



FRAUD AWARENESS, DETECTION & PREVENTION



U.S. Department of Transportation
Office of Inspector General

Michelle McVicker
Special Agent-in-Charge, JRI-5
Chicago, IL

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“IT’S NOT WHETHER OR NOT FRAUD OCCURS ON THIS PROJECT”, IT IS “WHEN FRAUD OCCURS.”



Overview

- Organization, Investigative Authority, and Process
- Priorities, Common Schemes, and “Red Flags”
- Case examples
- Reporting Suspected Fraud, Waste, and Abuse
- Additional Sources of Information
- Questions



OIG Investigations Outreach Program

- Fraud Awareness and Education
- Promotion of Stronger Oversight by FHWA and State DOTs
- Partnership with Audit
- Liaison Efforts with DOT Operating Administrations, State and Local DOT Officials, other Law Enforcement, and Industry
- Identify Risks and Oversight Challenges
- Early Detection of Fraudulent Activities



Investigative Process:

Inputs

- **Allegations Received**
 - About fraud, waste, abuse, and other irregularities concerning DOT programs or operations
- **Assessment**
 - Allegations are preliminarily reviewed to determine if OIG investigative attention is warranted
- **Investigative Activity is conducted through a variety of means**
 - Document analysis and witness and subject interviews
 - IG and grand jury subpoenas and search warrants
 - Special techniques such as electronic surveillance, undercover operations, and forensic/laboratory analysis
 - Coordination with other law enforcement agencies (e.g. FBI)



Investigative Process: *Outputs & Outcomes*

● Outputs

- Upon completing the investigation, reports and other documents are written for use by senior decision-makers and other stakeholders, including Congress, U.S. Department of Justice officials, DOT management, and the public

● Outcomes

- Criminal
- Civil
- **Parallel Proceedings**
 - Civil False Claims
 - Qui Tam (*Latin for “He who sues for the king as well as for himself”*)
- Administrative
 - Suspension and Debarment
 - Departmental management actions
- Ultimately supports DOT’s strategic goals



Contract & Grant Fraud Investigations

- Help protect the Nation's substantial investment on surface transportation and aviation systems and infrastructure
- OIG also has a proactive fraud awareness and educational outreach program with stakeholders at all levels of government, industry, and the public to:
 - heighten awareness of fraud schemes, and
 - deter, detect, and report fraud in DOT-funded programs, operations, and projects



2012 ACFE Report to the Nation



3 Major Categories of Occupational Fraud

	<i>Frequency</i>	<i>Amount</i>
Asset Misappropriation -- theft or misuse of organization's assets	86.7.5%	\$120K
Corruption -- person uses influence to obtain a benefit contrary to his duty to employer	33.4%	\$250K
Fraudulent Statements —falsifying organization's financial statement to make it appear more or less profitable	7.6.6%	\$1M



2012 ACFE Report to the Nation

How is fraud first discovered?

- Tip 43.3%
- Management Review 14.6%
- Internal Audit 14.4%
- By Accident 7.0%
- External Audit 3.3%
- Notified by Police 3.0%



2006 ACFE Report to the Nation

Who provides tips alleging fraud?

- Employees 50.9%
- Customer 22.1%
- Anonymous 12.4%
- Vendor 9.0%



Fraud Prevention

- **Tone at the Top**
 - *Ethics training and policies*
 - *Designated corporate compliance officer*
 - *“Known” reporting procedures*
 - *Employees required to report violations*
 - *Awareness and common sense*



Need for More “*Effective*” Oversight

- Effective communication with the DOT Operating Administrations and/or State DOTs, Transit Grantees, Airport Sponsors who are our “eyes and ears” on these projects.
- Effective Oversight For
 - Site inspections
 - Document review
 - Asking questions



Grant (Contract) Oversight

- Protect the public
- Do they have enough inspectors
 - ❖ How well trained are the inspectors
 - ❖ Are people looking behind the certifications
 - ❖ If they are contracting out the inspecting who is doing it. Do they have a conflict of interests



Project Management Fundamentals

- prepare a realistic cost estimate
- hold contractors to their bids
- penalize contractors for their mistakes
- monitor progress



Fraud Prevention

- **Certification Statements**

I certify that to the best of my knowledge and belief the data above are correct and that all outlays were made in accordance with the grant conditions or other agreement and that payment is due and has not been previously requested.



When Prevention doesn't work

- Goal is to prevent fraud, but be involved early if fraud is detected
- We know from experience that we can't stop all of it
- Joint Initiatives or Task Forces with Federal, State and Local are key
- Communication between agencies-comparing problem contractors or fraud schemes is also key



MISTAKE

OR

FRAUD ?



Fraud Defined

www.oig.dot.gov

- What is Fraud? There are a number of different definitions, but essentially it is...
 - Deliberate deception to secure an unfair gain
- Review of Select:
 - Common Schemes
 - “Red Flag” Indicators
 - Case Examples

U.S. accuses 2 firms of fraud in obtaining SEPTA contracts

The businesses took work under a program meant to aid disadvantaged companies, p... compliance with all federal contracting requirements. The

By Kathleen Brady Shea
PHOENIX STAFF WRITER
Two SEPTA contractors, one from Bucks County and one from Montgomery County, face federal fraud charges stemming from separate schemes that authorities say took advantage of



JUN 15 2004 10:24 03 AM

TRIBUNE



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FBI searches Smith's office

Federal officials confiscate several items from Knox County judge-executive's office

By Tom Wenzel
Smyth Writer
FBI agents confiscated several items from the Knox County judge-executive's office during a search executed Wednesday morning, a receipt for property seized showed. Judge-Executive Raymond C. Smith had left the office late in the afternoon, but before FBI officials arrived at about 8:30 a.m. and was not present during the two-and-a-half-hour search, Deputy Judge-Executive Brian Murphy said. The office was asked to leave while the search was being conducted, with Murphy eventually signing the receipt acknowledging the seizure of items. Items from the office were fiscal court minutes and attachments for July 12, 2005, Aug. 8, 2005 and Aug. 25, 2005, as well as two boxes of fiscal court audio tapes. Also seized was a folder labeled Kentucky Phoenix.





Bribery

Its not just a few bucks between friends

- A contractor misrepresents the cost of performing work by compensating a government official for permitting contractor overcharges to increase contractor profit
 - Other government inspectors at the job site notice a pattern of preferential contractor treatment
 - Government official has a lifestyle that exceeds their salary
 - Contract change orders lack sufficient justification
 - Contracting employee declines promotion to a non-procurement position
 - Oversight officials socialize with, or have business relationships with, contractor or their families



Bribery

Case Example

“Former FDOT worker sentenced to prison in bribery scheme”

- In April 2013, former Florida DOT employee was sentenced to serve 3 years & 3 months incarceration
 - Pay approx. \$243K in restitution to FDOT
 - Forfeit \$30K (amount of the bribe she received)
- This individual conspired with a contractor to process fictitious claims submitted to FDOT

Steel Grit Not Removed
and Painted Over

***BRIBERY IN
BRIDGE PAINTING SCAMS***



Conflict of Interest

Do I need to let anyone know about my other interests?

- A contracting or oversight official misrepresents that he or she is impartial in business decisions when they have an undisclosed financial interest in a contractor or consultant who inflates the job cost to the Government
 - Government official disclosing confidential bid information to a contractor or assisting the contractor in preparing the bid
 - Unexplained or unusual favoritism towards a particular contractor or consultant
 - Close socialization with or acceptance of inappropriate gifts, travel, or entertainment from a contractor
 - Employee discusses employment with a current or prospective contractor or consultant
 - Vendor or consultant address is incomplete or matches employee's address



Conflict of Interest Case Example

“Tennessee
Contractor
Sentenced
For Obstruction of
Justice”

www.oig.dot.gov

WACONS (Rev. 09/01) Judgment in a Criminal Case
Case#

United States District Court

MIDDLE District of TENNESSEE

UNITED STATES OF AMERICA JUDGMENT IN A CRIMINAL CASE
V. Case Number: 3:11-00103-01
ALLEN ROY DEFOE USM Number: 20796-075
John F. Eldridge
District Attorney

THE DEFENDANT:
 pleaded guilty to count(s) Two (2)
 pleaded *nolo contendere* to count(s) _____
which was accepted by the court.
 was found guilty on count(s) _____
after a plea of not guilty.

The defendant is adjudicated guilty of these offenses:

Title & Section	Nature of Offense	Offense Ended	Count
18 U.S.C. § 1503(a)	Corruptly Enticing to Influence, Obstruct or Impede the Due Administration of Justice	June 6, 2006	Two (2)

The defendant is sentenced as provided in pages 2 through 5 of this judgment. The sentence is imposed pursuant to the Sentencing Reform Act of 1984.

The defendant has been found not guilty on count(s) _____
 Count(s) One (1), Three (3) and Four (4) are dismissed on the motion of the United States.

It is ordered that the defendant shall notify the United States attorney for this district within 30 days of any change of name, residence, or mailing address until all fines, restitution, costs, and special assessments imposed by this judgment are fully paid. If ordered to pay restitution, the defendant must notify the court and United States attorney of material changes in economic circumstances.

September 21, 2011
Date of Imposition of Judgment
John F. Eldridge
Signature of Judge
John F. Eldridge, U.S. District Judge
Name and Title of Judge
September 21, 2011
Date



Disadvantaged Business Enterprise Fraud

Are they really meeting ALL the contract goals?

- A contractor misrepresents who performs the contract work in order to increase job profit while appearing to be in compliance with contract goals for involvement of minority-or-women-owned businesses
 - ✎ DBE owner lacking background, expertise, or equipment to perform subcontract work
 - ✎ Employees shuttling back and forth between prime contractor and DBE-owned business payrolls
 - ✎ Business names on equipment and vehicles covered with paint or magnetic signs
 - ✎ Orders and payment for necessary supplies made by individuals not employed by DBE-owned business
 - ✎ Prime contractor facilitated purchase of DBE-owned business



Disadvantaged Business Enterprise Fraud

Case Example

- Fraudulent Disadvantaged Business Enterprise

TULIO LANDSCAPING, INC. 6097

REFERENCE NO.	DESCRIPTION	INVOICE DATE	INVOICE AMOUNT	DISCOUNT TAKEN	AMOUNT PAID
589		10/26/99	3,500.00		3,500.00
577		10/30/99	3,500.00		3,500.00

CHECK DATE	CHECK NO.	PAYEE	DISCOUNTS TAKEN	CHECK AMOUNT
12/13/99	6097	AARON ENTERPRISES INC		\$39,780.00

Original payable to Non-DBE subcontractor

TULIO LANDSCAPING, INC. 6097

REFERENCE NO.	DESCRIPTION	INVOICE DATE	INVOICE AMOUNT	DISCOUNT TAKEN	AMOUNT PAID
7837		11/17/99	\$39,780.00		\$39,780.00

CHECK DATE	CHECK NO.	PAYEE	DISCOUNTS TAKEN	CHECK AMOUNT
12/3/99	6097	Eugene Pullins Truck & Equipment		\$39,780.00

Altered to show payable to fraudulent DBE to deceive transit DBE officials



Kickbacks

Because they will give, doesn't mean you should take...

- A contractor or subcontractor misrepresents the cost of performing work by secretly paying a fee for being awarded the contract and therefore inflating the job cost to the government
 - Unexplained or unreasonable limitations on the number of potential subcontractors contracted for bid or offer
 - Continuing awards to subcontractors with poor performance records
 - Non-award of subcontracts to lowest bidder
 - Lack of separation of duties between purchasing, receiving, and storing
 - Non-qualified and/or unlicensed subcontractors working on prime contracts
 - Purchasing employees maintain a standard of living exceeding their income
 - Employees making less than the paper indicates they make (Davis Bacon)



Kickbacks

Case Example

- ❖ Several contractors and OH DOT bridge inspectors were indicted on charges of submitting false statements on highway projects, kickbacks, and conspiracy.
- ❖ Bridge inspectors submitted false certifications regarding the quality and quantity of work performed by contractors on bridge painting contracts.
- ❖ Bridge inspectors accepted bribes in exchange for allowing the contractors to provide inferior products.



Bid Rigging & Collusion

Back room deals are never good...no matter how dark the room is...

- **Contractors misrepresent that they are competing against each other when, in fact, they agree to cooperate on the winning bid to increase job profit**
 - Unusual bid patterns: too close, too high. Round numbers, or identical winning margins or percentages
 - Different contractors making identical errors in contract bids
 - Bid prices drop when a new bidder enters the competition
 - Rotation of winning bidders by job, type of work, or geographical area
 - Losing bidder submits identical line item bid amounts on nonstandard items, or is hired as a subcontractor
 - Joint venture bids by firms that usually bid alone



Bid Rigging

Case Example

- **2 Companies Indicted and Plead Guilty**
- **4 Company Principals Indicted, Plead Guilty, with 2 Sentenced to 1 year in Jail; 1 Sentenced to 5 months in jail, 5 months home confinement; and 1 Sentenced to 1 year home confinement and 3 years probation**
- **Fined \$3.1 Million**



Bid Rigging & Collusion

Select Case Example

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List of upcoming state highway projects

Contractors charged with fixing price for state road work

4 indicted in bid-rigging

Contractors charged with fixing price for state road work

BY DAVID HILGREN

Four transportation executives in Texas have bid-rigging charges were indicted Tuesday in a federal court case that also charges the government with fixing prices and conspiring to fix prices for state road work.

The indictment, filed in federal court in Dallas, charges four executives with conspiring to fix prices for state road work.

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Four transportation executives in Texas have bid-rigging charges were indicted Tuesday in a federal court case that also charges the government with fixing prices and conspiring to fix prices for state road work.



Michael Shapiro, left, and James Minkin of Victor Construction Co. in Houston are indicted by federal grand jury for bid-rigging in Texas. The two men were indicted on federal court charges of bid-rigging.

J. HALLER
TO BEYOND
GENERAL TEAM
P. 2000-2001

BID RIGGING?
NOW, WHY
WOULD ANYONE
SUSPECT THAT?

BIDS FOR N.E. WIS.
ROAD PROJECTS
ALLEGEDLY
RIGGED





Materials Overcharging

Dishonest contractors think you aren't checking the bills...

- A contractor misrepresents how much construction material was actually used on the job and then is paid for excess material to increase job profit
 - ✎ Discrepancies between contractor-provided quality documentation and observed data, including yield calculations
 - ✎ Refusal or inability to provide supporting documentation
 - ✎ Truck weight tickets or plant production records with altered or missing information
 - ✎ Unusually high volume of purchases from one vendor
 - ✎ Invoiced good cannot be located in inventory or accounted for
 - ✎ No receiving report for invoiced goods



Materials Overcharging

Case Example

www.oig.dot.gov

DATE 10-9-91 ASPHALT PLANT PRODUCTION REPORT PLANT NO. 102

ASPHALT SHIPPED TO JOBS

JOB NO.	JOB NAME	MIX TYPE	COST CODE	TOTAL TONS
<u>0069</u>	<u>Golf Road</u>	<u>2.5% S</u>	<u>4060080</u>	<u>2055.46</u>
<u>0069</u>	<u>Golf Road</u>	<u>2.5% S</u>	<u>4060080</u>	<u>787.75</u>
<u>0069</u>	<u>Golf Road</u>	<u>2.5% S</u>	<u>4060081</u>	<u>1387.52</u>

Asphalt Shipped

ASPHALT SHIPPED TO CUSTOMERS

CUST NO.	CUSTOMER NAME	MIX TYPE	OFFICE USE	CASH/CHECK REC'D	TOTAL TONS
<u>04001</u>	<u>Two W's</u>	<u>SUR</u>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<u>46.62</u>
<u>04850</u>	<u>OLYMPIC</u>	<u>SUR</u>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<u>206.22</u>
<u>07220</u>	<u>Phillyway</u>	<u>RBN</u>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<u>682.03</u>
<u>04670</u>	<u>J.C. Braddock</u>	<u>SUR</u>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<u>529.88</u>

Private Jobs

TOTAL AMOUNT SHIPPED 5,692.78

PLANT START 6:00 A PLANT STOP 8:00 TOTAL PLANT HOURS 11

MIX FORMULA TYPE	ASPHALT CONTENT	TONS PRODUCED
<u>2.5% RBN</u>	<u>3.3</u>	<u>500</u>
<u>4.0% RBN</u>	<u>2.6</u>	<u>110</u>
<u>1.5% S</u>	<u>1.6</u>	<u>790</u>
<u>2.5% S</u>	<u>5.8</u>	<u>2910</u>

Asphalt Produced

COMMENTS: Auto Sweep

0069 Golf Sun 4/232.93 \$1200

Plant Production Report shows 1,380 tons more asphalt shipped than produced on this day



Quality Control Testing

The tests are mostly right, nobody will know...

- A contractor misrepresents the results of quality control tests to earn contract incentives falsely or to avoid production shutdown in order to increase profits or limited costs
 - Contractor insists on transporting quality control (QC) samples from the construction site to the lab or does not maintain QC samples for later quality assurance testing
 - Photocopies of QC test results are provided when originals are expected
 - Lab test reports are identical to sample descriptions and test results, varying only date and lot number tested
 - Test results cannot be found, are suddenly found after a delay, or have been destroyed
 - Contractor regularly takes or labels QC samples away from inspector oversight



Quality Control Testing

Case Example

- Fraudulent Core Samples

www.oig.dot.gov

DAY Wednesday DAILY LOG

CONTRACTOR Campbell JOB NAME

Work Performed Today "AIRPORT"

Jeff Naugle

Rain out

Problems - Delays

Sub-Contractor Progress

Special Assignments Good thing they
sent me, to airport
Shelley's cores she marked

Extra Work	Authorized By	Approx. Price
<u>would have failed</u>	<u>So</u>	
<u>moved Her</u>	<u>cores!</u>	

Equipment Rented Today Rented From Rate

Supervisor's Signature TJ:GO - - 2 - Show me

Special Assignments	<u>Good thing they</u> <u>sent me, to airport</u> <u>Shelley's cores she marked</u>	
Extra Work	Authorized By	Approx. Price
<u>would have failed</u>	<u>So</u>	
<u>moved Her</u>	<u>cores!</u>	
Equipment Rented Today	Rented From	Rate





Time Overcharging

What's a couple of hours here or there?

- A contractor or consultant misrepresents the distribution of employee labor on jobs in order to charge for more work hours, or a higher overhead rate to increase profit
 - Unauthorized alterations (erasures, white-out, pencil markings) to timecards and other source records
 - Billed hours and dollars consistently at or near budgeted amounts
 - Timecards filled out by supervisors, not by employees
 - Frequent adjustments to journal entries with descriptions such as changed wrong “work order” or “contract number”
 - Inconsistencies between consultant’s labor distribution records and employee timecards
 - Personnel files that cannot be found or “found” after a delay
 - Office policies (outside the norm)



Time Overcharging

Case Example: Shah Engineering

- State DOT referred to DOT/OIG
- State DOT gave detailed information on search sites
- Simultaneous warrant of contractor's office and company owner's residence
- State DOT auditors brought in to sites as experts
- Audit & Investigation Findings
 - Total Loss [Fraud] = \$12.3 million



Put it in
"OW" in
unless we
have money
in 2371
or 2364

Shah Engineering, Inc. Time Sheet 2002

www.oig.dot.gov

JOB NO.	PROJECT NAME	Week 3							Week 4							TOTAL
		M	T	W	TH	F	S	S	M	T	W	TH	F	S	S	
		1/7	1/8	1/9	1/10	1/11	1/12	1/13	1/14	1/15	1/16	1/17	1/18	1/19	1/20	
2544	IDOT- US 20 & I-290 INTER- CHANGE AT YORK AND WALNUT															
2371	CDOT- IND. STREET IMPROVEMENT S. MAPLEWOOD AVE. (3500W TO 3700N)															
2364	CDOT- LANDSCAPE MEDIAN IMPROVEMENT AT HARRISON ST. (RACINE TO ASHLAND)		1.0	3	4.75	7.75			8.75	8.5	5.75					
	OVERHEAD.	8.5	7.5	6	4						3.	7.75	5.5			✓
	TOTAL	8.5	8.5	9	6.75	7.75			8.75	8.5	8.75	7.75	5.5			
WEEK TOTAL														39.25	81.75	

Example of
shifting hours
(with instructions)

Employee's Signature _____

ROBERTO DELEON

Employee's Printed Name _____

JAN 23 2002

Super _____

Supervisor's Printed Name _____



Overhead Fraud

- State DOT Audit of Engineering Services
 - Timesheets unsigned or unapproved
 - Timesheet corrections not initialed
 - Hours incorrectly applied to jobs or office work
 - Employee lists did not match up with payroll reports
 - Related Companies – family ownership
- Initial audit findings
 - Contractor received in excess of \$1,500,000 more than its entitlement



Product Substitution

Maybe it's not quite what you asked or paid for...

- A contractor misrepresents the product used in order to reduce costs for construction materials
 - ▢ Any mismarking or mislabeling of products of materials
 - ▢ Contractor restricts or avoids inspection of goods or services upon delivery
 - ▢ Refusal to provide supporting documentation regarding product or manufacturing
 - ▢ Test or Quality records reflect no failures or a high failure rate but contract is on time and profitable
 - ▢ Contractor offers to select samples for testing programs
 - ▢ Irregularities in signature, dates or quantities on delivery documents



Product Substitution

Case Example

- A concrete manufacturer provided custom pre-cast concrete catch basins on a road construction project.





Product Substitution

Case Example

- Catch basins should have been constructed with reinforcing steel.
- Destructive testing revealed lack of reinforcing steel.





Product Substitution

Case Example

- Supplier admitted product certifications were submitted to create appearance materials met specifications.
- Results
 - Pre-qualification suspension
 - Product failures corrected
 - \$500,000 in criminal & civil penalties

CERTIFICATION OF PRECAST CONCRETE PRODUCTS
 MAT-073 (PC-1)
 Rev. 1-82

STATE OF CONNECTICUT
 Department of Transportation
 MATERIALS TESTING SECTION
 280 WEST ST., ROCKY HILL, CT, 06067

DATE OF SHEWING: _____

DISTRIBUTION: Copies 1 & 2 (White & Yellow) TO CONN DOT PROJECT ENGINEER, Copy 3 (Blue) TO Manufacturer.

NAME OF OWNER: United Creek LOCALITY: Yalesville

SUBJECT TO CONTRACT: 6.6 PROJECT NO. (OR FIVE YEAR CONTRACT NO.): 285 Bridgeport

DESCRIPTION OF PRODUCTS			QUANTITY
<u>51044SB</u>	<u>12" wall 4' riser</u>	<u>9-25-01</u>	<u>1</u> C339
	<u>12" wall scamp</u>	<u>9-23-01</u>	<u>1</u> C338
<u>41992SB</u>	<u>12" wall 4' riser</u>	<u>9-20-01</u>	<u>1</u> C339
<u>51044SB</u>	<u>6" Corbel</u>	<u>10-3-01</u>	<u>1</u> C340
	<u>H2O Corbel (2)</u>	<u>10-1-01 (1) 9-27-01</u>	<u>5</u> C340
<u>51153SB</u>	<u>Scamp</u>	<u>9-22-01</u>	<u>1</u> C338
<u>"</u>	<u>4' riser</u>	<u>9-25-01</u>	<u>1</u> C339

REMARKS:

This is to certify that the products listed above conform to all the requirements of contract specifications and plans.

SIGNED: [Signature] DATE: 10/1/01

“This is to certify that the products listed above conform to all the requirements of contract specifications and plans.”



Product Substitution- Contractors cutting corners on time and material

- Inferior & foreign steel
- Failure to put in rebar
- Remixed concrete
- Not performing required testing
- Falsifying test results



Lying about meeting Grant Requirements

- **Buy America**
 - Most Federal contracts contain a Buy America Provision
 - Unless the project obtains a waiver, steel iron and manufactured goods must be produced in United States
 - Run into cases where contractor certifies they are using steel from the United States actually imported
 - In most cases no one checks



Prevailing Wage Fraud

But my employees agreed to work for less ...

- A contractor misrepresents how much he is paying his employees in order to increase job profit while appearing to be in compliance with contract goals for payment of prevailing wages
 - ✎ Employee complaints about underpayment or non-payment of wages or benefits
 - ✎ Payroll sheets completed with different handwriting
 - ✎ Delayed or non-submittal of certified payrolls
 - ✎ No overtime worked in peak construction season
 - ✎ No one conducts wage verification interviews at job site



Prevailing Wage Fraud

NAME OF CONTRACTOR <input type="checkbox"/> OR SUBCONTRACTOR <input type="checkbox"/>		ADDRESS																	
Minnesota Valley Landscape, Inc.		14505 Johnson Memorial Drive, P.O. Box 478, Shakopee MN 56379																	
PAYROLL NO. <u>4</u>		FOR WEEK ENDING <u>5/4/2002</u>							PROJECT & LOCATION				PROJECT OR CONTRACT NO.						
		DOT 72 - MITCHELL RD MVL #6689-02							S. P. # 2762-0022										
NAME, ADDRESS, AND SOCIAL SECURITY NUMBER OF EMPLOYEE	MISCELLANEOUS EMPLOYER	WORK CLASSIFICATION	(6) DAY & DATE							TOTAL HOURS	RATE OF PAY	GROSS AMOUNT EARNED	DEDUCTIONS				NET WAGES PAID FOR WEEK		
			DATE	DAY	S	M	T	W	TH				F	S	FICA	WITHHOLDING TAX		OTHER	TOTAL DEDUCTIONS
			HOURS WORKED EACH DAY																
[REDACTED]		268										666 ⁰⁰							
[REDACTED]		103	S		3 1/2	3 1/2	3 1/2	1 1/2	1 1/2	1 1/2	8 1/2	31 ⁹⁰	839 ²⁰	64 ²⁰	137 ⁰²		56 ⁶³	257 ⁸⁵	581 ³⁵
[REDACTED]		268										531 ⁰⁰							
[REDACTED]		103	S		6 1/2	2 1/2				4	4 1/2	31 ⁸⁰	580 ⁰⁰	44 ³⁷	107 ³³			151 ⁷⁰	428 ³⁰
[REDACTED]		103	S				8	8	6		22	18 ³⁰	460 ⁰⁰	35 ¹⁹	66 ⁹⁷			102 ¹⁶	357 ⁸⁴
[REDACTED]		103	S				8	8	6		22	18 ⁵⁰	460 ⁰⁰	35 ¹⁹	66 ⁰⁰			102 ¹⁶	357 ⁸⁴
[REDACTED]		103	S		8	8					16	18 ⁸⁰	360 ⁰⁰	27 ⁵⁴	60 ¹⁶		62 ⁹⁹	111 ⁶⁹	248 ³¹
[REDACTED]		103	S		8	8					16	18 ⁸⁰	360 ⁰⁰	27 ⁵⁴			62 ⁹⁹	111 ⁶⁹	248 ³¹
[REDACTED]		103	S		8	8					16	18 ⁸⁰	360 ⁰⁰	27 ⁵⁴			62 ⁹⁹	111 ⁶⁹	248 ³¹
[REDACTED]		103	S		8	8					16	18 ⁸⁰	360 ⁰⁰	27 ⁵⁴			62 ⁹⁹	111 ⁶⁹	248 ³¹
[REDACTED]		103	S		1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	5 1/2	3 1/2	145 ⁰⁰							
[REDACTED]		103	S			8				8	18 ⁵⁰	212 ⁵⁰	16 ²⁶	16 ⁹¹			33 ¹⁷	179 ³³	
[REDACTED]		103	S			8				8	18 ⁵⁰	212 ⁵⁰	16 ²⁶	16 ⁹¹			33 ¹⁷	179 ³³	
[REDACTED]		103	S			8		8		16	18 ⁵⁰	296 ⁰⁰	27 ⁵⁴	244			36 ⁰⁰	85 ⁹⁸	274 ⁰⁰



Criminal Statutes Typically Used to Prosecute Fraud

- 18 USC § 286 & 287 False Claims and Conspiracy to Present False Claims
- 18 USC § 371 Conspiracy to Defraud the U.S.
- 18 USC § 1001 False Statements or Claims on Highway Projects
- 18 USC § 1020 Highway Projects – False Statements
- 18 USC § 1341 Mail Fraud
- 18 USC § 1343 Wire Fraud
- 18 USC § 1519 Obstruction of Justice
- 18 USC § 1516 Obstruction of a Federal Audit



CLEAR SPAN CONSTRUCTION

Wire Fraud example

www.oig.dot.gov

- Williams pleaded guilty for his role in the falsification of engineering documents related FHWA funded projects from 2008-2012.

IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF PENNSYLVANIA

UNITED STATES OF AMERICA

v.

MATTHEW G. WILLIAMS

**JUDGMENT INCLUDING SENTENCE
UNDER THE SENTENCING REFORM ACT**

Case Number 2:13cr00311-001
Electronic Filing

Tina O. Miller, Esquire
Defendant's Attorney

THE DEFENDANT:
X pleaded guilty to Counts 1, 2, 3, 4 and 5.

Accordingly, the court has adjudicated that the defendant is guilty of the following offenses:

	Nature of Offense	Date Offense Concluded	Count Title and Section Number
18 USC § 1343	Wire Fraud	3/9/2011	1
18 USC § 1343	Wire Fraud	4/28/2011	2
18 USC § 1343	Wire Fraud	5/18/2011	3
18 USC § 1343	Wire Fraud	8/12/2011	4
18 USC § 1343	Wire Fraud	9/2/2011	5

The defendant is sentenced as provided in pages 2 through 4 of this Judgment. The sentence is imposed pursuant to the Sentencing Reform Act of 1984.

It is ordered that the defendant shall pay to the United States a special assessment of \$500, which shall be due immediately.

It is further ordered that the defendant shall notify the United States Attorney for this district within 30 days of any change of residence or mailing address until all fines, restitution, costs, and special assessments imposed by this Judgment are fully paid.

35101068
Defendant's USM No.

September 2, 2014
Date of Imposition of Sentence

D. Scerone
Signature of Judicial Officer
DAVID STEWART CERCONE
U.S. District Judge

9-5-14
Date



CASE STUDIES AND OPEN DISCUSSION

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Classic Example of Oversight gone wrong- Big Dig

- Oversight provided by a Joint Venture that ended up paying \$407 million because of inadequate oversight.
- Inadequate oversight led to
 - Overpayments to contractors
 - Substandard concrete
 - Water leaking into the tunnel; and
 - Tragically, the collapse of the tunnel roof resulting in the death of a motorist



Substandard Concrete

- Concrete was being delivered that did not meet specifications. It was left over from other jobs or was more than 90 minutes old.
- There should have been more and better testing
- Inspectors should have
 - Challenged the times on the concrete batch tickets
 - Conduct additional tests on site
 - More lab analysis of concrete quality



CONSULTANT'S ROLE

- Manage the design of the Big Dig
- Manage the construction of the Big Dig
- Coordinate billing
- Quality Assurance
- Monitor construction in the field
 - Resident Engineer
 - Field Engineer
- Act as owner's eyes and ears



Tunnel Leaks Investigation

- On September 15, 2004, at approx. 11:45 am, a leak was discovered in a wall panel on the east side of the northbound I-93 tunnel
- The leak flooded two traffic lanes and led to closure of the lanes
- The leak flow rate was equal to water and debris (sand, shells) flowing through an 8-inch pipe



Investigation Results

- The Company- AI- Pleaded guilty to Conspiracy to defraud the government with respect to false claims for delivery of substandard concrete to the Big Dig
- AI agreed to pay Restitution of \$50 Million Dollars/\$75 million insurance
- Six employees indicted and convicted
- B/PB role was to test the concrete upon receipt at the project and run the materials testing laboratory- B/PB failed to properly oversee the delivery of the concrete



Ceiling Collapse

- July 10, 2006
- Two Ceiling Modules consisting of ten ceiling plates Collapse and fall in the I-90 East Bound Connector Tunnel
- Milena Del Valle, traveling with her husband in a vehicle was killed by the concrete plates



Tunnel Ceiling Collapse

- **One of the contractors installed an anchor bolt with a quick setting epoxy. This is not appropriate for holding up a concrete tunnel ceiling.**
- **Inspectors observed the creeping of the epoxy bolts. However, they failed to investigate the cause of the failures or correct the problem.**



Tunnel Ceiling Collapse





Tunnel Ceiling Collapse





The Bottom Line

- Sweat the small stuff
 - Small and simple violations of law can be helpful in a large investigation
- No fraud is too small in large projects.



The Result: Quality Assurance Failure

- B/PB QA Oversight was problematic
- **Settlement B/PB to pay over \$458 million in connection with the ceiling collapse, slurry wall defects, T&M fraud and substandard concrete**
- Statement of undisputed facts
- Triple all of B/PB's profits on the Big Dig
- Catastrophic event "reopener"



Total Big Dig Recoveries to Date

\$603.7 Million

\$16.0M

\$21.0M

\$458.2M

\$50.0M

\$58.5M

December 17, 2008. Powers Fasteners, Inc., resolves both criminal manslaughter indictment and civil claims.

\$16.0 Million

November 14, 2008. Modern Continental Construction, Co., settlement for damages. In addition, Modern will not perform any further work on the Big Dig.

\$21.0 Million

January 23, 2008. Global federal-state settlement with Bechtel/ Parsons Brinckerhoff and other contractors for ceiling collapse, wall leaks, various design errors and problems. In addition, B/PB may be liable for up to \$100 Million for any future catastrophic event.

\$458.2 Million

July 27, 2007. Aggregate Industries federal-state settlement (false claims for adulterated cement). Also includes \$75 million additional insurance coverage.

\$50.0 Million

May 12, 2007. AIG state settlement (recovery of workers' compensation insurance overcharges).

\$58.5 Million



Reporting Suspected Fraud to OIG

- Call: 1-800-424-9071 (Toll Free)
- E-mail: <http://www.oig.dot.gov/hotline>
- Mail: DOT Inspector General
P.O. Box 708
Fredericksburg, VA 22404
- Directly contact a special agent at an Investigative Regional Office

Other Information

- “Red Flag” Indicator Fraud Cards (FraudCards@oig.dot.gov)





Local OIG Contact Information

Michelle McVicker
Special Agent-in- Charge
Region 5, Chicago, IL
Michelle.T.McVicker@oig.dot.gov
312-353-9088

Kathryn Jones
Special Agent-in-Charge
Region 3, Washington, DC
Kathryn.Jones@oig.dot.gov
202-366-1415



YOU SUSPECT FRAUD—NOW WHAT?

- Seek explanation for irregular activity if possible, but do not alert contractor to suspicions.
- Note observations and conversations.
- Copy all relevant documents.
- Contact OIG Special Agent or Hotline at 1-800-424-9071



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U.S. Department of Transportation | Calvin L. Scovel III, Inspector General

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Wanted Fugitives

Defendants charged with transportation related crimes sometimes flee rather than face prosecution or serve a sentence. Help the OIG's Office of Investigations find these fugitives from justice.

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