



**Department of Transportation
Office of Inspector General
Fraud Awareness Briefing
for**

**Federal Highway Administration
Montana Department of Transportation**

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*Presented by
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WHO ARE WE?



*Calvin Scovel III
Inspector General*

- **Created by Inspector General Act of 1978**
- **Headed by Presidentially appointed, Senate confirmed Inspector General**
- **Includes Audit and Investigative Functions**
- **Reports to Both the Congress and the Secretary of Transportation**



OIG'S MISSION

To improve the Department's programs and operations by:

- **Conducting Audits and Investigations.**
- **Preventing and Detecting Fraud, Waste, and Abuse.**
- **Promoting Economy, Effectiveness, and Efficiency.**
- **Reviewing Pending Legislation and Regulations.**
- **Keeping the Secretary and Congress informed in a timely manner.**



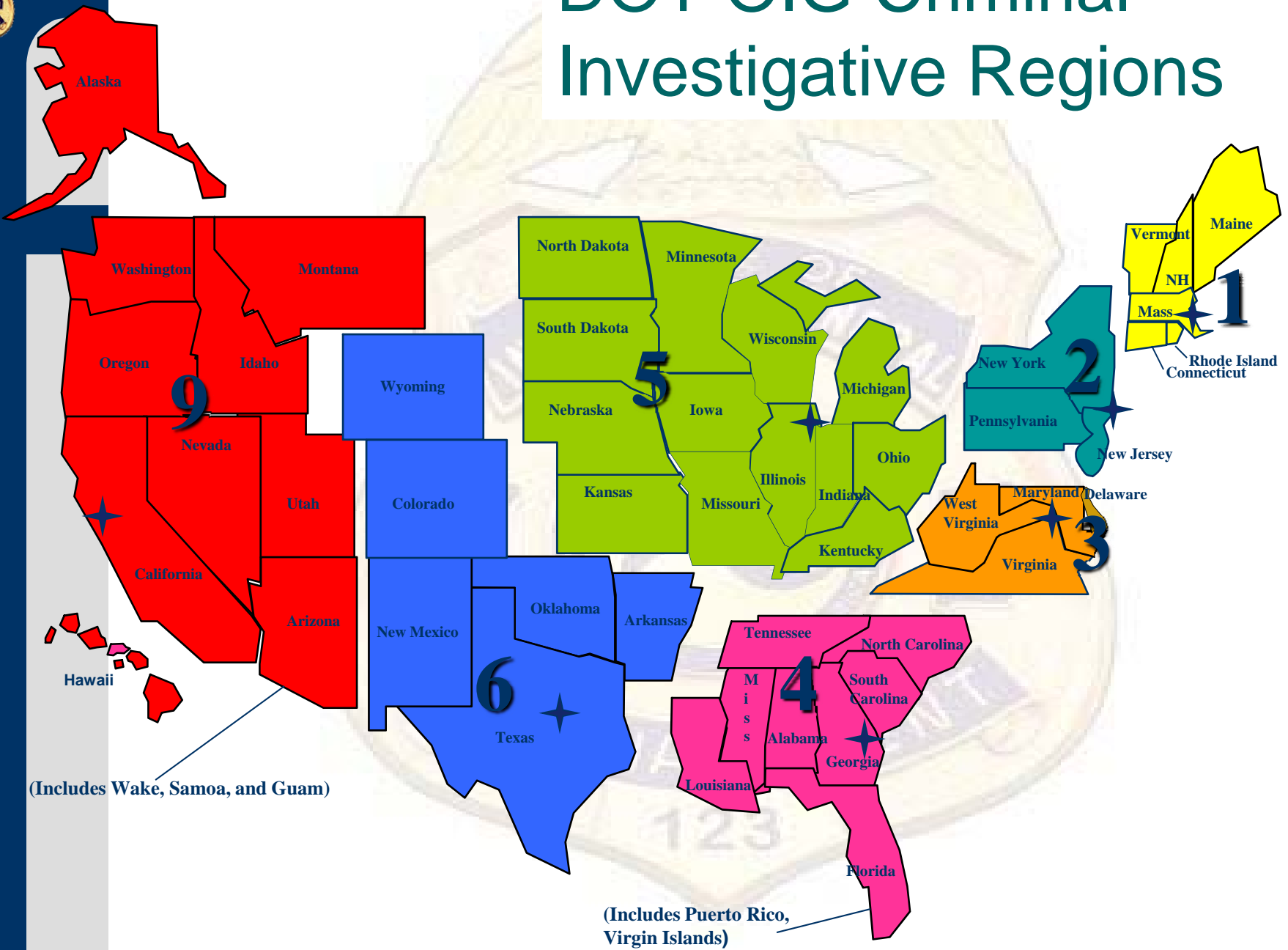
OIG OFFICE OF INVESTIGATIONS

- We operate independently.
- We are trained to conduct criminal investigations.
- We also have resources that facilitate criminal investigations:
 - Law enforcement authority
 - Investigative tools (i.e., subpoenas & search warrants)
 - Financial forensics skills
 - OIG auditing staff assistance
 - Computer forensics





DOT-OIG Criminal Investigative Regions



(Includes Wake, Samoa, and Guam)

(Includes Puerto Rico, Virgin Islands)



AMERICAN RECOVERY REINVESTMENT ACT OF 2009



- February 17, 2009, President Obama signed the American Recovery and Reinvestment Act of 2009 (ARRA).
- As a part of the ARRA, the DOT received approximately \$48 billion in appropriations to invest in transportation systems, infrastructure projects, and other programs.
- OIG is committed to supporting oversight of these funds by increasing communication with our Federal and state DOT partners, providing fraud awareness training, and conducting investigations, when warranted.



WHAT IS FRAUD?

A term embracing all the ways one person can falsely represent something to another for personal gain.

SOMEONE STEALING AND THEN LYING ABOUT IT.



Primary indicator for fraud:
Altered or Concealed Documents



WHO REPORTS FRAUD?

- **Federal, State, and Local DOTs**
- **Disgruntled Employees**
- **Qui Tam Relator**
- **News Media**
- **Self-Disclosure**
- **Competitors**





TYPICAL CONTRACTOR FRAUD SCHEMES

- **Bid Rigging/Price Fixing**
- **Disadvantaged Business Enterprise**
- **Product Substitution**
- **Labor Mischarging**
- **Bribery/Conflict of Interest**





BID RIGGING AND PRICE FIXING

- Contractors will divide government contracts by territory or take turns winning contracts.
- Looks as though there are three or more bids, but really only one.



BID RIGGING/PRICE FIXING FRAUD INDICATORS

- Losing bidders end up as subcontractors to the winning bidder.
- Losing bidders bid packages are “sloppy” when compared to their winning packages.
- Multiple losing bidders make the same error in their bid package.
- Losing bids quote the same price for non-standard items.



DISADVANTAGED BUSINESS ENTERPRISE (DBE)

- Grantees are required to have programs to encourage participation by DBEs.
- Contractors must describe in their bid package what DBEs are involved and what work they are doing.
- Sometimes it is easier for contractor to cheat.



DBE FRAUD INDICATORS

Front companies:

- DBE owner is a former employee of the non-DBE company.
- DBE only works as a DBE for the same non-DBE.
- DBE has a fulltime job doing something else.
- Workers alternate back and forth between non-DBE and DBE business payrolls.
- Name of DBE is temporarily affixed to equipment.
- Non-DBE and DBE share office space and equipment.



DBE FRAUD INDICATORS

Real DBE, but they are not doing the work claimed:

- The non-DBE company “transfers” its employees to the DBE company.
- Non-DBE company leases equipment to DBE.
- Non-DBE arranges to buy material and then has DBE put the order on its letterhead.



PRODUCT SUBSTITUTION

- Contractor cuts corners by using less of the required material.
- Using foreign steel when contract requires Buy America.
- Contractor uses substandard material.
- Contractor does not perform required tests or falsifies test results.



PRODUCT SUBSTITUTION FRAUD INDICATORS

- Little or no supporting documentation to support Certificates of Compliance.
- Irregularities on signatures, dates, or quantities on delivery documents.
- Contractor refuses to provide supporting documentation regarding production or manufacture.
- Mill test certifications for steel indicate foreign steel purchased.
- Unsigned certifications.



LABOR MISCHARGING

- **Davis Bacon Wages**
 - Set rates for various labor category
- **How they violate Davis Bacon:**
 - Contractor keeps two sets of payrolls
 - Contractor pays the employee the correct amount, then make them pay some of it back
 - Contractor pays “phantom” fringe benefits



BRIBERY AND CONFLICT OF INTEREST

- Public employee or official takes something of value to steer a contract to the person making the offer.
- Public employee or official being involved with government contracts that involve:
 - the employee's company;
 - the company of a family member; or
 - a company that the employee is seeking employment with.
- Procurement officials get the occasional free gift or free lunch.



BRIBERY AND CONFLICT OF INTEREST **FRAUD INDICATORS**

- Government official lives way above their means.
- Contractor gets confidential bid information.
- Repeated sole source or “emergency” awards to same contractor.
- Business and social relationships between contractor and person(s) involved in award or oversight process.
- Approvals of change orders with insufficient basis or insufficient documentation.



WHAT CAN YOU DO?



- **Contract Oversight-**

Check AND re-check the bid documents, change orders, and invoices.

- **Grant Oversight-**

Make sure that the grantee is doing what they need to do to protect the public interest.



ASK QUESTIONS!!!





WHEN OVERSIGHT DOESN'T WORK

Who you gonna' call?



WHY CONTACT THE OIG?

- **Bad guys go to jail.**
- **We can get the money back.**
- **We can refer them for possible Suspension and Debarment.**
- **Deterrence is important!**



OIG ARRA OVERSIGHT

- ARRA stimulus funds will be closely scrutinized by the press, public, and Congress.
- The OIG would like to work with our DOT partners to:
 - Ensure that proper oversight is exercised;
 - Minimize exposure to fraud, waste, and abuse;
 - Mitigate losses;
 - Inspire public confidence that the ARRA funds are properly spent; and
 - Prosecute, suspend, and debar those who chose to defraud.



CONTACTING THE OIG

- [On-line Complaint Form](http://OIG.DOT.GOV) at OIG.DOT.GOV
- Call 1-800-424-9071 (toll free).
- E-mail your concerns to hotline@oig.dot.gov



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