



**Missouri Department of Transportation
Office of the Inspector General**





Objectives

- ✦ Discuss MoDOT's Fraud Efforts
- ✦ Assisting Agencies
- ✦ External Investigation Types
- ✦ Components of an Investigation
- ✦ Results of our Investigation
- ✦ Case Studies
- ✦ IG Update

MoDOT Fraud Efforts

- ✦ Inspector General
- ✦ Fraud Team
- ✦ BAMS – Bid Analysis Management
- ✦ Pro-Active vs. Reactive
- ✦ Training
- ✦ Sharing Information Between Investigative Agencies
- ✦ Identifying Trends Within the Construction Industry



Assisting Agencies

Internal

- Audit & Business Analysis
- In-house subject matter experts
- Information Systems

State & Local

- Local Law Enforcement
- Capitol Police
- Missouri Dept. of Corrections
- Missouri Dept. of Revenue
- Missouri Highway Patrol

Federal

- USDOT Inspector General
- USDOL Inspector General
- USHUD Inspector General
- IRS Criminal Investigations
- U.S. Attorney
- FBI
- U.S. Department of Justice
- SBA Inspector General



External Investigations

- ✦ DBE / Front Companies
- ✦ Contractor Affiliations
- ✦ Product Substitution
- ✦ Labor Unions
- ✦ Market Allocation
- ✦ Bid Collusion
- ✦ False Certification
- ✦ Material Specification
- ✦ Industry Trends



Components of an Investigation

- ✚ Red Flag / Allegation
- ✚ Applicable Rules and Regulations
- ✚ Data Request
- ✚ Data Analysis
- ✚ Data Summary
- ✚ Surveillance
- ✚ Interviews
- ✚ Consult with Experts
- ✚ Findings / Case Record
- ✚ Civil or Administrative Action
- ✚ Final Report



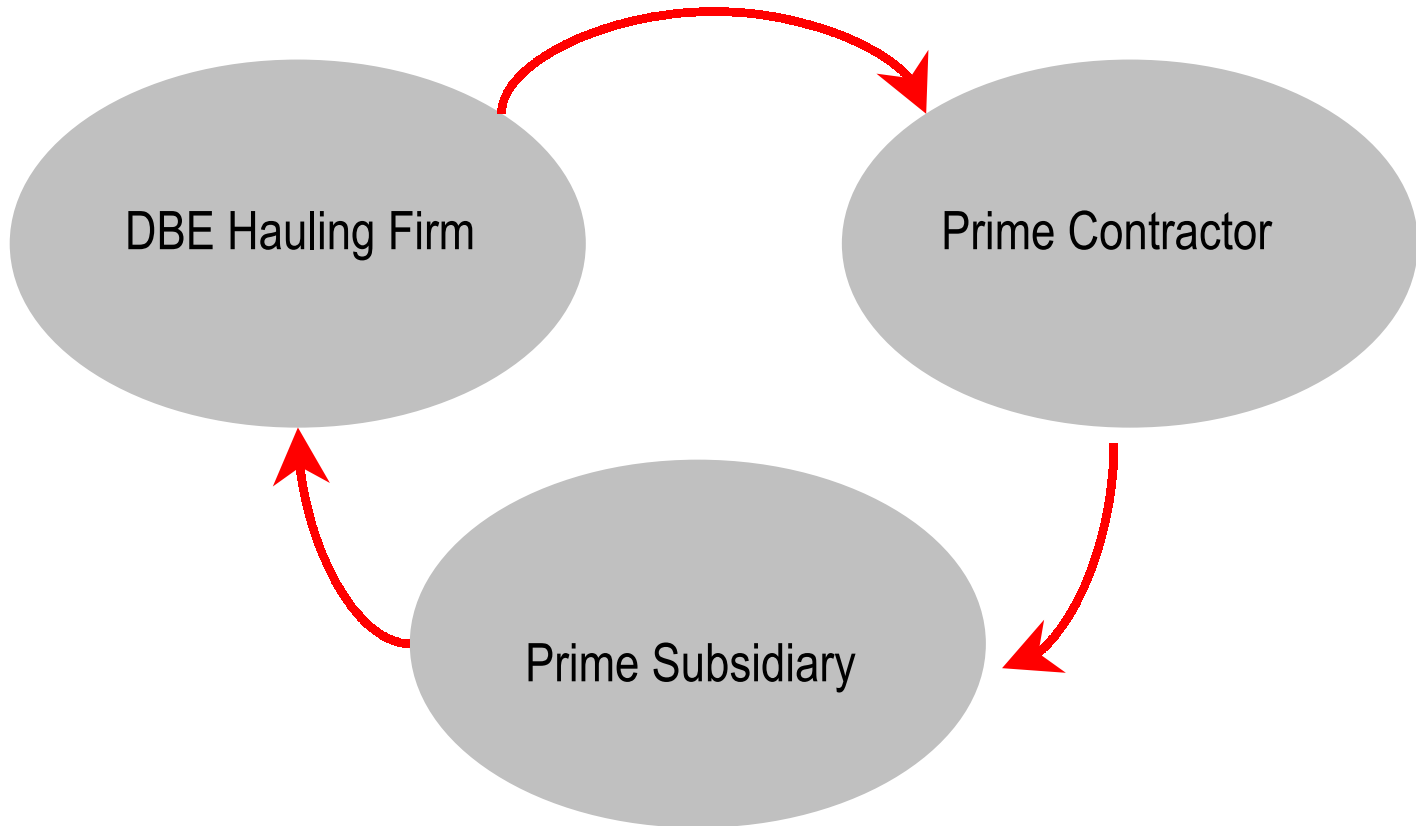
Final Report

- ✎ Background Information
- ✎ Witnesses
- ✎ Allegations/Details of the Investigation
- ✎ Conclusion
- ✎ Recommendations
- ✎ Director's Action

Case Study No. 1

DBE Front Company

Caterpillar 777 Haul Truck Leasing Pattern





Case Study No. 1 (Cont.)

Red Flags:

- ✘ The Work to Be Performed by the DBE Is Outside of the DBE's Known Capability.
- ✘ A Substantial Portion of the Equipment Used by the DBE Firm Belongs to Another Contractor.
- ✘ The Ownership of Equipment Is Not Properly Reflected on the Equipment.

Findings:

Liquidated Damages of \$1,487,718.98 Assessed Against the Prime Contractor for the Failure of the DBE Firm to Perform a Commercially Useful Function.



Case Study No. 2

Illegal Use of Off-Road Diesel

Allegations:

An Independent Source Claimed the Prime Contractor Was Utilizing Off-Road Diesel in Vehicles Traveling on Local and State Routes and the Owner's 14 Year Old Son Was Operating Heavy Equipment on the Project.

Red Flags:

- ✘ Individuals Operating Equipment Do Not Appear on the Certified Payroll Documentation.
- ✘ Operator Appears to Be Under Age.

Case Study No. 2 (Cont.)

Findings:

- ✦ Monetary Damages Assessed Against the Prime Contractor by the Missouri Department of Revenue and the Internal Revenue Service for the Use of Off-road Diesel Fuel in Vehicles Utilized on Local and State Routes exceeding \$80,000.
- ✦ MoDOT Removed the Juvenile From the Project Site.



Case Study No. 3 False Certification

Allegation:

- ✖ Material Shipped From a Rock Quarry Was Certified As Grade “D” Rock, but Later Identified As Grade B Rock.

Red Flag:

- ✖ Material Failed Test Once Placed.

Investigation:

- ✖ This Investigation Was Performed by District Office and Later Reviewed by the OIG.

Case Study No. 3 (Cont.)

Findings:

- ✦ Five Loads of Grade B Rock Were Intentionally Certified As Grade D by the Hauling Company.
- ✦ The Quarry Established Measures to Prevent Any Further Recurrence.
- ✦ The Hauling Company Agreed to Pay Restitution Totaling Nearly \$20,000.



Case Study No. 4

Bid Collusion / Contractor Affiliation

Allegation:

A recently suspended prime contractor was allegedly bidding under another contractor's name.

Red Flag:

Bidding documents submitted by the approved contractor contained a fax transmission stamp on only those pages that reflect the line item bid and extended calculations.

Findings:

The suspended prime contractor was still able to perform as a subcontractor. On this project, the awarded prime performed the required 40%, but subcontracted 60% to the suspended prime.



Update

- ✦ MoDOT has in Excess of 15 Active External Investigations.
- ✦ MoDOT is Monitoring Several Entities for Potential Fraud, Waste and Abuse Violations. Part of the Monitoring Process is the Compilation of Contractor Intelligence Files.
- ✦ Investigation Referrals Provided to our Federal Counterparts have an Overwhelming Success Rate for Further Criminal Investigation.
- ✦ Since 1999 we have assessed over \$3 Million in Liquidated Damages.