



U.S. Department of Transportation
Office of Inspector General

2018 TEAM Conference – US DOT OIG Fraud Awareness

Thomas J. Ullom, Special Agent-in-Charge,
Chicago Regional Investigations – Region 5





Agenda

- OIG Investigations – Overview
- Fraud – What is it ?
- Types and Indicators of Fraud in the Highway Industry
- Pitfalls, Remedies, and Detection
- What are your responsibilities?
 - Questions





OIG Investigations

We are the Criminal Investigators for the Department

OIG Special Agents have full Federal Law Enforcement Authority and may use the following tools and techniques for conducting investigations:

- Execution of search and arrest warrants
- Inspector General or Grand Jury Subpoenas
- Grand jury testimony/investigations
- Physical & electronic surveillance
- Undercover Operations
- Document analysis
- Coordinating laboratory/forensic analysis





REGION 1

CT, MA, ME, RI, VT, NH, NY

REGION 2

NY, NJ, PA, DE

REGION 3

Washington DC, MD, VA, WV, NC

REGION 4

FL, GA, SC, AL, MS, LA, TN

including Puerto Rico, and Virgin Islands

REGION 5

MO, KY, IL, IN, OH, MI, WI, MN, IA, ND, SD

REGION 6

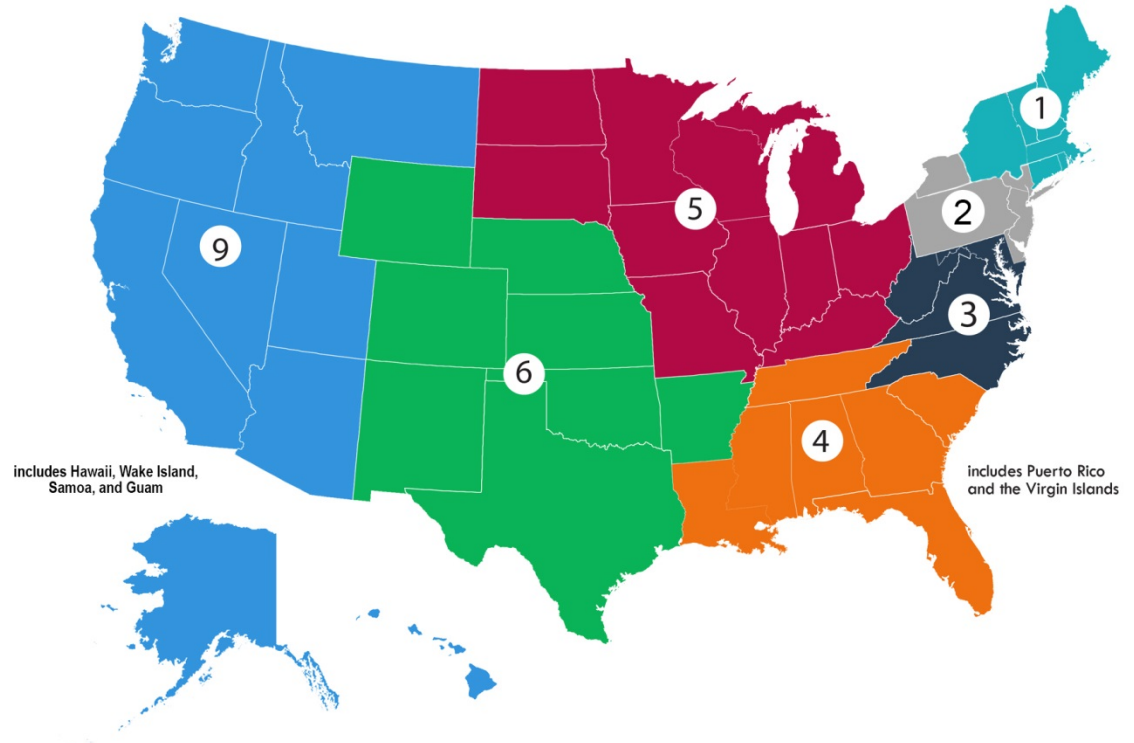
TX, NM, OK, AR, CO, NE, WY, KS

REGION 9

CA, AZ, UT, NV, OR, ID, WA, MT, AK, HI

including Wake Island, Samoa, and Guam

OFFICE OF INVESTIGATIONS REGIONS





REGION 5

MO, KY, IL, IN, OH, MI, WI, MN, IA, ND, SD

Chicago Regional
Investigations:

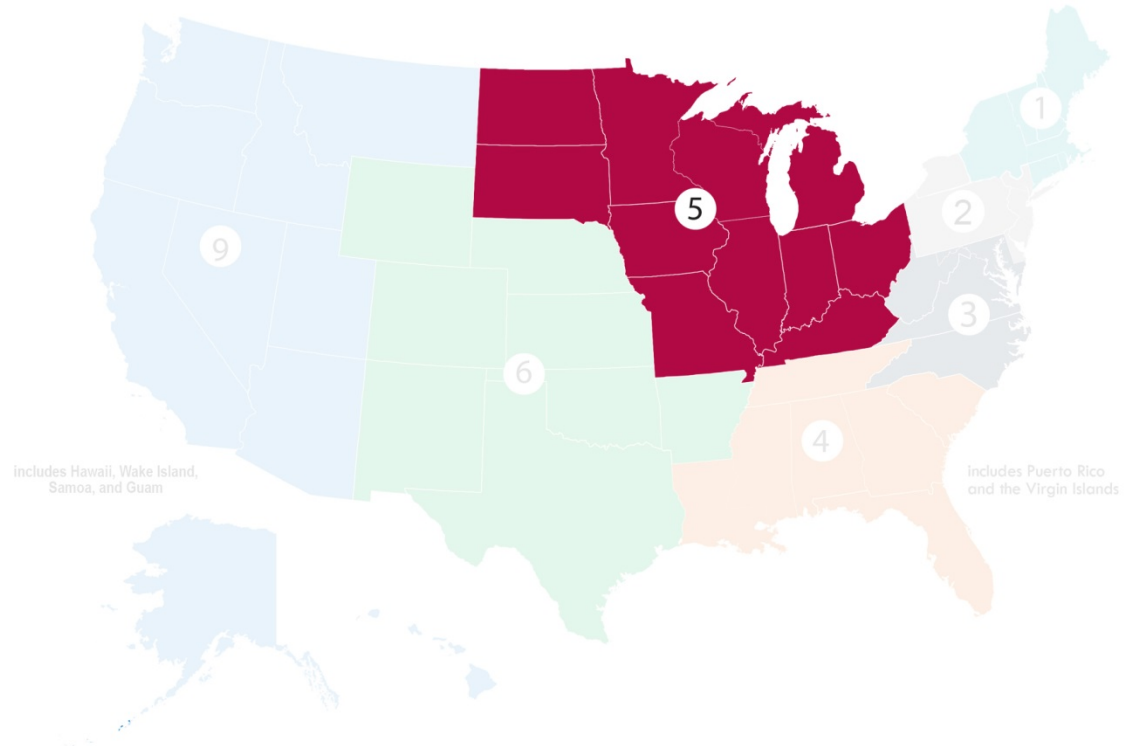
Chicago / Columbus,
OH

1 – SAC

2 – ASACs

13 – Special Agents

REGION 5





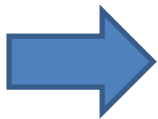
What is Fraud?

Fraud – Defined by Webster

Fraud involves an intent to deceive, often characterized by altered, false or concealed documents.

The crime of using dishonest methods to get something of value.

A copy of something that is meant to look like the real thing in order to trick people.



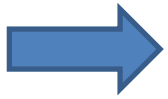
Pattern of mistakes may “suggest “ nefarious activities



MISTAKE OR FRAUD?



When is it Fraud or?



False information or representation



Material fact



With intent to deceive



Obtain something of value



A close-up photograph of a person's hands in handcuffs. The hands are positioned in front of the person, with the wrists held together. The handcuffs are silver metal and are attached to the person's wrists. The person is wearing a dark blue long-sleeved shirt and blue denim jeans. The background is a solid dark blue color.

**Types of Fraud
“RED FLAGS”**



Fraud Schemes

Disadvantaged-Business (DBE) Fraud

Product Substitution

Quality-Control Testing Fraud

Bribery & Kickbacks

Bid-Rigging & Collusion

Materials Overcharging

Conflict of Interest



Indicators of Fraud

- Missing documents
- Altered or photocopied records
- Inspection of materials or work is avoided
- Contractor controls test samples, not inspector
- Losing bidder becomes subcontractor
- Workers shift back and forth between company payrolls
- Awards to contractor or sub with poor performance history
- Unjustified / excessive sole-source or change-orders
- Favoritism toward a contractor, sub or vendor
- Gov't official has social or business relationships with contractor
- Person uncooperative, stalls, or gets angry when questioned

*Internal Controls – Verify, Request, Observe, Talk, Obtain, Request
Be Thorough and Be Vigilant*



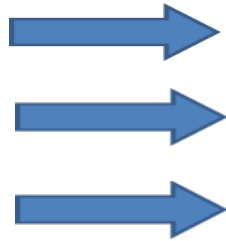
Red Flag “Indicators”



PROTECTING PEOPLE PROTECTING RESOURCES



DBE



Compliance v. Portraying Compliance Front v. Pass Through Performance v. Certification

1. DBE owner lacks background, experience , or equipment ...
2. Employees are shuttled back and forth between Prime and DBE – Payrolls.
3. Business signs on vehicles – Magnets, Removable, etc...
4. Supply orders not completed by DBE and/or directed by the Prime.
5. DBE not present at the job.
6. Exclusivity. (regional)
7. Interesting financial arrangements between the Prime and DBE ??
8. Joint bank accounts / Operating out of the same office.



Product Substitution

➔ Misrepresents materials ➔ Increased Profits

1. Contractor refuses to provide supporting documents regarding Products.
2. Contractor restricts or avoids inspections of goods / services at delivery.
3. Mismatching or mislabeling of products and materials.
4. Photocopies instead of required or requested originals.
5. Irregularities in signatures, dates, or quantities on delivery documents.
6. High rates of rejections, returns or failures.
7. Unsigned certifications – No one wants to sign !
8. Contractor offers to select samples for testing purposes – Cores.



Quality Control Testing



1. Contractor does not maintain QC samples for later QA testing.
2. Photocopies of QC test results instead of originals.
3. Alterations or missing signatures on QC test results.
4. Contractor employees labeling or taking samples away from inspector oversight.
5. Test results cannot be found or are destroyed.
6. Test results are “lost” then “found” ...
7. Duplicative test results from samples – Only differing by date and time.
8. Contractors insisting on transporting QC samples from the construction site to the lab.



Kickbacks



Contractor/Sub-Contractor



Misrepresents Cost



Paying secret fee/kickback



Increased costs to the public





Bribery

Government official (GO) takes something of value to help contractor - to steer a contract, provide confidential information, or to overlook overbilling, substandard materials, or poor performance, etc.

Permitting contract overcharges to increase Contractor profits

1. Noticing/observing patterns of preferential treatment.
2. GO has a lifestyle that exceeds his/her salary.
3. Oversight officials have questionable relationships with contractors and families.
4. Involvement of an unnecessary or questionable “middle man”.
5. Contracting employee insists contractors use a certain “guy”.
6. Contracting change orders lack sufficient justification.



Bid Rigging and Collusion



Competing or Cooperating ?



www.shutterstock.com - 336276941

1. Unusual bid patterns: Too similar, too high, identical ...
2. Different contractors with identical errors in contract bids.
3. Losing bidders with identical line-item bids on nonstandard items.
4. Rotation of winning bidders by job, type of work, or geography.
5. Losing bidders hired as subcontractors.
6. Connections among bidders: Addresses, personnel, telephone numbers.
7. Joint venture bids by firms that typically bid alone.



Materials Overcharging



Contractor “A” misrepresents how much material was *actually* used on a job

1. Avoiding inspector oversight – ie: loading of job materials.
2. Truck weight tickets or plant production records with missing/altered information.
3. Photocopies of quantity documentation where originals are expected.
4. Unusually high volume of purchases from one vendor. (regional)
5. Invoiced goods can't be located in the inventory.
6. Refusal or inability to provide requested supporting documentation.
7. Discrepancies between contractor-provided quantity documentation v. Observations and/or yield data calculations.
8. False or inflated invoices.



Conflict of Interest

Are you really impartial in your business decisions ?

Family Interest - Financial Interest ?



1. Favoritism - Unexplained, Unusual, or Unnatural show to a contractor/consultant.
2. Close socialization with and acceptance of inappropriate/questionable gifts, travel or entertainment from a contractor.
3. Employees having discussions or negotiations about employment with a current or prospective contractor or consultant.
4. Gov't official disclosing/sharing confidential bid information – assisting in bid prep.

Questionable Relationships ...



“In human experience,
the pressure of
imminent incarceration
tends to snap the
bonds of loyalty.”

US v. Rosner – 1973
US Court of Appeals – 2nd District



Margins

Costs v. Profits



Our ethical character is formed by
each and every choice we make –
For better or for worse.



Questions





If You Suspect Fraud ...

The #1 fraud indicator is your intuition

If possible:

- Document suspected fraudulent activity
- Seek an explanation for irregular activity
- Copy documents and take photographs
- Report your concerns or suspicions to management

To report fraud, waste, and abuse at
DOT, please contact the OIG Hotline

1-800-424-9071

www.oig.dot.gov

www.oig.dot.gov/hotline



Contact & DOT OIG Hotline

Thomas J. Ullom, Special Agent-in-Charge

Thomas.Ullom@oig.dot.gov

(312) 353-0423 Desk / (312) 502-7429 Cell

Andrea Kropf, Assistant Special Agent-in-Charge

Andrea.m.Kropf@oig.dot.gov

(312) 353-0485 Desk / (312) 287-2729 Cell

Anthony Licari, Assistant Special Agent-in-Charge

Anthony. Licari@oig.dot.gov

(312) 353-444 Desk / (312) 909-4852 Cell



U.S. DEPARTMENT OF TRANSPORTATION

OFFICE OF INSPECTOR GENERAL – CHICAGO REGIONAL INVESTIGATIONS



★ INTEGRITY ★ ACCOUNTABILITY ★ CHARACTER ★ TEAMWORK ★

PROTECTING PEOPLE PROTECTING RESOURCES