 2015 and 2017.
- ADI Engineering's application stated that they are an engineering design firm located in Dallas, Texas. The company had been operating for approximately 17 years serving municipalities, public utilities, state and county governmental entities in the Dallas Fort Worth Metropolitan Area.
- ADI Engineering's application was reviewed, and the company was approved to inspect 14 homes reconstructed through the City of Dallas Home Rehabilitation and Reconstruction Program including eight homes built by Dry Quick Restoration.
- The City of Dallas offers housing repair and reconstruction services to homeowners earning less than 120% area median income and landlords renting to families earning less than 80% area median income through the Home Rehabilitation and Reconstruction.
- In 2015, the program paid \$103,000 for contractors to demolish and rebuild homes. The program has since been revised to pay contractors up to \$160,000 to demolish and rebuild homes.
- In 2018, the U.S. Department of Housing and Urban Development (HUD) Office of Inspector (OIG) General completed an audit of the City of Dallas Rehabilitation and Reconstruction Program.
- This audit included the review of the City's HOME Investment Partnerships program funds between 2015 and 2017.
- The audit concluded that the City did not properly assess contractors or ensure that they followed contract terms.
- It recommended the City hire a qualified entity to determine the structural integrity of the reconstructed houses and provide a plan to cover the costs of any potential warranty work needed on the properties.

## **Key Facts**

- It was recently brought to the City's attention that the principal owner of ADI Engineering did not have a valid Professional Engineer's license when they conducted inspections.
- An internal review indicated ADI Engineering was not on a 2015-2018 Request for Qualifications list of vendors as previously thought.
- The City is preparing to procure a new structural engineering firm to re-inspect the homes.

## **Next Steps**

- The City of Dallas Home Rehabilitation and Reconstruction Program vetting process for prospective contractors has been enhanced to include reviews of bankruptcies, lawsuits and financial capacity.