U.S. Department of Transportation
Office of the Inspector General
LaDOTD Engineering Conference
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Role of OIG Investigations Division

- Conduct investigations of allegations and complaints regarding fraud, waste, and abuse.
- Coordinate with other Federal & State law enforcement agencies.
- Refer matters for criminal and civil prosecution or suspension/debarment action.
Enforcement Priority Areas

- Transportation Safety
  - Aviation Safety and Security
  - Motor Carrier Safety
  - HazMat Violations

- Contract & Grant Fraud

- Other Investigations
  - Employee Integrity
Fraud Definitions

- **Fraud** – Intentional Deception for Financial Gain

- **Corruption / Power of Position Fraud**
  - Misuse of one’s government position for personal enrichment

- **Fraud on the Job**
  - An employee enriches himself by deliberately misusing his employer’s assets

- **Contract Fraud**
  - A government contractor or grantee enriches himself by deliberately overcharging the government for contract goods and services
Public Sector Fraud Schemes

- Bid Rigging
- Overcharging for Time or Materials
- Product Substitution
- Minority-Owned Business Fraud
- Bribes & Kickbacks
- Conflicts of Interest
2006 ACFE Report to the Nation

How is fraud first discovered?

- Tip: 34.2%
- By Accident: 25.4%
- Internal Audit: 20.2%
- Internal Controls: 19.2%
- External Audit: 12.0%
- Notified by Police: 3.8%
Fraud Triangle

Opportunity

Pressure

Rationalization
I think we have a pretty good group of contractors here. There have been no problems for as long as I can remember. Don’t waste my time with any unnecessary problems. Just do your damn job and build roads.

Vs.

Fraud is totally unacceptable in this company. It drains our company resources and can seriously threaten our company’s reputation and its future. We all need to work together to stop fraud in its tracks. I expect you to confidentially report any indications of fraud to me personally. We will promptly investigate and violators will be fired.
Elements of Ethics/Compliance Programs

- Tone at the top
- Designated corporate compliance officer
- Formal ethics/compliance code and regular training for all employees
- Employees required to report violations
- Specify reporting procedure, allow anonymous tips
Elements of Ethics/Compliance Programs

- Investigate alleged violations and document investigations
- Clear consequences for violators
- Fraud referral to law enforcement
- Annual program audit
Fraud Indicators

- Documents are missing.
- Documents are photocopies, generic.
- Someone is furtive.
- Something is “funny looking.”
- Someone skips required steps.
Fraud Indicators

- Someone spends money beyond his earnings.
- Someone acts guilty or angry when questioned.
- Someone never takes days off.
- Transactions fall just below financial control or contract limits.
Quality-Control Testing Fraud

**Definition** -- Contractor *misrepresents* QC test results to falsely earn contract incentives or avoid contract disincentives, or to avoid production shutdown or required removal of deficient material in order to *limit costs* or *increase profits*.

**Example** -- After distracting the state inspector, an asphalt-paving crew foreman discarded road cores from random QC locations designated by the inspector and replaced them with “test cores” known to qualify for density-incentive payments under the contract.
Quality-Control Testing
Fraud Indicators

- Contractor employees regularly contrive to take or label QC samples away from inspector oversight.
- Contractor insists on transporting QC samples from the construction site to the lab.
- Contractor does not maintain QC samples for later Quality-Assurance testing.
- Contractor challenges results, or attempts to intimidate Quality-Assurance inspectors obtaining conflicting results.
OIG CONTRACT/GRANT FRAUD CASES
RESULTS FOR FY 2006

- Criminal Indictments (78)
- Criminal Convictions (41)
- Suspension & Debarment (59)
- Recoveries ($35.4M)
DOT/OIG Hotline

- Call: 1-800-424-9071
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Questions?