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DBE FRAUD – RUN FORREST RUN

HOW FRAUD COMES ABOUT



FRAUD DEFINITION

× General Description

- + Deceit, trickery, or breach of confidence, perpetrated for profit or to gain unfair or dishonest advantaged.

× DBE Program Description

- + Deliberate deception or trickery to secure an unfair gain.

18 USC 1020

✘ Whoever knowingly makes any false statement, representation, report, or claim with respect to the character, quality, quantity, or cost of any work performed or to be performed, or materials furnished or to be furnished in connection with the construction of any highway project shall be fined or imprisoned not more than five years or both.

✘ **Run Forrest Run**

A CONTRACTOR MIGHT LIE ABOUT

- ✘ Material Quantity
- ✘ Material Quality
- ✘ Who is Doing the Work
 - + Placing a DBE on your Blue Sheet and not using them
- ✘ How Much They are Paying Their Employees

INDICATORS OF DBE FRAUD

- ✘ DBE businesses owned by relative/or prior employee of prime contractors
- ✘ DBE business owners absent for job
- ✘ Prime contractors always using the same DBE
- ✘ Ghost employees
- ✘ Small DBE contractors in unusual businesses (bridges, structural steel)
- ✘ Non-minority male receiving high salary as employee

DBE FRAUD SCHEMES

× Front Companies

- + Falsely represent ownership and control of a DBE firm
- + The firm is owned by the DBE on paper only
- + DBE is usually paid a small sum to allow this scheme to be used (sometimes disguised as a salary)

DBE FRAUD SCHEMES CONT.

✘ Conduit Companies

- + DBE firm does not complete any of the contracted work
- + The DBE sells his status to another company who completes the work
- + DBE allows the use of the DBE's name on invoices, trucks, equipment, load/material slips

DBE FRAUD SCHEMES CONT.

✘ False Eligibility

- + The DBE does not belong to one of the recognized socially or economically disadvantaged groups
- + DBE provides false information concerning size or financial status
- + Hidden assets or false statements concerning origination of capital

DBE FRAUD SCHEMES CONT.

- ✘ Women-owned Business Enterprises
 - + Usually a female relative of a prime or subcontractor
 - + Signs false statements concerning ownership and control
 - + Has no knowledge, expertise, or licenses in the type of business being operated

MDOT WRITTEN CERTIFICATION

- ✘ Inspector and industry- expected to be vigilant on work activities scheduled to be undertaken by DBE firms
- ✘ The new rule that went into affect February 28, 2012 states that MDOT will provide a written certification that they have insured that those that were originally committed to work on the “blue” sheet are those that are actually working.

HOW MUCH FRAUD

- ✘ Statistics for 2000-2006
 - + • 120 DBE fraud cases opened
 - + • 70 indictments
 - + • 51 convictions
 - + • \$17,300,000 in fines and restitution
- ✘ Statistics FY-2008
 - + *67 indictments*
 - + *109 convictions*
 - + *\$544 million in fines and restitution*

✘ RUN FORREST RUN

FRAUD HOTLINE NUMBERS

- ✘ DOT/OIG Fraud Hotline
 - + Call – 800- 424-9071
 - + E-Mail – Hotline@oig.dot.gov

- ✘ MDOT Fraud Hotline
 - + Call – 866-460-6368
 - + Or – 517-241-2256