

City of Detroit

Office of Inspector General

Debarment Report

DES and BBEK

OIG File No. 22-0017-INV

June 20, 2024



Ellen Ha, Esq., CIG

Inspector General

**CITY OF DETROIT
OFFICE OF INSPECTOR GENERAL
DEBARMENT REPORT**

DETROIT ENVIRONMENTAL SOLUTIONS & BBEK ENVIRONMENTAL

OIG FILE NO. 22-0017-INV

June 20, 2024

I. Debarment Determination

a. David Gillespie and Detroit Environmental Solutions, LLC.

On November 30, 2023, the City of Detroit Office of Inspector General (OIG) issued an interim suspension to Detroit Environmental Solutions, LLC. (DES), and its owner David Gillespie pursuant to Section 17-5-360 of the City of Detroit Debarment Ordinance (Debarment Ordinance). The OIG's preliminary review of records and information, in addition to the Michigan Department of Attorney General's (Michigan AG's Office) criminal charges issued against David Gillespie, suggested DES and David Gillespie were involved in improper and possible criminal activity. Evidence suggested that DES and David Gillespie knowingly or negligently worked with debarred contractors Kevin Woods and BBEK Environmental, LLC. (BBEK) on City of Detroit contracts in violation of the City of Detroit Debarment Ordinance. Additionally, evidence indicated that DES violated the Asbestos Abatement Contractors Licensing Act¹ (the Asbestos Act) which potentially endangered the health, safety, and welfare of residents. Therefore, the OIG issued interim suspensions because DES performs asbestos abatement services which could impact the health, safety, and welfare of Detroit residents.

On May 13, 2024, David Gillespie pleaded no contest to one count of felony false pretenses. He was sentenced to two years of probation, restitution in the amount of \$24,000, and 100 hours of community service. If Mr. Gillespie satisfies all of these terms and conditions, his charge will be reduced to a misdemeanor false pretenses.² Additionally, David Gillespie assisted BBEK and Kevin Woods in circumventing their interim suspensions issued in August 2019 thus allowing them to continue to financially benefit from City of Detroit contracts.

On May 21, 2024, the OIG provided a draft copy of the debarment report to David Gillespie and DES along with the Debarment Ordinance and Administrative Hearing Rules. Mr. Gillespie and DES had until June 4, 2024 to request an administrative hearing and until June 18, 2024 to submit a written response. On June 3, 2024, the OIG sent a reminder to Mr. Gillespie and DES's attorney that the administrative hearing request had to be made by the end of business on June 4 and that a written response had to be submitted by June 18. On June 5, 2024, the OIG sent an email to the attorney to confirm that no request was received for an administrative hearing and again reminded the attorney of the deadline for a written response. On June 12, 2024, the OIG sent one last reminder about the final date for a written response. No response

¹ Asbestos Abatement Contractors Licensing Act (Act 135, P.A. 1986 as amended).

² Plea Agreement between the State of Michigan and David Gillespie, 2023-23T02595-FY, May 13, 2024.

was received by Mr. Gillespie or his representative by the June 18th deadline. Therefore, in accordance with the OIG's Administrative Hearing Rules, the OIG is now finalizing its debarment against Mr. Gillespie and DES for the reasons outlined in this report.

Based on the information detailed below, the OIG determined that DES and its owner David Gillespie have not acted as responsible contractors. Therefore, the OIG finds the following based on our findings:

- Detroit Environmental Solutions, LLC. (DES) is debarred for 20 years with an effective date of November 30, 2023.
- David Gillespie is debarred for 20 years with an effective date of November 30, 2023.

Pursuant to Section 17-5-354(b) of the Debarment Ordinance, DES and David Gillespie are also precluded from serving as a “subcontractor or as a goods, services or materials supplier for any contract” for the City of Detroit. Additionally, because David Gillespie, as an individual, is debarred, no company he owns, is an officer for, or has a direct or indirect financial or beneficial interest in may do business with the City of Detroit as a contractor or subcontractor for the period of debarment.³

b. Kevin Woods and BBEK Environmental, LLC.

On August 5, 2019, the OIG issued an interim suspension to BBEK pursuant to Section 17-5-360 of the City of Detroit Debarment Ordinance. On August 9, 2019, the interim suspension was extended to include BBEK owner Kevin Woods. The OIG's preliminary review of records suggested that Kevin Woods was involved in improper and possible criminal activity which included violations of the Asbestos Abatement Contractors Act.⁴ As a result of the interim suspension, these companies and owners could not do any work on City of Detroit contracts and could not work as a “subcontractor or as a goods, services or materials supplier for any contract” related to the City of Detroit.⁵ Further, no company they owned, were an officer for, or had a direct or indirect financial or beneficial interest in could do business with the City of Detroit as a contractor or subcontractor for the period of suspension.⁶ However, Mr. Woods circumvented the interim suspension by assisting in the formation of DES, listing David Gillespie as the owner, taking a consulting fee, and then doing work for the City of Detroit.

³ City of Detroit Debarment Ordinance, Section 17-5-363. Application of remedies.

⁴ Asbestos Abatement Contractors Licensing Act (Act 135, P.A. 1986 as amended).

⁵ City of Detroit Debarment Ordinance, Section 17-5-354(b). See also City of Detroit Office of Inspector General Debarment Report for BBEK, Green Way, and HC Consultants, OIG Case No. 19-0028-INV, July 14, 2022. .

⁶ On June 2, 2022, Mr. Woods pleaded guilty to various criminal charges. On July 15, 2022, the OIG debarred Mr. Woods and BBEK for 20 years after we finalized our investigation. See OIG Debarment Report, Case No. 19-0029-INV, July 14, 2022. See also Email from Michigan Assistant Attorney General Melissa Palepu to OIG Attorney Jennifer Bentley, RE: Kevin Woods, dated June 2, 2022.

It should be noted that Mr. Woods and BBEK were also previously debarred pursuant to OIG Case No. 19-0028-INV.⁷ On June 2, 2022, Kevin Woods pled guilty to one count of false pretenses for a violation of the Act and was sentenced to two years of probation, restitution for underreported Michigan Department of Licensing and Regulatory Affairs (LARA) fees, and 100 hours of community service. The debarment was effective August 9, 2019 with an end date of August 9, 2039.⁸

On May 21, 2024, the OIG provided a draft copy of the debarment report to Mr. Woods and BBEK along with the Debarment Ordinance and Administrative Hearing Rules. Mr. Woods and BBEK had until June 4, 2024 to request an administrative hearing and until June 1, 2024 to submit a written response. On June 4, 2024, Mr. Woods and BBEK's attorney responded to the OIG draft report stating "[w]hile we believe the proposed findings as they relate to Mr. Woods are incorrect, we will not be contesting the report or debarment."⁹ Therefore, in accordance with the OIG's Administrative Hearing Rules, the OIG is now finalizing its concurrent debarment against Mr. Woods and BBEK for the reasons outlined in this report.

Based on the information detailed below, the OIG once again determines that BBEK and Kevin Woods have again not acted as responsible contractors. Therefore, the OIG finds the following:

- BBEK Environmental, LLC. (BBEK) is debarred for 20 years with an effective date of May 21, 2024.
- Kevin Woods is debarred for 20 years with an effective date of May 21, 2024.

Pursuant to Section 17-5-354(b) of the Debarment Ordinance, BBEK and Mr. Woods are also precluded from serving as a "subcontractor or as a goods, services or materials supplier for any contract" for the City of Detroit. Additionally, because Mr. Woods, as an individual, is debarred, no company he owns, is an officer for, or has a direct or indirect financial or beneficial interest in may do business with the City of Detroit as a contractor or subcontractor for the period of debarment.

II. Complaint

On December 1, 2022, the Office of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) provided documentation and information to the OIG which alleged that DES and its owner, David Gillespie, engaged in fraudulent behavior related to its work as a subcontractor for various City of Detroit demolition contractors. Specifically, the evidence suggested that BBEK and Mr. Woods helped David Gillespie form DES so that DES could complete the work that BBEK was awarded by the City of Detroit but could not finish pursuant

⁷ Email from Michigan Assistant Attorney General Melissa Palepu to OIG Attorney Jennifer Bentley, RE: Kevin Woods, dated June 2, 2022. SEE also OIG Debarment Report 19-0028-INV at <https://detroitmi.gov/sites/detroitmi.localhost/files/2022-07/Final%20BBEK%20Debarment%20Report.pdf>.

⁸ OIG Debarment List at <https://detroitmi.gov/sites/detroitmi.localhost/files/2024-04/OIG%20Debarment%20List%204.26.2024.pdf>.

⁹ Email from Attorney James Thomas to OIG Attorney Jennifer Bentley regarding Initiation of Debarment Proceeding by the OIG 22-0017-INV, June 4, 2024.

to the OIG interim suspensions.¹⁰ By creating a new company and listing a different owner, it appeared that BBEK and Mr. Woods were no longer working on City of Detroit contracts. Additionally, it was alleged that DES and David Gillespie violated the Asbestos Act which requires an abatement company to hire a neutral third party to conduct post abatement air monitoring checks. Evidence shows that DES conducted air monitoring checks for BBEK despite the two companies having substantial financial and ownership ties to each other.

The OIG opened its investigation against DES on December 1, 2022 though SIGTARP and the State of Michigan Department of Attorney General (Michigan AG's Office) continued to investigate DES for potential criminal charges. After learning about the potential criminal charges, the OIG immediately placed its administrative investigation on hold pending the outcome of the criminal investigation and any resulting prosecution as required by Section 7.5-308 of the Charter of the City of Detroit.¹¹ However, during this time, the OIG worked with these agencies to assist them in obtaining additional information and documentation.

On November 27, 2023, David Gillespie was charged with Conducting a Criminal Enterprise, False Pretenses, and Lying to a Peace Officer.¹² On May 13, 2024, David Gillespie pleaded no contest to felony false pretenses.¹³ As such, the OIG is now completing its investigation against DES and David Gillespie and concludes that DES and Mr. Gillespie be debarred from working for the City of Detroit.

III. Overview of Detroit Environmental Solutions, LLC

DES is an environmental services company that conducts asbestos abatement and third party air monitoring. It was initially owned by David Gillespie, Edward Sanders, Stephen Gillespie, and Joel Gillespie, all of whom were BBEK employees. However, David Gillespie controlled the business and the other owners had little to no input into any business decisions.¹⁴

DES was formed on August 7, 2019 by David Gillespie with the help of BBEK owner Kevin Woods who served as a consultant.¹⁵ Additionally, BBEK provided David Gillespie with a loan and equipment to get the business started.¹⁶ DES provides asbestos abatement services as a subcontractor for demolition companies that contract with the Detroit Land Bank Authority

¹⁰ U.S. Department of the Treasury Office of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) Memorandum of Investigative Action (MOIA), Interview of Detroit Environmental Services (DES) owner David Gillespie conducted by SIGTARP Special Agent Michael Gianoukos and Michigan Attorney General's Office Special Investigator Peter Ackerly, January 6, 2021.

¹¹ 2012 City of Detroit Charter, Section 7.5-308. Duty to Report Illegal Acts.

¹² Felony Complaint, The People of the State of Michigan v. David Jeremy Gillespie, Case No. 2023-23T02595-FY, filed on November 27, 2023.

¹³ Plea Agreement between the State of Michigan and David Gillespie, 2023-23T02595-FY, May 13, 2024.

¹⁴ SIGTARP MOIA of Edward Sanders, February 1, 2023. Additionally, Mr. Sanders stated that, in mid-2020, he met with David Gillespie to discuss his frustration with his lack of input and how DES was being run. After the meeting, Mr. Sanders decided to leave DES.

¹⁵ Michigan Department of Licensing and Regulatory Affairs (LARA) Corporations, Securities, and Commercial Licensing Bureau, Detroit Environmental Solutions, LLC., *Articles of Organization*, filed on August 15, 2019. David Gillespie signed the documentation on August 7, 2019.

¹⁶ SIGTARP MOIA of David Gillespie, January 6, 2021.

(DLBA) that were part of the Hardest Hit Fund (HHF) Demolition program as well as the City of Detroit demolition program funded pursuant to Proposal N.

IV. Overview of BBEK Environmental

BBEK was an environmental services company. The company, which was owned by Kevin Woods, was created in 2014. BBEK provided asbestos abatement as a subcontractor for demolition companies that contracted with the Detroit Land Bank Authority (DLBA) to complete demolitions that were part of the HHF Demolition program as well as City of Detroit non- HHF demolition program. It is important to note that BBEK was sold to DES and David Gillespie on September 30, 2021, just after Mr. Woods was charged with criminal conduct, but before his debarment, as detailed on page 7 of this report.

In August 2019, the OIG issued an interim suspension to BBEK and Kevin Woods.¹⁷ The OIG’s review of records and information showed that BBEK and Mr. Woods were involved in improper and possible criminal activity which included violations of the Asbestos Act. As a result of the interim suspension, BBEK and Mr. Woods were precluded from serving as a “subcontractor or as a goods, services or materials supplier for any contract” for the City of Detroit. Additionally, because Mr. Woods, as an individual, was suspended pursuant to the ordinance, no company he owned, was an officer for, or had a direct or indirect financial or beneficial interest in could do business with the City of Detroit as a contractor or subcontractor for the period of the interim suspension and subsequent debarment.¹⁸

On February 23, 2021, Mr. Woods was charged by the Michigan AG’s Office with seven (7) criminal counts including false pretenses, money laundering, and bribery. On June 2, 2022, Mr. Woods pleaded guilty to one count of false pretenses for violating the Asbestos Act and was sentenced to two (2) years of probation, restitution for underreported Michigan Department of Licensing and Regulatory Affairs (LARA) fees, and 100 hours of community service. On July 14, 2022, the OIG finalized its debarment report and found that BBEK and Mr. Woods lacked business honesty and integrity. Therefore, they were debarred for 20 years because they were not responsible contractors.

V. Criminal Prosecution of David Gillespie

a. Charges and Plea

On November 27, 2023, David Gillespie was charged by the Michigan AG’s Office with five (5) criminal counts. Specifically, he was charged with

- Count 1: Conducting a Criminal Enterprise.
- Counts 2 and 3: False Pretense- \$20,000 or more but less than \$50,000.
- Count 4: False Pretenses- \$100,000 or more.

¹⁷ City of Detroit Debarment Ordinance, Section 17-5-360(a). Interim suspension.

¹⁸ City of Detroit Debarment Ordinance, Section 17-5-363. Application of remedies.

- Count 5: Lying to a Peace Officer- 4 Year or more Crime Investigation.¹⁹

On May 13, 2024, David Gillespie pleaded no contest to one count of felony false pretenses. He was sentenced to two years of probation, restitution in the amount of \$24,000, and 100 hours of community service.²⁰

b. Relevant Facts

i. David Gillespie's BBEK Employment

On July 1, 2015, David Gillespie was hired as a BBEK employee by Mr. Woods to remove asbestos from project sites. He was soon promoted to foreman and eventually Mr. Woods asked David Gillespie to get his industrial hygienist license which allowed him to oversee and conduct air monitoring at the asbestos abatement project sites.²¹ On March 26, 2016, David Gillespie took a training course, called the NIOSH 582 Equivalent course, where he earned his certification.²² David Gillespie learned, in part, during his training that an abatement company is required to hire a neutral and independent third party air monitoring company to conduct air quality tests. Failure to do so is a violation of the Asbestos Act.²³

Soon thereafter, though still employed by BBEK, David Gillespie began performing third party air monitoring on behalf of HC Consulting on projects in which BBEK completed the abatement.²⁴ HC Consulting was located in the same building as BEEK and shared the same address, 24808 Thomas in Warren, Michigan. David Gillespie explained to SIGTARP agents that he was never employed by HC Consultants and did not know the owner. However, David Gillespie confirmed that he signed the HC Consulting *Authorization for Re-occupancy* forms. The signed forms verify that Mr. Gillespie conducted the air monitoring at various locations on behalf of HC Consulting. David Gillespie explained that he did what Mr. Woods told him to do and that they never had a conversation about HC Consulting.²⁵

Eventually BBEK moved from 24808 Thomas to 27610 College Park Drive in Warren, Michigan after Mr. Woods had a falling out with the owner of HC Consulting.²⁶ BBEK was in Suite A and Green Way Environmental, LLC (Green Way), a third party air monitoring company, was in Suite B. David Gillespie told SIGTARP agents that soon thereafter he became an employee of Green Way. However, he was unsure what entity paid him since his paychecks

¹⁹ Felony Complaint, David Gillespie, November 27, 2023.

²⁰ Plea Agreement between the State of Michigan and David Gillespie, 2023-23T02595-FY, May 13, 2024.

²¹ SIGTARP MOIA of David Gillespie, January 6, 2021.

²² Certificate of Achievement for David Gillespie for successfully completing A NIOSH 582 Equivalent Microscopy Training Course, March 26, 2016.

²³ SIGTARP MOIA of David Gillespie, January 6, 2021.

²⁴ City of Detroit Office of Inspector General (OIG) Debarment Report for BBEK, Green Way, and HC Consultants, OIG Case No. 19-0028-INV, July 14, 2022.

²⁵ SIGTARP MOIA of David Gillespie, January 6, 2021.

²⁶ *Id.*

were direct deposited into his bank account. Nevertheless, Mr. Gillespie did admit that he only received a W-2 from BBEK each tax season.²⁷

David Gillespie also told SIGTARP agents that he did not know who owned Green Way. As he did with HC Consultants, David Gillespie took directions from Mr. Woods even though he was supposedly conducting third party air monitoring on the abatements performed by BBEK. He contacted Mr. Woods anytime he had an issue with air monitoring.²⁸ David Gillespie was unaware that William Scully was the listed owner of Green Way as he only knew him to be BBEK's accountant. According to David Gillespie, Mr. Scully was never onsite for any Green Way or BBEK projects. Mr. Woods, however, was onsite for Greenway and BBEK projects.²⁹ David Gillespie admitted to SIGTARP agents that he understands that there was an issue with Green Way conducting air monitoring tests for BBEK.³⁰

ii. Formation of DES

On August 5, 2019, the OIG issued an interim suspension to BBEK, HC Consultants, and Green Way pursuant to Section 17-5-360 of the City of Detroit Debarment Ordinance.³¹ The OIG's preliminary review of records and information suggested that these companies and their owners, Kevin Woods, James Harvey, and William Scully, respectively, were involved in improper and possible criminal activity which included violations of the Asbestos Act. As a result of the interim suspension, these companies and owners could not do any work pursuant to City of Detroit contracts and could not work as a "subcontractor or as a goods, services or materials supplier for any contract" related to the City of Detroit.³² Further, no company they own, are an officer for, or have a direct or indirect financial or beneficial interest in may do business with the City of Detroit as a contractor or subcontractor for the period of suspension.³³

After the OIG issued the interim suspension to BBEK, Mr. Woods approached David Gillespie about starting an abatement and air monitoring company.³⁴ Then, on August 7, 2019, DES was created. The Michigan Department of Licensing and Regulatory Affairs (LARA) *Articles of Incorporation* paperwork to form the company was signed by David Gillespie and the fee was paid for with a \$50 BBEK check.³⁵ DES was initially owned by David Gillespie, Edward Sanders, Stephen Gillespie, and Joel Gillespie, all of whom were BBEK employees.

²⁷ *Id.*

²⁸ *Id.*

²⁹ SIGTARP MOIA of David Gillespie, January 6, 2021. See also OIG Debarment Report, Case No. 19-0029-INV, July 14, 2022.

³⁰ SIGTARP MOIA of David Gillespie, January 6, 2021.

³¹ On August 9, 2019, the interim suspension was extended to include BBEK owner Kevin Woods, HC Consulting owner James Harvey, and Green Way Owner William Scully.

³² City of Detroit Debarment Ordinance, Section 17-5-354(b), Effect of Debarment Order. See also OIG Debarment Report, Case No. 19-0029-INV, July 14, 2022.

³³ OIG Debarment Report, Case No. 19-0029-INV, July 14, 2022.

³⁴ SIGTARP MOIA of Edward Sanders, January 31, 2023.

³⁵ LARA Corporations, Securities, and Commercial Licensing Bureau, Detroit Environmental Solutions, LLC., *Articles of Organization*, filed on August 15, 2019. David Gillespie signed the documentation on August 7, 2019.

However, David Gillespie controlled the business and the other owners had little to no input into business decisions.³⁶

Mr. Scully, who was still BBEK's accountant and owner of Green Way, assisted with the formation of DES. Mr. Scully met with David Gillespie and helped him organize the company with the state of Michigan through LARA. Additionally, Mr. Scully assisted with the financial aspects of the business.³⁷

Mr. Woods and BBEK were also instrumental in the formation of DES by providing the company with money and air monitoring equipment. Specifically, on August 26, 2019, DES opened a bank account at Flagstar Bank with the help of one of Mr. Woods family members.³⁸ Then, on August 30, 2019, BBEK deposited a \$100,000 check which funded the account.³⁹ It should be noted that, although DES was formed on August 7, 2019, the individual owners of DES continued to be paid by BBEK until DES was funded with money from BBEK. Joel Gillespie, Stephen Gillespie, and Edward Sanders received a paycheck from BBEK up through the week ending August 30, 2019. David Gillespie was paid by BBEK through the week ending September 6, 2019.⁴⁰ In addition to the \$100,000, Mr. Woods provided DES with \$30,000 in air monitoring equipment.⁴¹

David Gillespie informed SIGTARP agents that Mr. Woods did not receive a salary or any form of compensation from DES. He explained that all money paid to Mr. Woods and BBEK was for the loan and equipment DES received from BBEK.⁴² However, invoices and checks show that Mr. Woods and BBEK were paid \$4,846 over 16 months by checks from DES which included a consulting fee.⁴³ Specifically, Mr. Woods was paid a consulting fee of \$2,970 as indicated on the invoices and checks thus contradicting David Gillespie's statements.⁴⁴ Further, former DES owner Edward Sanders confirmed that Mr. Woods received a monthly consulting fee for his assistance in helping DES start and grow its business.⁴⁵ The rest of the money was for the equipment as well as interest on the \$100,000.⁴⁶ After approximately 14 months, David Gillespie began paying to reduce the principal on the loan.⁴⁷

³⁶ SIGTARP MOIA of Edward Sanders, February 1, 2023. Additionally, Mr. Sanders stated that, in mid-2020, he met with David Gillespie to discuss his frustration with his lack of input and how DES was being run. After the meeting, Mr. Sanders decided to leave DES.

³⁷ SIGTARP MOIA of Edward Sanders, January 31, 2023.

³⁸ *Id.*

³⁹ Flagstar Deposit Information, BBEK to DES in the amount of \$100,000, August 30, 2019.

⁴⁰ Paychex Information. See also U.S. Department of the Treasury Office of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) Memorandum from SIGTARP Special Agent Michael Gianoukos, October 19, 2023.

⁴¹ SIGTARP MOIA of David Gillespie, January 6, 2021.

⁴² *Id.*

⁴³ DES Invoices for Line of Credit Interest, Consulting Fee And Loan Payments. See also DES Checks payable to BBEK.

⁴⁴ *Id.*

⁴⁵ SIGTARP MOIA of Edward Sanders, January 31, 2023.

⁴⁶ DES Invoices for Line of Credit Interest, Consulting Fee And Loan Payments. See also Loan Payment History.

⁴⁷ Loan Payment History. See also SIGTARP Memorandum, October 19, 2023.

Additionally, Mr. Woods created documentation for DES including the *Authorization for Reoccupancy* form. Mr. Woods also created these forms for HC Consulting and Green Way. DES, Green Way, and HC Consulting used the same document with the same wording. In fact, the metadata on all the documents show that they were created by Mr. Woods.⁴⁸

iii. BBEK Sold to DES

On February 23, 2021, Mr. Woods was charged by the Michigan Department of Attorney General with seven (7) counts including false pretenses, money laundering, and bribery.⁴⁹ On September 30, 2021, while his charges were still pending, Mr. Woods sold BBEK to David Gillespie and DES. David Gillespie bought BBEK without requesting BBEK's tax returns or doing any other type of due diligence regarding BBEK.⁵⁰ Further, the analysis of bank records completed by SIGTARP shows that the sale was not an arm's length transaction.⁵¹

All BBEK's employees were transferred to DES' payroll on September 3, 2021, prior to the sale on September 30, 2021.⁵² DES agreed to purchase BBEK for \$2 million which was to be paid over the course of 48 months at \$43,390.25 per month. The first payment was due November 1, 2021. The sale was privately financed by Mr. Woods. Mr. Woods was also given a one year consulting agreement where DES paid Mr. Woods \$2,500 a month.⁵³ DES and David Gillespie only made one payment to BBEK in the amount of \$43,390.25 on January 19, 2022. A review of records through July 31, 2022 showed no additional payments. Since the alleged sale of BBEK to DES on September 30, 2021, DES has received over \$800,000 from BBEK.⁵⁴

iv. Air Monitoring Completed by DES

On August 5, 2019, BBEK and Mr. Woods were issued interim suspensions by the OIG.⁵⁵ The suspension prohibited Mr. Woods from doing business with the City of Detroit as a contractor or subcontractor with any company he owned, was an officer for, or had a direct or indirect financial or beneficial interest in for the period of the suspension.⁵⁶ However, Mr. Woods circumvented the interim suspension by assisting in the formation of DES, identifying David Gillespie as its owner, financing DES and then taking a consulting fee from the company. This all occurred while DES was working on City of Detroit contracts. Thus, Woods continued to make money on City of Detroit contracts despite his interim suspension.

⁴⁸ SIGTARP Memorandum, October 19, 2023. See also Reoccupancy Forms.

⁴⁹ Felony Complaint, *The People of the State of Michigan v. Kevin Gordon Woods*, February 23, 2021. On June 2, 2022, Kevin Woods pled guilty to one count of false pretenses for a violation of the Act and was sentenced to two years of probation, restitution for underreported Michigan Department of Licensing and Regulatory Affairs (LARA) fees, and 100 hours of community service. See Email from Michigan Assistant Attorney General Melissa Palepu to OIG Attorney Jennifer Bentley, RE: Kevin Woods, dated June 2, 2022.

⁵⁰ SIGTARP Memorandum, October 19, 2023.

⁵¹ *Id.*

⁵² *Id.*

⁵³ Promissory Note between BBEK and DES, September 30, 2021.

⁵⁴ Loan Payment History. See also SIGTARP Memorandum, October 19, 2023.

⁵⁵ Mr. Woods' interim suspension was effective August 7, 2019. See OIG Debarment Report, Case No. 19-0029-INV, July 14, 2022.

⁵⁶ City of Detroit Debarment Ordinance, 17-5-354. Effect of debarment order.

DES's first air monitoring jobs were finishing the work that BBEK had won related to City of Detroit contracts but could not finish pursuant to the OIG interim suspensions.⁵⁷ Specifically, DES was hired by Salenbien Trucking and Excavating, Inc. and Able Demolition to perform the third party air monitoring after the abatement was completed by City Abatement.⁵⁸ This was a clear violation of the terms of the interim suspension because of Mr. Woods' financial interest in DES, which included the loan and equipment as well as his consulting fee. Further, David Gillespie knew about the interim suspension but still allowed DES to complete the work initially contracted to BBEK despite Mr. Woods involvement in his company.⁵⁹

Additionally, BBEK went to Flint to work on asbestos abatement contracts after BBEK and Mr. Woods were prohibited from doing work in the City of Detroit. While the OIG interim suspension does not apply to BBEK's ability to work in Flint, what is problematic is that BBEK hired DES to conduct the third party air monitoring tests despite their lack of independence from BBEK.⁶⁰ This action is a violation of the Asbestos Act and one of the reasons for the OIG's interim suspension of BBEK. David Gillespie was aware that this was a violation of the Asbestos Act as he had previously admitted to SIGTARP agents regarding Green Way and from his training through the NIOSH 582 Equivalent course.⁶¹

VI. Debarment Analysis

a. Grounds for Debarment

Section 17-5-355 of the Debarment Ordinance outlines the reasons a contractor may be debarred. It states, in pertinent part, that a "contractor may be debarred, based upon a preponderance of the evidence,⁶²" for:

- (1) Violation of the terms of a City contract or subcontract, or a contract or subcontract funded in whole or in part by City funds, such as failure to perform in accordance with the terms of one or more contracts; or the failure to perform, or unsatisfactory performance of one or more contracts;
- (2) Failing to comply with state, federal, or local laws or regulations applicable to the performance of a contract;...
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- (5) Evidence of (i) the contractor or the contractors officers or owners, or (2) any person or entity having a direct or indirect

⁵⁷ SIGTARP MOIA of David Gillespie, January 6, 2021.

⁵⁸ *Id.* See also DES invoices to Salenbien for work completed.

⁵⁹ SIGTARP MOIA of David Gillespie, January 6, 2021.

⁶⁰ SIGTARP MOIA of Edward Sanders, January 31, 2023.

⁶¹ Certificate of Achievement for David Gillespie for successfully completing A NIOSH 582 Equivalent Microscopy Training Course, March 26, 2016. See also SIGTARP MOIA of David Gillespie, January 6, 2021.

⁶² Debarment Ordinance, Section 17-5-355. Grounds for Debarment.

financial or beneficial interest in the contractor or its operations; engaging in a criminal offense or civil misconduct that evidences a lack of business integrity or business honesty including but not limited to embezzlement, theft, theft of services, forgery, bribery, fraud, tax evasion, falsification or destruction of records, making false statements or receiving stolen property, or violations of law relating to the obtaining or performance of public contracts;

- (6) Submission of false or misleading documentation, or making false or misleading statements.
-
- (9) Any other conduct that evidences the inability of the contractor to act responsibly in its conduct on behalf of the City.⁶³

Evidence shows that DES and David Gillespie violated the terms of their contracts and subcontracts as well as failed to comply with state and local laws and regulations applicable to the performance of their contracts with the City of Detroit. Evidence further shows that DES and David Gillespie knowingly violated the City of Detroit Debarment Ordinance which prohibits a debarred or suspended contractor from doing business with the City of Detroit as a contractor or subcontractor with any company he owned, was an officer for, or had a direct or indirect financial or beneficial interest in for the period of the suspension.⁶⁴

The OIG finds that David Gillespie’s actions on behalf of DES showed a lack of business integrity and business honesty. David Gillespie knew about the interim suspensions but still completed the work initially contracted to BBK despite Mr. Woods extensive involvement in DES.⁶⁵ Further, his actions allowed Mr. Woods to continue to benefit and profit from the City of Detroit during BBK’s interim suspension period. Therefore, we find David Gillespie’s actions show a disregard for the laws of the City of Detroit and that he as a responsible contractor.

The OIG also finds that BBK and Mr. Woods’ actions showed a lack of business integrity and business honesty. Mr. Woods circumvented the OIG’s interim suspension with the assistance of David Gillespie to continue to work on City of Detroit contacts and financially benefit from the City. Mr. Woods used his money and expertise in asbestos abatement as well as BBK’s equipment to help form DES so that he could continue to profit from the City. Like David Gillespie, Mr. Woods’ actions show a disregard for the laws of the City of Detroit and that he continued to not act as a responsible contractor.

Additionally, DES and David Gillespie knowingly violated the Asbestos Abatement Contractors Licensing Act which potentially endangered the health, safety, and welfare of residents. The Act requires an asbestos abatement contractor to use a “qualified neutral party” to

⁶³ *Id.*

⁶⁴ City of Detroit Debarment Ordinance, 17-5-354. Effect of debarment order. See also City of Detroit Debarment Ordinance, 17-5-363. Application of remedies.

⁶⁵ SIGTARP MOIA of David Gillespie, January 6, 2021.

conduct an air monitoring check after the completion of the asbestos abatement.⁶⁶ The Asbestos Act defines a “neutral party” as a “business entity that is not part of the asbestos abatement contractor's primary or secondary family and is not legally associated to any business operated by the asbestos abatement contractor.”⁶⁷ However, DES conducted third party air monitoring tests despite DES’ lack of independence from BBEK and Mr. Woods.⁶⁸

At the time the work was completed in Flint, David Gillespie and Mr. Woods were certified asbestos abatement contractors in the State of Michigan.⁶⁹ The State of Michigan requires contractors to complete a Michigan/ EPA approved training course to become a licensed asbestos abatement contractor. The purpose of the program is to “ensure that people working with asbestos are properly trained and that individuals performing asbestos abatement comply with rules governing the work activity.”⁷⁰ David Gillespie and Mr. Woods knew or should have known about the independent air monitoring requirement. Therefore, the OIG finds that David Gillespie and Mr. Woods’ intentional violation of the Asbestos Act exhibited a lack of business integrity and business honesty.

The OIG further finds that David Gillespie engaged in criminal conduct which evidenced a lack of business integrity or business honesty. He was charged with 5 criminal counts including conducting a criminal enterprise, false pretenses, and lying to a peace officer. On May 13, 2024, he pleaded no contest to felony false pretenses. David Gillespie’s actions allowed him to enrich himself and his company at the expense of taxpayers. In total, David Gillespie made \$215,197.09 through these false pretenses and improper actions.⁷¹

The OIG therefore concludes that David Gillespie’s actions demonstrate an inability to act responsibly while performing his duties on behalf of the City of Detroit. The OIG further finds that DES engaged in behavior that shows an indifference toward the policies and procedures established by the City of Detroit, to which they agreed to comply with through their contracts with the City. In addition, David Gillespie’s actions show a total disregard for the laws established by the federal, state, and local government. Most importantly, DES’s actions evidence a total disregard for the health, safety, and welfare of residents of the City. Therefore, it is in the public’s best interest that DES and David Gillespie be debarred.

Finally, the OIG finds that Mr. Woods knowingly and purposefully assisted in forming DES to circumvent the OIG’s interim suspension issued to BBEK and him. His attempt to circumvent the suspensions show a total disregard for the City’s Debarment Ordinance. The evidence shows that Mr. Woods had a financial interest in DES which allowed him to continue to profit from the City of Detroit when he clearly knew this was prohibited by the City. Thus, Mr.

⁶⁶ Asbestos Abatement Contractors Licensing Act (Act 135, P.A. 1986 as amended), Section 338.3221 (1) Post abatement air monitoring check; maximum level of asbestos fibers.

⁶⁷ Asbestos Abatement Contractors Licensing Act (Act 135, P.A. 1986 as amended), Section 338.3103 (n) Definitions.

⁶⁸ SIGTARP MOIA of Edward Sanders, January 31, 2023.

⁶⁹ Certificate of Achievement for David Gillespie for successfully completing A NIOSH 582 Equivalent Microscopy Training Course, March 26, 2016. See also SIGTARP MOIA of David Gillespie, January 6, 2021.

⁷⁰ https://www.michigan.gov/documents/CIS_WSH_conlic_33817_7.PDF accessed on November 22, 2023.

⁷¹ People v. David Jeremy Gillespie Plea Factual Basis.

Woods' complete indifference for the laws established by the City of Detroit warrant an additional debarment for Mr. Woods.

b. Length of Debarment

Section 17-5-362 of the Debarment Ordinance outlines the factors to consider when determining the length of debarment. It states that the “period of debarment shall be commensurate with the seriousness of the cause or causes therefore, but in no case shall the period exceed 20 years. Generally, debarment should not exceed five years.⁷²” However, it specifies the following exceptions which may cause a debarment to be issued for more than five years.

- (1) Debarment for convictions of criminal offenses that are incident to the application to, or performance of, a contract or subcontract with the City, including but not limited to, embezzlement, theft, forgery, bribery, falsification or destruction of records, receiving stolen property, negligent misrepresentation, price fixing, and bid-rigging, may receive the maximum period.
- (2) Debarment for convictions of criminal offenses that do not involve the City, but negatively reflect on the contractor's business integrity, including, but not limited to, embezzlement, theft, forgery, bribery, falsification or destruction of records, receiving stolen property, negligent misrepresentation, price fixing, bid-rigging, or a violation of state or federal anti-trust statutes, may receive a debarment period not to exceed ten years.
- (3) Debarment involving purposeful deceit including but not limited to making a deceptive, false, or fraudulent statement which evidences a desire to circumvent or otherwise compromise the investigative process.

On November 27, 2023, the Michigan AG's Office charged David Gillespie with the following offenses:

- Count 1: Conducting a Criminal Enterprise, a 20 year felony.
- Counts 2 and 3: False Pretense- \$20,000 or more but less than \$50,000, 15 year felony.
- Count 4: False Pretenses- \$100,000 or more, a 20 year felony.
- Count 5: Lying to a Peace Officer- 2-year high court misdemeanor.⁷³

⁷² Debarment Ordinance, Section 17-5-362. Period of debarment.

⁷³ Felony Complaint, David Gillespie, November 27, 2023.

Records show that on May 13, 2024, David Gillespie pleaded no contest to felony false pretenses. As a result, he was sentenced to two years of probation, 100 hours of community service, and ordered to pay \$24,000 in restitution.⁷⁴

The OIG finds that, based on a preponderance of the evidence as detailed above, David Gillespie engaged in criminal conduct as a City of Detroit subcontractor which resulted in him being charged with Lying to a Peace Officer, specifically SIGTARP Special Agents. Further, David Gillespie made deceptive, false, and fraudulent statements to compromise the investigative process. He “did knowingly and willfully make a statement or statements to the officer that he knew was false or misleading.”⁷⁵ Specifically, David Gillespie stated that “he did not know Kevin Woods or BBEK were not independent from DES and/or that Kevin Woods had no involvement in DES.”⁷⁶ His negligent misrepresentation allowed him and Mr. Woods to enrich themselves at the expense of City of Detroit residents and taxpayers.

The OIG also finds that DES and David Gillespie engaged in criminal conduct while acting as a contractor for Flint that negatively reflected on their business integrity. DES and David Gillespie conducted the third-party air monitoring tests for BBEK despite DES’s lack of independence from BBEK and Mr. Woods.⁷⁷ David Gillespie conducted a criminal enterprise through his association with DES and BBEK whereby he committed false pretenses. His actions allowed him and the companies he was involved in to receive a fraudulent financial gain. Thus, the OIG finds that it is in the public interest to debar DES and David Gillespie for the maximum allowable time of 20 years.

Finally, the OIG finds that BBEK and Mr. Woods engaged in purposeful deceit by making deceptive, false, and fraudulent statements in order to circumvent the OIG’s interim suspension. As referenced in this report, Mr. Woods’ actions demonstrate a lack of business honesty and business integrity as well as his inability to act as a responsible contractor. Therefore, the OIG is issuing an additional 20 year of debarment against BBEK and Mr. Woods.

VII. Conclusion

Based on the preponderance of the evidence found during the OIG’s investigation and as detailed above, the OIG finds that DES, BBEK, David Gillespie, and Kevin Woods are not responsible contractors. David Gillespie’s actions on behalf of DES and Mr. Woods’s actions on behalf of BBEK lacked business integrity and business honesty.

The OIG is required to ensure that the City solicits offers from and awards contracts to responsible contractors only. The serious nature of debarment requires that it is only imposed when it is in the public’s interest, which the OIG finds in this instance. Pursuant to Section 17-5-354(b) of the Debarment Ordinance, DES, BBEK, David Gillespie, and Kevin Woods are also precluded from serving as a “subcontractor or as a goods, services or materials supplier for any

⁷⁴ Plea Agreement between the State of Michigan and David Gillespie, 2023-23T02595-FY, May 13, 2024.

⁷⁵ Felony Complaint, David Gillespie, November 27, 2023.

⁷⁶ *Id.*

⁷⁷ SIGTARP MOIA of Edward Sanders, January 31, 2023.

contract” for the City of Detroit. Further, no company they own, are an officer for, or have a direct or indirect financial or beneficial interest in may do business with the City of Detroit as a contractor or subcontractor for the period of debarment.

On November 30, 2023, the OIG issued interim suspensions to DES and David Gillespie. Section 17-5-362(b) of the Debarment Ordinance states that “[i]f suspension precedes a debarment, the suspension period shall be considered in determining the debarment period.” Therefore, DES and David Gillespie debarment is effective beginning November 28, 2023 with and end date of November 30, 2043. BBEK and Mr. Wood’s debarment is effective May 21, 2024 with an end date of May 21, 2044.