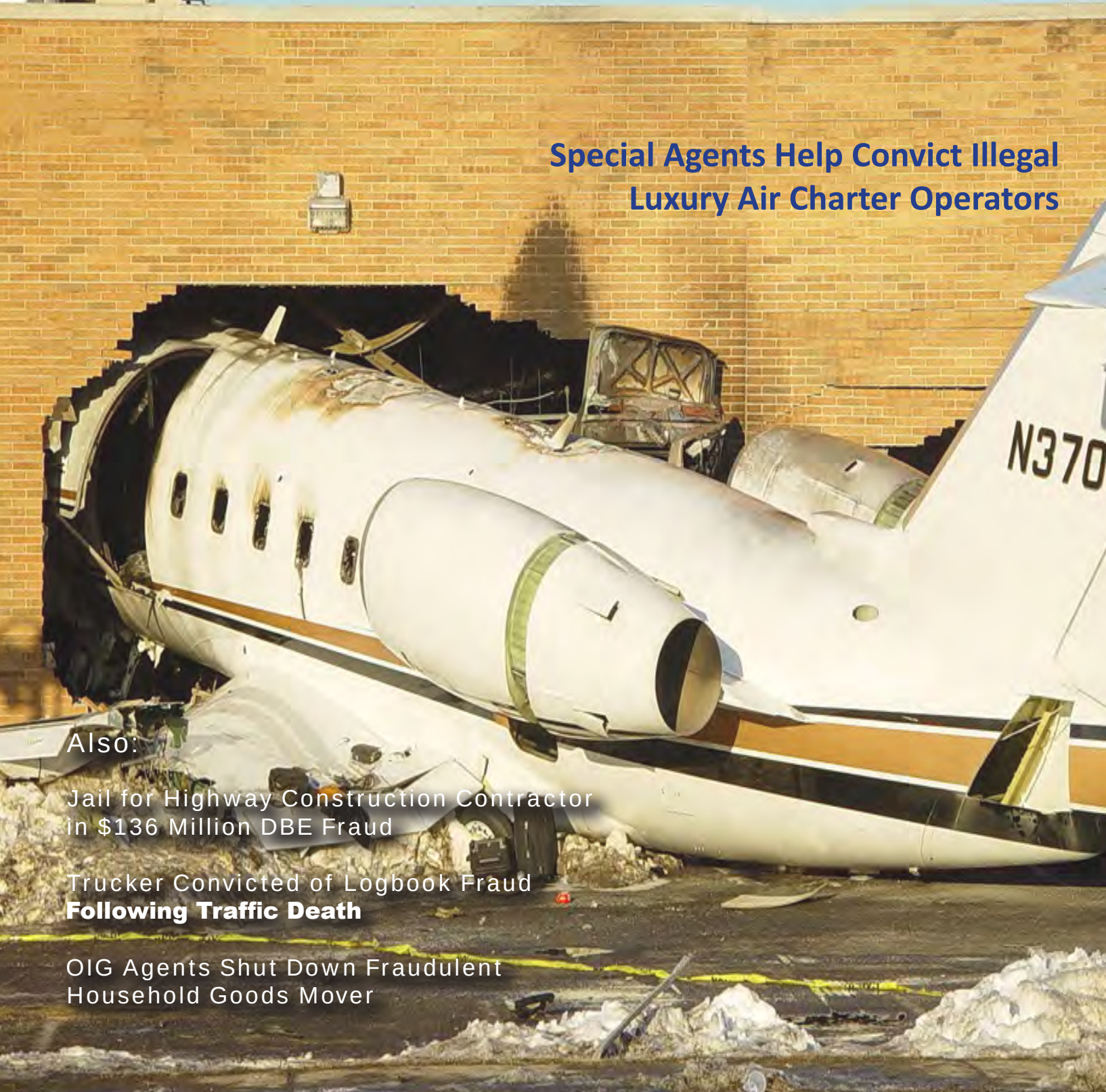
U.S. Department of Transportation

IMPACT *Magazine*

A Publication of the U.S. Department of Transportation Office of Inspector General June 2011

Transportation Crime Investigations



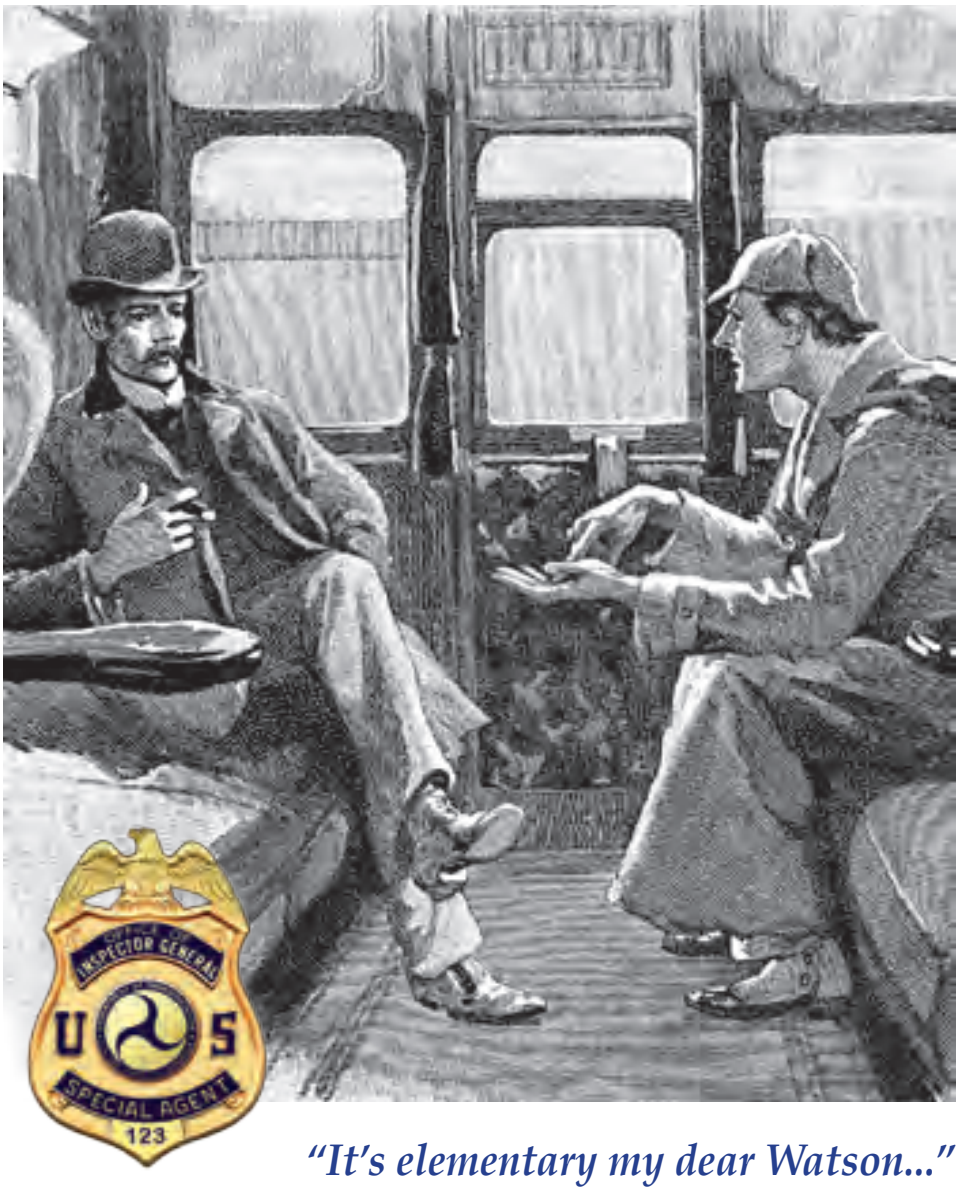
Special Agents Help Convict Illegal Luxury Air Charter Operators

Also:

Jail for Highway Construction Contractor in $136 Million DBE Fraud

Trucker Convicted of Logbook Fraud **Following Traffic Death**

OIG Agents Shut Down Fraudulent Household Goods Mover



"It's elementary my dear Watson..."

Fraud is deliberate deception to secure an unfair gain.

Recognize and Report Fraud in Federally Funded Programs, Contracts, and Grants

(800) 424-9071

U.S. Department of Transportation
Office of Inspector General

U.S. Department of Transportation
Office of Inspector General

IMPACT

Transportation Crime Investigations

ARTICLES

TRANSPORTATION SAFETY CRIMES

6 **Illegal Air Charter to the Stars**
by Michael Waters, Assistant Special Agent in Charge
OIG special agents investigate an illegal luxury air charter service that crashed shortly after takeoff.

18 **Operation Wingspan**
A multi-agency operation leads to convictions of aircraft parts suppliers connected to counterfeit plane parts.

19 **Trucker Convicted of Logbook Fraud Following Traffic Death**
by Michael Waters, Assistant Special Agent in Charge
After faulty brakes caused a fatal accident, OIG special agents prove a long-haul trucker falsified his logbooks.

28 **OIG Identifies Sub-Standard Steel and Helps Resolve Safety Concerns**
by Michelle Ward McGee, Assistant Special Agent in Charge
OIG works closely with FTA officials to resolve safety concerns.

33 **OIG Agents Shut Down Fraudulent Household Goods Mover**
by Michelle Ward McGee, Assistant Special Agent in Charge
An Oregon household goods mover repeatedly scams customers and is convicted of operating an illegal household goods moving company.

36 **Agents Protect Truckers from Broker Schemes**
by Michael Waters, Assistant Special Agent in Charge
Fraudster bilks independent truckers before being arrested by OIG special agents.

TRANSPORTATION GRANT FRAUD

14 **OIG Investigates DBE Fraud in DOT Grants**
DOT OIG special agents, along with investigators from the FBI, the IRS, and the Department of Labor, recently concluded the largest DBE fraud case in DOT history.

EMPLOYEE INTEGRITY INVESTIGATIONS

22 **Ex-FAA Employee Convicted of Stealing Over $2 Million**
by Michelle Ward McGee, Assistant Special Agent in Charge
Employee misused computer systems to steal excess government property.

39 **OIG'S Knowledge Management Results in a More Effective Investigation**
by Gabrielle Hessman, Attorney Investigator
DOT OIG investigators and auditors collaborate in the investigation of an FAA employee accused of abusing her purchase card authority and stealing over $140,000.

Spotlight: Computer Crimes Unit 13
In Review: National Fraud Awareness Conference.....42

IMPACT
June 2011
Department of Transportation
Office of Inspector General

EDITOR-IN-CHIEF
Robert A. Westbrooks

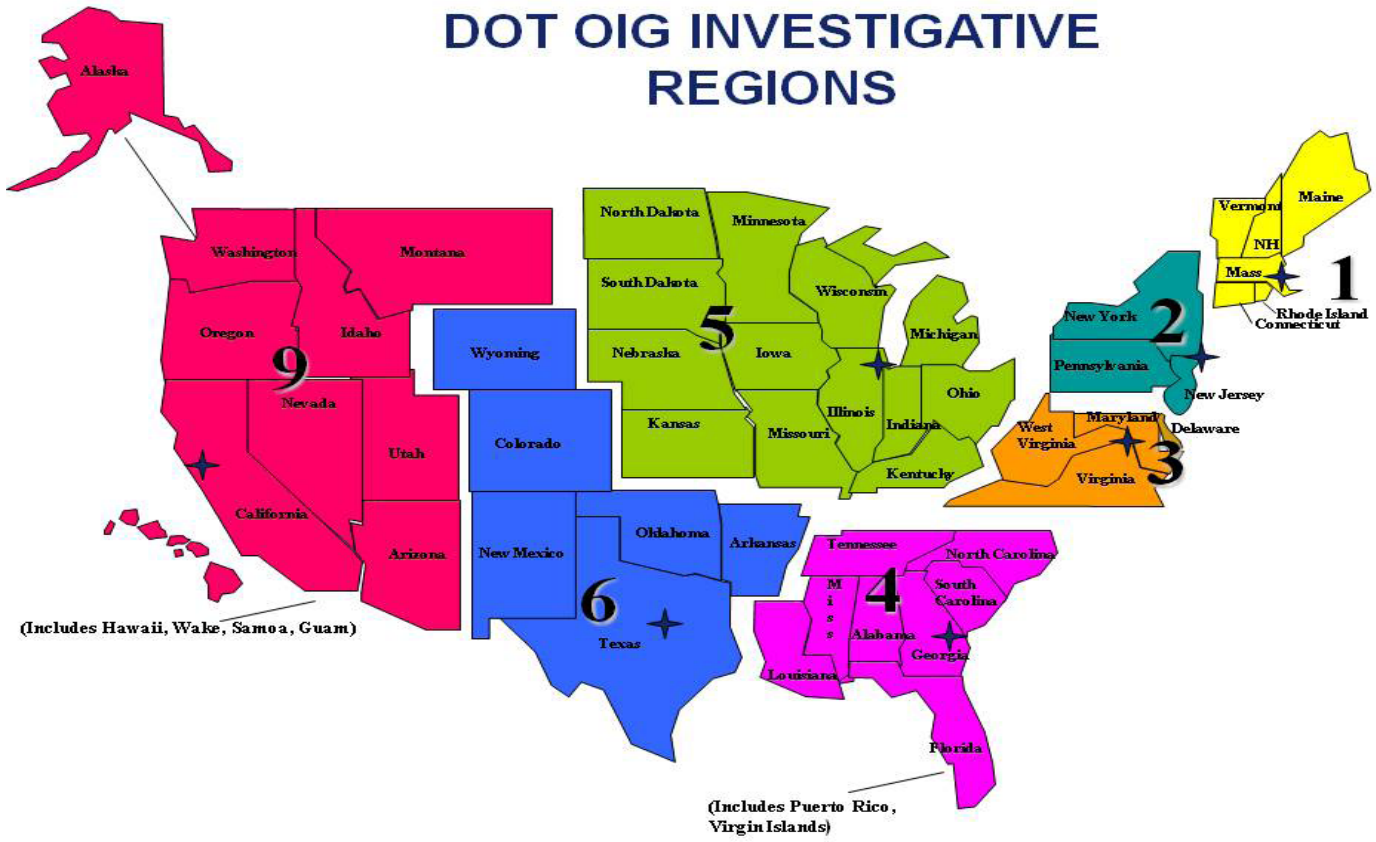
ASSISTANT EDITOR
Gabrielle Hessman

CONTRIBUTORS
Michelle Ward McGee
William Swallow
Michael Waters
Elise Woods

ADVISORY COMMITTEE
Barbara L. Barnet
Michelle McVicker
Joseph Zschiesche

REVIEWER
Sharon Smith

Disclaimer: The opinions expressed in IMPACT are those of the authors. They do not represent the opinions or policies of the Office of Inspector General and the Department of Transportation.



CONTACT INFORMATION FOR SPECIAL AGENTS IN CHARGE*

REGION 1:	Ted Doherty (617) 494 -2701
REGION 2:	Ned Schwartz (212) 337-1250
REGION 3:	Kathryn Jones (202) 260-8580
REGION 4:	Marlies Gonzalez (954) 382-6645
REGION 5:	Michelle McVicker (312) 353-0106
REGION 6:	Max Smith (817) 978-3236
REGION 9:	Hank Smedley (415) 744-3090
Special Investigations:	Ronald Engler (202) 366-4189
National Fraud Hotline:	(800) 424-9071

** U.S. Department of Transportation Office of Inspector General criminal investigations are primarily assigned according to the region in which the alleged wrongdoing occurred. Each region is led by a special agent in charge.*

From the Inspector General

Calvin Scovel III

Inspector General
Department of Transportation

I am very pleased to have this opportunity to report in detail to the Department, the Congress, other stakeholders, and the American public on the significant investigations conducted by DOT-OIG special agents.

Like all Offices of Inspector General, we issue Semiannual Reports to Congress, which discuss our audit and investigative accomplishments and provide statistical performance data. Space does not permit us in the Semiannual Reports to discuss the stories behind our investigations.

To understand the full impact of our investigative work on Department programs and the American public, we thought it was important to share with you our work in this, the first edition of, IMPACT magazine. We also believe strongly in public education to prevent fraud, particularly in the area of household goods schemes. We hope you find this publication informative.

What Sets DOT OIG Apart

Timothy M. Barry

Principal Assistant Inspector
General for Investigations
Department of Transportation

DOT-OIG Office of Investigations has special agents in offices across the Nation who work closely with Department regulators and law enforcement partners to develop criminal cases against violators of Federal transportation laws. Like all OIGs, we are responsible for conducting internal investigations concerning Department programs and operations. In addition, DOT-OIG special agents are called upon to investigate criminal activity involving transportation safety violations where death or serious bodily injury has occurred or is likely to occur if enforcement action is not taken. DOT-OIG special agents are also called upon to investigate grant fraud cases involving billions in transportation grants for airports, highways, bridges, rail systems, and other critical infrastructure projects. In FY 2010, DOT-OIG special agents were responsible for 92 indictments, 72 convictions, and over $18 million in financial recoveries.

We focus on those matters that have the greatest direct impact on Department programs and operations, and particularly those matters where regulatory enforcement action has been or would be ineffective. Our four investigative imperatives are transportation safety, grant and procurement fraud, employee integrity, and consumer and workforce fraud.

The unique nature of our mission, coupled with a talented and motivated workforce, is what truly the sets DOT-OIG Office of Investigations apart.

Illegal Air Charter to the Stars

by Michael Waters, Assistant Special Agent in Charge, Region 2 (King of Prussia, PA)

Interior photograph of the Bombardier Challenger

Platinum Jet Management was a charter air service for the stars. For the right price, its on-demand jets offered convenience and comfort to the rich and famous, as well as the not so famous. Its celebrity passengers included Luciano Pavarotti, Joe Montana, Ozzy Osborne, Snoop Dogg, Michael Stipe, Shaquille O'Neal, Diddy, Jon Bon Jovi, Jay Z, and Beyonce Knowles. However, its passengers had no clue that Platinum was operating an illegal air charter service and the company was not in compliance with Federal Aviation Administration (FAA) safety regulations.

Platinum's luck ran out on February 2, 2005, when one of its Bombardier Challenger jets ran off the departure end of runway 6 at Teterboro Airport in New Jersey. Speeding at more than 110 knots, the jet crashed through a perimeter fence, veered across 6 lanes of traffic on Route 46, struck an automobile, and plowed through the brick wall of a clothing outlet. The aircraft was destroyed by the crash and the post-impact fire. The pilots, cabin aide, and eight passengers were injured along with the occupants of the automobile and one person in the outlet. It was a miracle that no one was killed.

FAA and the National Transportation Safety Board (NTSB) responded to the scene to investigate the cause of the crash. When FAA came across evidence that Platinum may have been operating without proper certification, the matter was referred to the U.S. Department of Transportation (DOT) Office of Inspector General (OIG) for criminal investigation.

The Company

Michael Brassington co-founded Platinum Jet in 2002 along with his brother Paul and friend Andre Budhan. Michael served as President, Chief Executive Officer, and Chief Line Pilot. He controlled all flight operations, hired pilots, and drummed up customers. He also flew charter flight passengers, including sports celebrities and pop stars. Paul served as Vice President and booked flights, dispatched aircraft, and solicited business.

Aerial photograph of the crash site

OIG special agents would later establish that almost from the beginning, the trio of owners conspired to hide the lucrative business from the watchful eye of the FAA, evading the stringent operating requirements for commercial commuter and on-demand charter operators. They represented Platinum as a "Part 91" operator with FAA, while holding themselves out as a "Part 135" operator to the flying public.

The Crash

The Platinum Challenger aircraft was scheduled for a passenger charter flight to Chicago's Midway Airport on the morning of February 2. The flight crew and cabin aide arrived at the airport at approximately 5:20 a.m., and the pilots performed the necessary pre-flight inspections and checks, and noted no problems with the aircraft. In fact, the captain noted the aircraft was "absolutely clean." The first officer monitored

FAA designates several classifications of operators, under Title 14, Code of Federal Regulations. **PART 91 OPERATORS** are private plane operators that are not for public hire. **PART 135 OPERATORS** are smaller airlines, usually on-demand charter operators.

the aircraft while an airport technician loaded it with fuel. At approximately 6:08 a.m., after catering serviced the aircraft, the crew taxied to the designated gate to meet the passengers. The captain performed another "walk around" inspection to view the aircraft in better light, and the last passengers boarded at about 7:05 a.m.

At about 7:16 a.m., while taxiing to runway 6, Teterboro's air traffic control instructed the pilots to taxi into position on the runway and hold. The first officer completed the taxi and before takeoff checklists. A few seconds later, the pilots taxied onto runway 6. The air traffic controllers cleared the flight for takeoff at 7:17 a.m.

"Let's go," the captain directed as he increased engine power and steered the airplane onto the runway. With his left hand on the tiller and his right hand on the throttle, he accelerated the aircraft. The first officer, holding the control yoke, monitored the plane's acceleration through the rotation speed when suddenly the captain commanded, "Abort!" The pilots decreased engine power and applied speed brakes and thrust reversers in a desperate attempt to stop the airplane. According to flight transcripts, the captain's next words were "We're going...," then a loud crash was heard.

The aircraft ran out of runway and skidded across Route 46, striking one vehicle before slamming into the Strawberry clothing warehouse, where a post-impact fire ensued. Half of the aircraft was embedded in the building, and the pilots were trapped in their seats and unable to open the main cabin door to free the passengers. The airplane's occupants escaped the dark and smoky cabin only after two passengers managed to rotate the handle and kick the door open.

NTSB later determined that the accident's probable cause was the pilots' failure to ensure the airplane was loaded within weight and balance limits. When they attempted to take off, the center of gravity was well forward of the take off limit. NTSB also took issue with Platinum's weight and balance procedures, the flight crew actions, and lack of training.

The Criminal Investigation

The criminal investigation was assigned to OIG senior special agent (and former NYPD police officer) Rich McGrade of OIG's Manhattan office. McGrade knew that a successful prosecution would require that he piece together evidence buried in mountains of technical documents. He gathered FAA and NTSB documents, including Platinum flight logs and aircraft weight and balance documents, in order to begin the laborious task of piecing together evidence. He began to suspect that Platinum was routinely operating charter flights without a Part 135 certificate, disregarding FAA regulations, and falsifying aircraft center of gravity (COG) calculations. He subpoenaed Platinum's business and financial records, including banking transactions, and meticulously traced the company's financial transactions. He focused his work on 3 areas: Platinum's operation of charter flights with no Part 135 certification; pilot qualifications, hours of service, and the airworthiness of its aircraft; and its alleged falsification of aircraft weight and balance calculations.

Agent McGrade determined that Platinum had a "tankering" policy; that is, its pilots had orders to top off aircraft's fuel tanks with discounted fuel, which a handful of fuel providers sold at certain airports. This money-saving policy went to the extreme of requiring full fuel tanks even if the fuel was in excess of what was needed to make the trip and caused the aircraft to exceed its maximum forward COG limits. In other words, pilots were instructed to over-fuel aircraft even if it jeopardized human life.

To cover up this dangerous conduct, pilots manually altered the aircraft's weight and balance graphs to create the impression that they weighed substantially less than they really did. This gave the illusion that many of Platinum's flights were within their COG limits when they weren't. Platinum was playing "Russian roulette" during take-off, not knowing if the aircraft was able to safely operate.

Agent McGrade knew that many hours of work lay ahead in piecing together all the data he had gathered and that he would need a strong, capable partner from the U.S. Attorney's Office, and he found just that in Assistant U.S. Attorney (AUSA) Scott McBride. During their first meeting, agent and prosecutor clicked and quickly formed a strong team as they pored over the findings. Then they went to work serving subpoenas, reviewing documents, and interviewing witnesses.

Financial and banking records indicated that Platinum contracted many charter brokers that brought paying passengers to Platinum. Witness interviews indicated that because Platinum operated a Part 135 operation without required certification, it was able to offer low prices to charter brokers. It could do this because it saved a significant amount of money by not properly training pilots and cabin crew. It could also hire pilots at reduced salaries because those pilots did not have the flight hours or experience that would make them more marketable to a legitimate Part 135 carrier.

Depiction of the Bombardier Challenger, tail number N370V

When questioned, Platinum pilots corroborated that even though they were unqualified, they operated Part 135 flights. The logbooks and flight records supported their statements. Pilots admitted that Platinum officials instructed them to falsify logbooks by showing their flights as general aviation private flights rather than commercial for-hire charter flights.

A high point in the investigation came when McGrade and his team "flipped" two key company insiders who later testified on behalf of the Government at the Brassingtons' trial. They discovered that the cabin aide working on the day of the crash was a Fort Lauderdale nightclub waitress who had no FAA safety training. Following the crash, she did not even know how to open the door to allow the passengers to escape. McGrade and McBride developed the two key parts to any successful fraud investigation: a paper trail and witnesses to confirm that paper trail.

The Indictment

In January 2009, 4 years after the crash, a Federal grand jury in Newark, New Jersey, returned a multi-count indictment, charging company officials with criminal conspiracy and making false statements to FAA. Michael Brassington was also charged with endangering the safety of an aircraft. All defendants—including Paul Brassington, Platinum manager Andrew Budhan, pilot Francis Vieira, and charter director Joseph Singh—were charged with joining a conspiracy to defraud charter flight customers, jet charter brokers, and FAA by obstructing FAA's ability to regulate commercial aircraft.

According to the indictment, the object of the defendants' conspiracy was to enrich themselves by repeatedly violating airline safety and regulatory requirements by operating Platinum Jet as an on-demand commercial jet charter company. Without having FAA approval to operate passenger service, the Brassingtons solicited charter flight customers from jet charter brokers, and they misrepresented that they operated with FAA approval. Platinum flew in excess of 85 unauthorized commercial charter flights while taking in more than $1 million.

The indictment described how Platinum hired unqualified pilots and used pilots that did not have the required rest

Side view of the aircraft, post-impact, embedded in the Strawberry clothing warehouse

Michael Brassington post-arrest by OIG special agents.

McGrade was able to locate Michael Brassington by deciphering the IP addresses generated when Brassington logged onto his MySpace account.

time prior to scheduled flights. Company officials concealed these violations by falsifying flight logs and executing charter contracts that falsely represented their compliance with FAA commercial flight regulations.

The indictment accused Michael Brassington of "tankering fuel," even though the extra fuel caused the airplane to exceed landing and takeoff weights. To conceal the tankering, Michael and other company officials falsified weight and balance graphs allowing aircraft to fly while dangerously overweight. It was the Government's contention that Platinum's dangerous and fraudulent fuel tankering policy was the main cause of the Teterboro accident.

The 35-page indictment concluded by alleging that Michael Brassington and Platinum pilot Francis Vieira lied to NTSB investigators and provided falsified reports in an attempt to conceal the facts that Platinum carried passengers on unauthorized flights and exceeded weight limits.

At the time of the indictment, then acting U.S. Attorney Ralph J. Marra argued that "the fuel loading was the primary contributing factor in the crash. It is astounding—and criminal—that owners and operators of jet aircraft would repeatedly engage in such a dangerous game with passengers and airplanes loaded to the brim with jet fuel. What this indictment alleges is an anything-goes attitude by the defendants to get their planes in the air and maximize profits without regard to passenger safety or compliance with basic regulations."

The Arrest

Shortly after the grand jury returned the indictment, agents converged in Florida to execute five arrest warrants. Unfortunately, Michael Brassington's whereabouts were unknown. Numerous database checks came up empty; he was clearly lying low. Then McGrade had an idea. He decided to check social networking websites, and his search found Brassington on Myspace. Trained in computer forensics, McGrade was able to decipher the Internet Protocol (IP) addresses generated when Brassington logged on to his Myspace account. McGrade followed the trail created from the IP addresses and located a physical location for the computer Brassington had used---a million dollar ocean-front apartment in Hallendale Beach in south Florida. Agents were able to arrest Michael Brassington and his co-conspirators without incident.

Co-Conspirators Plead Guilty

In June 2009, Andre Budhan, one of Platinum's co-founders, pled guilty to conspiracy charges. He admitted that he and the Brassingtons started the private jet charter company without the intent of becoming FAA-certified to fly passengers, and despite having no certificate, Platinum operated as a commercial charter company while deceiving both customers and charter brokers. The company faxed contracts and documents that falsely asserted it had been issued a certificate.

The bond between the schemers began to break, and a week and a half after Budhan admitted his involvement, Joseph Singh, the director of charters, likewise pled guilty to conspiracy. As the charter director, he admitted that up until the time of the Teterboro crash, he dispatched unqualified pilots and cabin aides to fly a number of flights, while representing to the charter companies that Platinum was adhering to Federal rules. He had been the dispatcher for the ill-fated Teterboro flight.

Just prior to trial in September 2010, a third Platinum official fell on the sword. Francis Vieira, a former pilot, admitted to U.S. District Judge Dennis M. Cavanaugh that he flew dozens of illegal flights for Platinum, many of which were for famous athletes, musicians, and other well-known individuals. He also admitted that he falsified logbooks to conceal the flights and that on more than two dozen occasions he falsified weight and balance reports.

The Trial

The Government's prosecution team included two OIG Special Agents, McGrade and Ethan Pickett, and two AUSAs, McBride and J. Imbert, along with 510 trial exhibits that were entered into evidence and 35 witnesses from all parts of the world, including Malaysia and Singapore.

Several brokers took the stand and explained to the jury that Platinum advertised that it operated as a legitimate FAA-certified commercial operation so they had no idea that they were operating illegally. Even the contract documents executed by Platinum indicated that it was certified to carry paying customers.

Additionally, the trial team put on multiple experts to explain the technical aspects of the case. FAA Inspectors were called as experts to explain Parts 91 and 135 of Federal Aviation Regulations, as well as maintenance regulations and aviation mechanics. A private expert was called to testify about the cause of the crash—namely, the center of gravity of the aircraft being too far forward for safe operation—and about the dangers created by the defendants and their conspirators when executing their weight-and-balance scheme.

The Brassingtons' defense team stated that Platinum operated on advice given to them by Fort Lauderdale aviation attorney Michael Moulis. Moulis testified that he told the Brassington brothers and Budhan that they could operate charter flights without an FAA Part 135 certificate if they used six or less charter brokers when operating charter flights—a "convenient" defense considering that the prosecution had identified five charter brokers that Platinum contracted with while operating illegally. Agents McGrade and Pickett immediately scoured Platinum Jet bank records in an effort to identify more charter brokers and were able to identify two additional brokers that hired Platinum to operate charter flights. This brought the total number of brokers to seven, nullifying the defense team's argument.

The trial lasted 4 weeks, and on November 15, 2010, after nearly 4 days of deliberations, a Federal jury returned its verdict. Michael Brassington was convicted on 16 criminal counts including endangering an aircraft, conspiracy, and false statements. Paul Brassington was convicted of conspiracy.

At the conclusion of the trial, U.S. Attorney Paul J. Fishman said the defendants "chose to commit crimes in pursuit of profits over public safety. A pattern of fraud and deception is not a business plan. Today's verdict confirms that there are consequences when you break the law to boost your bottom line."

OIG, working with its FAA and NTSB partners, will continue to bring to justice those who attempt to skirt FAA safety rules and endanger the American public.

Photographs from NTSB Accident Report, "Aircraft Accident Report: Runway Overrun and Collision, Platinum Jet Management, LLC, Bombardier Challenger CL-600-1A11, N370V, Teterboro, New Jersey, February 2, 2005".

Product Substitution

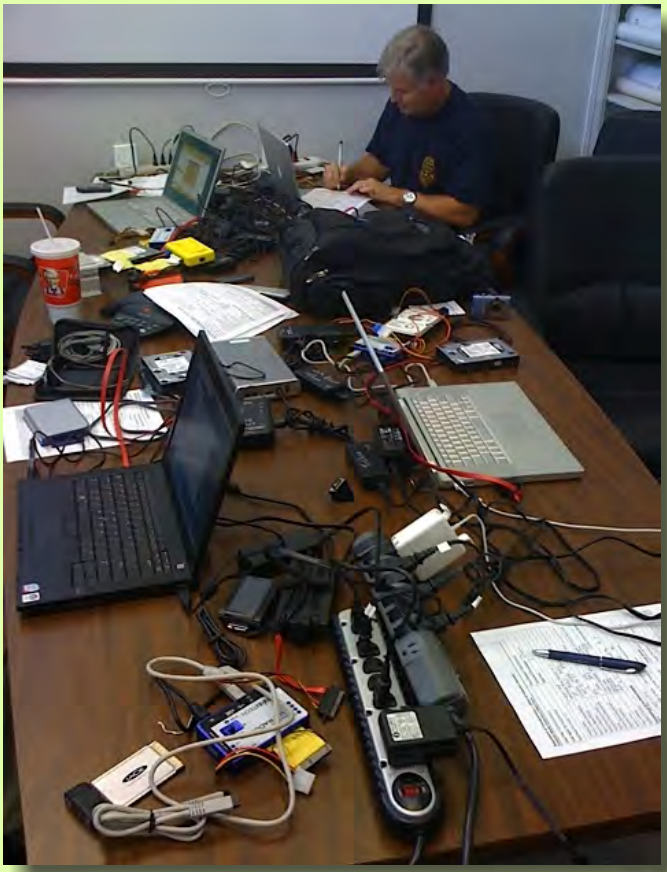
In a fraud scheme involving product substitution, a contractor misrepresents the product used in order to reduce costs for construction materials.

Recognize and Report Fraud in Federally Funded Programs, Contracts, and Grants

(800) 424-9071

U.S. Department of Transportation
Office of Inspector General

Spotlight on CCU: "First In, Last Out"



William Swallow, Assistant Special Agent in Charge, OIG Computer Crimes Unit, conducts a forensic examination of departmental computers

That is the motto of the OIG's Computer Crimes Unit (CCU), a specialized unit responsible for (1) identifying, collecting, and analyzing digital evidence in support of criminal, civil, and administrative investigations throughout the nation; and (2) investigating allegations and issues related to cybercrimes.

Today, individuals and businesses live and work on computers. Yesterday's paper trails have become today's electronic trails. OIG has long recognized the importance of digital evidence. Starting in the 1990s, OIG used select special agents trained as Seized Computer Evidence Recovery Specialists (SCERS) to perform forensic analyses of computer media as a collateral duty. In order to meet the demands of ever-increasing digital evidence, OIG created CCU in 2007. It now consists of four full-time Computer Crimes Agents and two full-time Computer Crimes Technicians, all with advanced computer training and experience to more fully exploit digital evidence.

CCU supports case agents and investigators across the nation by processing and imaging computer media. As Assistant Special Agent in Charge Bill Swallow says, "When out on search warrants, we like to be the first ones in the door, and we are almost always the last ones to leave." This is often due to the fact that processing and imaging of computer media at a search site can take a long time. It is common for CCU to find a dozen or more computers during a search with more than a terabyte (equal to 1024 gigabytes) worth of data. Since its inception, CCU has seen a significant increase in the amount of digital evidence associated with OIG cases nationwide. In fiscal year 2009, CCU processed approximately 170 pieces of digital evidence. Currently, CCU has seized and is examining approximately 300 pieces of digital evidence amounting to almost 32 terabytes.

CCU's second mission, cyber investigations, takes computer crimes agents into the dark underbelly of the Internet. This is a relatively new area for OIG, driven by the dramatic increase in cyber intrusions at DOT. OIG also plays a role in DOT's overall cyber security effort in its programmatic oversight. OIG has a role in ensuring efficiency by conducting IT audits to determine if the Department is following DOT and Government policy and ensuring the integrity of the Department's programs by conducting computer intrusion investigations. CCU works closely with DOT's Office of Chief Information Officer, Cyber Security Management Center, U.S. CERT, and the FBI to identify and thwart cyber criminals. CCU's investigations and operations often identify previously unknown computer system compromises that improve DOT's overall ability to mitigate this threat.

Two Fraud Investigations Focus on Hiring for Major Public-Works Projects in New York

Disgraced construction firm to pay 20M in hire fraud deal

Two construction firms may have gamed system to win big-money jobs, feds say

Minority building 'scams'

OIG SPECIAL AGENTS HELP LEVEL THE PLAYING FIELD BY INVESTIGATING DBE FRAUD IN DOT GRANTS

DOT is dedicated to serving our community, including those businesses contracting with state agencies and recipients of DOT funds. DOT's Disadvantaged Business Enterprise (DBE) program is intended to ensure nondiscrimination in the award and administration of DOT-assisted contracts in the Department's highway, transit, airport, and highway safety financial assistance programs. DBEs are for-profit, small business concerns where socially and economically disadvantaged individuals own at least a 51 percent interest and control management and daily business operations. Under Federal law, DOT operates the program to increase participation by DBEs in state and local procurements, and regulations require agencies that receive DOT financial assistance to establish goals for participation of DBEs and to certify their eligibility.

At least 10 percent of funds authorized for highway and transit financial assistance programs must go to DBEs. The goals of the program are in part to ensure a "level playing field" in which DBEs can compete fairly for DOT-assisted contracts. DOT's Operating Administrations distribute substantial funds each year to finance projects initiated by state and local governments and public transit and airport agencies, which must have established DBE programs that conform to DOT standards. The integrity of these programs depends to a large extent on the establishment of systematic procedures to ensure that only bona fide small, disadvantaged business firms are certified to participate. DOT DBE regulations place primary responsibility for the certification process on state transportation agencies. OIG investigates unscrupulous operators who attempt to manipulate or circumvent the rules of this program for personal gain.

Highlights from two recent successful prosecutions follow. The first is the largest DBE fraud case in DOT history.

Marikina

In August 2010, Ernest G. Fink, Jr., part owner and Chief Operating Officer of Schuylkill Products Inc. (SPI), Cressona, Pennsylvania, pled guilty in U.S. District Court in Harrisburg, Pennsylvania, to conspiracy to defraud and commit wire and mail fraud in connection with a $136 million DBE fraud scheme. SPI manufactured concrete bridge beams used on highway construction projects in Pennsylvania and surrounding states. Fink admitted to participating in a 15-year conspiracy to defraud DOT, Pennsylvania Department of Transportation (PennDOT), and Southeastern Pennsylvania Transportation Authority (SEPTA) in connection with the Federal Government's DBE program. Fink admitted that between 1993 and 2008, he and other executives of SPI diverted over 300 PennDOT and SEPTA construction contracts that were reserved for DBEs.

Agents determined that Fink and his co-conspirators used Marikina Construction Corporation, a small Connecticut highway construction company, as a front company. Marikina was owned by Romeo P. Cruz, a naturalized American citizen born in the Philippines. The company was certified by PennDOT and SEPTA as a DBE in 1993, and by 2007, through fraud, Markina grew to be the largest recipient of DBE-designated funds under PennDOT's DBE program. Although Marikina received the contracts on paper, it did none of the work; instead, the work was performed by SPI, who received the majority of the profits as well. Marikina was paid a small fixed fee for letting SPI use its name.

Fink and his co-conspirators concealed their activities for over 15 years by having their staff pretend to be Marikina employees; they used Marikina business cards, e-mail addresses, stationery, and signature stamps. They used magnetic placards and decals bearing the Marikina logo to cover up SPI logos on company vehicles.

When pleading to Federal charges, Cruz admitted that Marikina was really a front company for SPI and CDS Engineers, Inc. (CDS), another construction company involved in the fraud. Funds were merely passed through Markina to make it appear there was DBE participation. In reality, SPI and CDS personnel performed all of the work in connection with the subcontracts, and Marikina remitted all the proceeds back to SPI and CDS. As noted in the U.S. Attorney's Office press release from Cruz's plea, "SPI and CDS, which were not DBEs, rented Markina's name to obtain lucrative
Government contracts slotted for small and disadvantaged businesses."

At the time of Cruz's plea in January 2009, then U.S. Attorney Martin Carlson noted that the "disadvantaged business enterprise program is designed to ensure that all Americans can enjoy the full promise of prosperity that is an essential part of this country's history. Today's conviction, in the largest fraud ever reported involving this program, underscores the basic message that those who attempt to use this program, which is intended to create a promise of prosperity, as a pathway to greed will face severe consequences."

Schiavone

On November 29, 2010, Schiavone Construction Co. LLC, a New Jersey construction company, signed a civil settlement agreement in U.S. District Court, Brooklyn, New York, in which it agreed to pay a $20 million civil forfeiture related to DBE fraud on various public works contracts. As part of the resolution, the company admitted that between 2002 and 2007, fraudulent utilization reports were submitted on federally funded public works contracts falsely representing that work was performed by certified DBEs and minority and women-owned business enterprises (MWBE). Schiavone had executed two contracts with the New York Metropolitan Transit Authority totaling approximately $350 million. Both contracts received FTA grant funds and required that Schiavone comply with the DBE program. Schiavone also entered into a separate administrative agreement with DOT to ensure future compliance with DBE and MWBE requirements.

In a Department of Justice press release, Ned Schwartz, Special Agent-in-Charge for OIG Region 2 (New York) stated, "Federal transportation grant funds come with certain conditions. Contractors who do not live up to their end of the bargain will be held accountable. This investigation and settlement should serve notice that there are severe consequences for fraudulent acts. Working with our law enforcement partners, we will continue our vigorous efforts to protect taxpayers' investment in our nation's transportation infrastructure from fraud."

Disadvantaged Business Enterprise (DBE) Fraud

Under this scheme, a contractor misrepresents who performed the contract work in order to increase job profit while appearing to be in compliance with contract goals for involvement of minority- or women-owned businesses.

Recognize and Report Fraud in Federally Funded Programs, Contracts, and Grants

(800) 424-9071

U.S. Department of Transportation
Office of Inspector General

Selected "Red Flag" Indicators of Disadvantaged Business Enterprise (DBE) Fraud

- ✓ DBE owner lacking background, expertise, or equipment to perform subcontract work
- ✓ Employees shuttling back and forth between prime contractor and DBE-owned business payrolls
- ✓ Business names on equipment and vehicles covered with paint or magnetic signs
- ✓ Orders and payment for necessary supplies made by individuals not employed by DBE-owned business
- ✓ Prime contractor facilitated purchase of DBE-owned business
- ✓ DBE owner never present at job site
- ✓ Prime contractor always uses the same DBE
- ✓ Financial agreements between prime and DBE contractors
- ✓ Joint bank accounts (Prime/DBE)
- ✓ Absence of written contracts

OIG Investigators Recognized by DOT Secretary for Fraud Efforts

On November 4, 2010, two OIG investigators received Secretary Awards at DOT headquarters in Washington, DC, for their efforts in combating fraud.

Senior Special Agent Michael Purcell of Region 2 (King of Prussia, Pennsylvania), was awarded the Secretarial Award for Excellence. During 2010, Purcell helped secure significant convictions on a $136 million fraud scheme, which, according to a Department of Justice press release, was the largest uncovered DBE grant fraud scheme on record. The case, which involved a DBE pass-through scheme, has resulted in five indictments and three guilty pleas. In addition, Purcell's work helped secure indictments related to a sophisticated Government document fraud ring involving alleged bribes paid to PennDOT officials, and a conviction on another grant fraud case involving falsified payrolls on a $5.2 million highway construction project. His work also greatly contributed to the debarment of four contractors.

Senior Investigator George Sullivan of Region 5 (Chicago) received the Secretarial Award for Meritorious Achievement. An expert in DBE laws and regulations, Sullivan is a much sought after speaker on the subject. When the American Recovery and Reinvestment Act of 2009 (ARRA) was signed into law in February 2009, he embarked on a mission to use his proactive techniques to focus on those contracts and grants in several midwestern states funded by DOT with stimulus funds. After developing a proactive investigation into Illinois Department of Transportation (IDOT) projects worth a combined value of $40 million, he determined that DBE irregularities existed, and administrative action was taken to disallow the DBE credit. After these irregularities were discovered, IDOT's Office of Quality Assurance requested that Sullivan train the State's inspectors on his approach to fraud detection. He was also involved in another proactive investigation involving an ARRA-funded Chicago Transit Authority (CTA) rail project worth over $56 million, which was fully funded by FTA. The proactive review discovered that over $16 million in DBE credit goals were not being met. CTA also took administrative action based on these findings.

Operation Wingspan

FAA's responsibilities include the regulation of commercial aviation parts to ensure the safety of the public, but criminals who traffic in the lucrative business of manufacturing and distributing substandard, unapproved aircraft parts for monetary gain are a big concern in the industry.

For the past 2 years, OIG special agents in Florida have participated in Operation Wingspan, which focused on the illegal manufacture, certification, and sale of counterfeit military and commercial airplane parts, including aircraft skins, wings, and control surfaces by brokers, manufacturers, and repair station owners throughout Florida who were not approved by FAA or the Department of Defense (DOD). Due to the sensitive nature of this investigation within both the military and civilian aviation industry, Operation Wingspan included law enforcement partners from the Defense Criminal Investigative Service (DCIS), Air Force Office of Special Investigations, Federal Bureau of Investigation (FBI), Naval Criminal Investigative Service (NCIS), and U.S. Immigration and Customs Enforcement.

To date, the investigation has resulted in the execution of 9 search warrants; the indictment of 6 individuals, all of whom have pled guilty; sentencing resulting in the culmination of 6 years imprisonment; and $1.3 million in restitution.

Julio Zerene was one such illegal manufacturer. When agents searched his manufacturing facility, they found raw materials and the tools necessary for the production of airplane parts, including Computer Numerical Controlled machine systems, which are sophisticated end-to-end component design machines that use computer-aided designs to produce replicas of aircraft part components. The agents also found an autoclave oven system which is used for processes requiring precision-controlled temperatures, vacuum, and pressure. FAA inspectors who participated in the search said that the equipment was capable of manufacturing or repairing aircraft parts of any type. Zerene was convicted and sentenced to serve 37 months in prison.

John Falco, the owner of Falcon Aviation Group, was an illegal aircraft parts broker. He brokered his illegal parts by obtaining FAA certifications from Willie McCain, the owner of McCain Research Labs (MRL), a legitimate FAA-certified repair station. However, MRL is an aircraft radio repair shop and is not authorized to inspect and test aircraft parts. However, McCain completed 100 FAA Form Airworthiness Approval Tags stating that he was. Both Falco and McCain were convicted. Falco was sentenced to serve 37 months in prison and to pay $1.3 million in restitution. McCain was sentenced to serve one year and one day in prison and ordered to pay $21,750 in restitution.

Trucker Convicted of Logbook Fraud Following Traffic Death

By Michael Waters, Assistant Special Agent in Charge, Region 2 (King of Prussia, PA)

On January 20, 2009, long-haul trucker Valerijs Belovs embarked on a cross-country trip from Guadalupe, California, to deliver broccoli to produce markets in south Philadelphia and New Jersey. He arrived in the Philadelphia area on the morning of January 23. Traveling east on the Schuylkill Expressway-Route 76, Belovs rounded a curve and quickly came upon stopped, rush hour traffic. He applied the brakes to no avail, and his 74,000-pound Kenworth tractor trailer smashed into the stopped vehicles at 9:15 a.m.

Six vehicles crumpled, including an Infiniti driven by David Schreffler of Fort Washington, Pennsylvania. Mr. Schreffler died on impact. His passenger, Joseph Maylish, suffered a broken pelvis, broken ribs and vertebrae, a punctured lung, and permanent loss of vision in one eye. Four other commuters were rushed to area hospitals. It was reported that Belovs was seen on his hands and knees with a Bible in his hands following the crash.

Accident scene investigators impounded the truck and later determined that all of the truck's brakes were severely worn, despite the fact that the rig showed current inspection stickers. They also discovered that Belovs drove the Kenworth truck for the rig's owner, Victor Kilinitchii, who owned up to three trucks that he leased to drivers. It was discovered that just 7 weeks prior to the accident, Pratt Auto, located in Philadelphia, had issued new inspection stickers for the Kenworth truck.

The **FEDERAL MOTOR CARRIER SAFETY ADMINISTRATION** (FMCSA) regulates the maximum driving time for property carrying vehicle operators. Generally, in a given day, a driver cannot exceed 11 hours of driving a truck, and can only drive that long when preceded by 10 consecutive hours of rest. For companies that do not operate vehicles every day of the week, a driver is not allowed to drive after they have been on duty 60 hours during any 7 consecutive days. For companies that operate every day of the week, regulations say that a driver is not allowed to drive after they have been on duty 70 hours in any 8 consecutive days.

OIG special agents investigate allegations that companies and individuals have violated criminal statutes relative to the Federal Motor Carrier safety regulations.

The Investigation

Less than a month after the accident, Pennsylvania state police investigators contacted OIG's office in King of Prussia, Pennsylvania, to ask for assistance. The case was assigned to Senior Special Agent Robert Brautigam, who has had extensive experience investigating logbook fraud cases in his 25-year career. The State Police investigator asked Brautigam to assist in the interrogation of Belovs.

Belovs was interviewed at the Belmont State Police barracks in Philadelphia. He explained that during the trip to and from California leading up to the accident, he was experiencing braking problems with the truck. According to Belovs, during the fatal trip, somewhere near Chicago, he telephoned Kalinitchii and reported that the brakes were failing. He claimed that Kalinitchii (who paid for all repairs) would not give him approval to have the brakes repaired. Instead he ordered Belovs to complete the trip and have the load of broccoli in Philadelphia by 1:00 pm on January 23.

Belovs recalled one specific time when he applied the brakes, but the truck did not stop. He told Brautigam and the state investigators, "I push knob, and push brake but truck go ahead, couple seconds. I do again, truck go ahead couple seconds. I call him (Victor), but he say is the same work when I buy this truck, keep pumping the pedal and use knob." He described more problems with steering related to braking during the trip, so he called Kalinitchii again and reported that when he braked, the truck steered to the right. Victor told him that he would check the brakes when Belovs returned to Philadelphia. Belovs claimed he first experienced these braking problems while traveling out to California prior to his return trip to Philadelphia.

The interrogation then turned to the inspection stickers. Belovs said Kalinitchii gave him the stickers and he had put the stickers on the truck's trailer and cab. He said he had no knowledge whether the rig actually went to Pratt for inspection and admitted that on two previous occasions, he had purchased stickers without having his truck inspected.

At the end of the interview, Belovs admitted that he had violated Federal Motor Carrier regulations and driven over the hours limit on the day of the crash. When asked if he had any idea as to the number of hours he was over, he responded, "I have no idea. If I wanted sleep, I sleep 3, 4, maybe 5 hours. Then I go. If I feel normal, I go." He explained he was over hours because of the deadline to get the produce to market by 1 p.m. on January 23.

When confronted, all of the defendants admitted their roles in the accident. Kalinitchii, the truck's owner, admitted that he paid the inspection station for stickers without having the rig inspected and making the necessary repairs. Knowing the brakes were failing, Belovs admitted he continued driving the truck with tragic results; and Pratt owner, Joseph Jadzak, admitted that he sold the stickers to Kalinitchii without inspecting the cab or trailer.

The Montgomery County District Attorney's Office was considering homicide by vehicle charges. Drivers had been charged before, but that office never charged a truck owner or an inspection station. To successfully bring vehicular homicide charges, the State would have to satisfy the reckless and grossly

negligent legal standard contained within the Pennsylvania statute. To do this, it turned to agent Brautigam to analyze the driver logbooks to determine if Belovs violated Federal Motor Carrier regulations concerning hours of service.

Agent Brautigam set to work reviewing the logbooks, toll receipts, gas receipts, GPS monitoring device, and bills of lading and manifests that detailed delivery times. An expert in this type of analysis, he determined that at the time of the accident, Belovs had violated FMCSA's 70-hour rule—in the 8 days leading up to and including the day of the accident, he had driven more than 70 hours. In fact, the analysis showed that he drove 88 hours in that time period, exceeding the hourly limit by 18 hours. This affected his reaction time, and when coupled with bad brakes created a deadly combination.

Agent Brautigam also determined that Belovs maintained four sets of logbooks—each falsified to get him out of any jam he might find himself in if pulled over by highway patrol or inspected by FMCSA regulators. For example, each of the four logbooks had entries for January 7, 2009. Logbook one showed Belovs off-duty in Anaheim, California. Logbook two claimed Belovs was in the sleeper berth in Hubbard, Ohio. Logbook three claimed he was off-duty in Chicago, Illinois, and logbook four showed him off-duty in Malaga, New Jersey. This analysis provided the prosecutor with the evidence needed to meet the statutes' reckless and gross negligence standards.

State Charges

On June 29, 2009, the Montgomery County, Pennsylvania, District Attorney's Office filed an Information charging Belovs with 34 counts of various crimes, including homicide by vehicle, recklessly endangering another person, and reckless driving. The court filing alleged that Belovs did "unlawfully and unintentionally cause the death of David Schreffler while engaged in the violation of any law of this Commonwealth. . . applying to the operation or use of a vehicle . . . and said violation is the cause of death."

The charges also emphasized that Belovs' reckless nature placed Maylish and other victims in danger of death or serious bodily injury. Other charges in the court filings stemmed from the poor condition of the truck's brakes and tires.

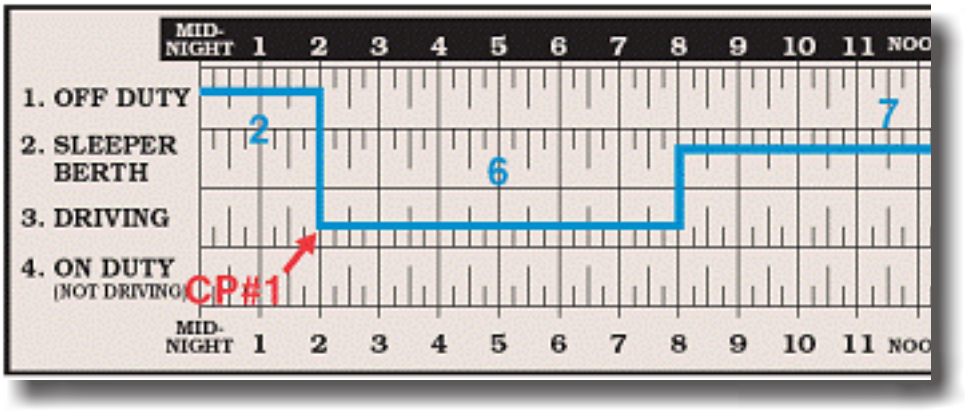
Likewise, on July 23, the District Attorney's office filed vehicular homicide charges against truck owner Kalinitchii. The court filing contended that Kalinitchii "cause[d] or permit[ted] another person to operate, on any highway in this Commonwealth any vehicle or combination which is not equipped as required under department regulations." In total, Kalinitchii was charged with 27 counts of various crimes.

The District Attorney also charged Joseph Jadzak, the owner of Pratt Auto, with 31 counts for his role of selling inspections stickers to Kalinitchii without actually inspecting the truck. Those charges, filed on July 8, 2009, also included crimes of homicide by vehicle, involuntary manslaughter, and recklessly endangering another person.

Justice

Facing overwhelming evidence, the three defendants pled guilty. Belovs pled guilty to one felony count of homicide by vehicle and five counts of recklessly endangering another person. Jadzak pled guilty to one count of vehicular homicide and one count of unlawful activities. Kalinitchii pled guilty to various criminal charges, including one felony count of homicide by vehicle.

On April 26, 2010, Belovs was sentenced to 3 to 23 months in prison. Kalinitchii was fined $2,000, ordered to pay restitution in the amount of $26,000, and sentenced to 11 to 23 months in prison. Jadzak was sentenced to 3 to 23 months in prison, and ordered to pay $26,000 in restitution.



Example of a driver logbook

Ex-FAA Employee Convicted of Misusing Computer Systems to Steal Over $2 Million in Government Property

By Michelle Ward McGee, Assistant Special Agent in Charge, Region 9 (Seattle)

Federal employment is a public trust, and employees are responsible for placing loyalty to the Constitution, laws, and ethical principles above private gain. OIG has oversight responsibilities under the Inspector General Act, and conducts administrative and criminal investigations in cases involving serious employee misconduct.

The case of Steven B. Smith is one such case. Smith used his position as an FAA employee to make Federal property disappear in a manner that even Houdini would envy. The property included an airplane, a 44-foot yacht and several other boats, trucks, computers, and construction equipment. He was assisted in the scheme by his half-brother, Bradley A. Garner, a Canadian business owner living in Palm Desert, California. The two might have gotten away with stealing nearly $2 million in property if an honest, hardworking, and diligent Federal employee hadn't noticed that something was amiss.

The Referral

On April 23, 2008, the supervisor of OIG's Seattle office got a telephone call from a special agent in charge (SAC) with the General Services Administration's (GSA) OIG who asked if we would like to participate in a joint investigation of allegations his office received from a GSA property disposal specialist employee about a suspicious transfer of excess property. The allegations involved the transfer of a 44-foot sailboat from GSA's excess property system to DOT's Maritime Administration (MARAD). According to the GSA property specialist, transfer of the property was requested by Steven Smith. The GSA property custodian said he recognized Smith as an FAA employee who had acquired excess property for FAA in the past. However, this time he found Smith's request odd because he was requesting property for MARAD and an FAA employee couldn't request a property transfer from GSA's excess property system to

a Federal agency other than the one he or she was employed by. When he questioned Smith about the property request, he said Smith got "uncomfortable," so he decided to stop questioning him and refer the matter to GSA-OIG instead.

The GSA-OIG SAC explained that the excess property referral system was set up so that Federal agencies can acquire excess Government-owned property from other agencies. Regulations require that agencies fill their property needs by using existing property or by obtaining excess property in lieu of new expenditures or procurements. He said the excess property system saves taxpayers millions of dollars each year. He further explained that the system was accessed via a GSA-issued account number and password. When agencies identify a need for property, they access GSA's excess property system, known as GSAXcess, which allows them to search for the item needed. When they find property that meets their needs, they can place a hold on it, then successfully claim it. The military has a similar program set up for its excess property, which is distributed through Defense Reutilization and Marketing Offices (DRMO).

The SAC said he had spoken with Smith's supervisor, who advised him that Smith worked as an FAA technician and was responsible for repairing and maintaining FAA equipment located in and around San Diego, California. The supervisor said Smith did not have authority to screen property for FAA, and there was nothing in his job description that would require him to obtain excess government equipment. He said he could think of no conceivable reason for Smith to be acquiring excess Federal property on behalf of FAA. He also said that he felt that Smith was "not an honest employee." He had to counsel Smith several times because he believed he was misusing his Government purchase card.

OIG agreed to work the investigation jointly with GSA-OIG, and both supervisors assigned two of their most seasoned special agents to look into the matter. The GSA-OIG agent said he would work with GSA's property specialist to get information about the type and amount of property Smith allegedly screened. OIG's agent agreed to find out all he could about Smith, and determine whether he had authority to screen property for FAA, MARAD, or any DOT agency. The agents also briefed an Assistant United States Attorney (AUSA) on the allegations. The AUSA told the agents that if the allegations about the 44-foot yacht were true, Smith would be prosecuted for his crimes in the Western District of Washington.

"Now This Is a Kodak Moment!"

OIG agents spoke with Smith's first- and second-level supervisors. They told the agents that Smith had been employed since the mid 1990s as an FAA airway transportation specialist. He was responsible for certifying and maintaining FAA equipment at McClellan-Palomar Airport in Carlsbad, California, but he was currently working in a 2-month temporary assignment at FAA's Regional Office in Los Angeles. His supervisors again confirmed that Smith had no authority to screen property on behalf of FAA. The agent also checked with MARAD's property screener who confirmed that Smith did not have authority to screen excess property for MARAD.

GSA-OIG conducted a review of its records and determined that since 2004, Smith had been stealing Government excess property by illegally using MARAD and FAA property screening account codes. GSA-OIG's agent also determined that Smith had most recently screened the U.S. Naval Sailing Yacht commissioned "The Lively," which was moored at a marina on Seattle's Elliott Bay. The Lively was a 44-foot yacht that was used by the University of Washington's Navy ROTC as a training vessel. According to GSA's property specialist, Smith gave him the necessary documents to have the yacht released from DRMO to MARAD.

The agents met with the harbor master at the marina on Elliott Bay where The Lively was moored. The harbor master told them he'd spoken with Smith, who had called him to arrange for a time he could pick up the yacht. He said that Smith had told him he was with DOT and that MARAD would be sharing use of The Lively with a nonprofit organization that offered sailing lessons to disadvantaged teenagers. He also told the harbor master that he might be sending a representative to pick up the vessel instead of picking it up himself.

The agents decided to conduct surveillance to see if Smith would actually steal a 44-foot yacht. They contacted an agent from NCIS, who joined the investigative team. When the FBI was notified about the investigation, it also assigned an agent to assist. OIG's agent remained in close contact with Smith's supervisors to find out when he scheduled annual or sick leave.

The U.S. Navy sailing yacht "The Lively" stolen by Smith

Knowing this information would help determine when he would head north to pick up the yacht.

On April 30, 2008, Smith's half-brother, Garner, showed up at the marina to take possession of The Lively. The agents had the yacht under surveillance when he arrived and they watched as he struggled to get the engine started, but failed. It was discovered that the boat would need a lot of repairs before he would be able to move it. It remained in the marina for another month while Smith, Garner, and a friend worked to make the repairs. On June 1, 2008, Smith and his friend had it towed out of the marina on Elliott Bay to a marina on Shilsole Bay, where they finally got the new engine started. On June 7, 2008, the agents were there watching as Smith and his friend piloted The Lively out of the marina. They appeared to be very elated, and Smith yelled out, "Now this is a Kodak moment!"

The agents were subsequently told that Smith and his friend were stopped by U.S. Coast Guard agents later that day. Smith told the Coast Guard agents that he purchased The Lively at auction from DRMO, and that he was sailing her to Blaine, Washington, where he planned to moor the boat for the summer. In July 2008, Garner sailed The Lively from Blaine to False Creek, Canada. In September 2008, he and his wife took The Lively out for a sail, and the commanding officer for the University of Washington's Navy ROTC and his crew recognized The Lively while she was docked in Pender Harbor, British Columbia. The officer engaged Garner and his wife in conversation about the boat, and Garner's wife told the officer that they had gotten the boat from his brother, Steven, who worked for the U.S. Government.

Everything but the Kitchen Sink…

During this time, the team of agents continued to review the list of items stolen by Smith. They found that over a 4-year period, he had netted close to $2 million in Government property by illegally obtaining it, purportedly on behalf of FAA and MARAD. In addition to The Lively, stolen items included two Boston Whaler boats, a 50-foot fishing boat, a camper, a pick-up truck, miscellaneous construction equipment, several computers and printers, and many other small items. In all, over 200 items were identified that Smith had stolen from the Government.

Surveillance conducted at Smith's home determined that many of the vehicles he had stolen were still in his possession. They verified that one of the stolen Boston Whaler boats was on a trailer parked in front of his house, the "U.S. Coast Guard" markings still visible on the boat. Two of the stolen trucks were also parked at his home.

Surveillance also identified some of the stolen property outside of a hangar that Garner leased at an airport in Palm Desert. The discovery of a single-engine Cessna 210 purportedly screened by Smith for an FAA installation in Carlsbad provided evidence that showed Garner was involved in the scheme. The agents determined that after Smith stole the aircraft, he transferred ownership to Garner, who later insured it using a bogus bill of sale created by Smith. The bogus bill of sale identified Smith as a Government agent with authority to transfer ownership.

The agents took their findings to the AUSA, who felt they had developed enough probable cause to arrest Garner and Smith for conspiracy to commit wire fraud, unlawful monetary transactions, and theft of honest services, and to execute search warrants at their homes and at the hangar. By now, the investigation included agents from DCIS, Army Criminal Investigation Division (Army CID), and U.S. Department of Agriculture's (USDA) OIG.

"I Think I'm in Trouble"

In the early morning of November 19, 2008, 25 agents from OIG, GSA-OIG, NCIS, Army CID, DCIS, and the FBI executed simultaneous arrest and search warrants at Smith's and Garner's homes and at the leased airport hangar in Palm Desert. Garner and Smith were just waking up and appeared quite

surprised when the agents entered their homes to arrest them and to conduct searches. After the arresting agent read Garner his Miranda warning and handcuffed him, Garner immediately invoked his right to counsel. He told his wife, who was extremely upset as she watched agents arrest her husband and search her home, "Call our attorney, do not talk, and do not cooperate."

However, Smith decided he wanted to talk to the arresting agents. The agents told him about the evidence they had so far developed against him, and they told him they knew he had illegally used FAA and MARAD screening account codes to steal Government property and about his theft of The Lively, a Cessna aircraft, the Boston Whalers, and all the other property he stole over a 4-year period. Smith admitted to illegally screening items by using the MARAD and FAA account codes in order to get the property for himself. He described GSAXcess as a "gaping giant hole, black hole, of Government property," and blamed his ability to steal so much property for so long on a system that "had no checks and balances." He said, "There's tons of people that are doing whatever they want with [the system] because there's no, personally, no oversight until you guys, come pounding down someone's door." He told the agents he was "very disappointed that the Government would allow people to be getting into trouble." He also said, "I think I'm in trouble. It sounds like you gentlemen have plenty of information to, like, put me away for a long time."

"I think I'm in trouble. It sounds like you gentlemen have plenty of information to, like, put me away for a long time." - Steven B. Smith

While Smith blamed GSAXcess and to some extent himself, the agents were surprised when he refused to "point the finger" at anyone else—including Garner. He said that Garner had helped him move the stolen property around but that he never told Garner where or how he was getting the property.

As the two men were transported to jail, the agents began the marathon search of each location. A fourth search site was also identified—a field in the small desert town of Anza, California. Smith had hidden much of the stolen construction equipment there. An additional search warrant was secured and the agents seized the stolen items from the field, which included light towers, a bulldozer, and a backhoe. The search of all four locations lasted nearly 2 full days.

Agents from OIG's Computer Crimes Unit (CCU) were also part of the search team, and their talents would prove to be invaluable. CCU agents seized personal computers located in Smith's and Garner's homes and at the airport hangar. They also seized approximately 40 other computers believed to have been stolen by Smith.

They analyzed the computers and found documentation related to Smith's activities, but more importantly, they found documentation that showed that Garner had assisted him. They also identified documents showing that Smith paid to have one of the stolen Boston Whaler boats surveyed; a California Department of Motor Vehicles (CDMV) Bill of Sale for a stolen 2003 EZ Load trailer, which identified Garner as the seller and Smith as the buyer; and a CDMV Bill of Sale for a stolen GMC truck that listed Garner as the seller and Smith as the buyer.

Smith and Garner each made their initial appearance before a judge in Federal court in Riverside, California. Both eventually made bail and were released to begin mounting their defense against the charges. FAA put Smith on administrative leave while it processed a proposal to remove him from Federal service. His supervisor told the agents that while reviewing a voucher Smith submitted for mileage reimbursement, she discovered that it included a mileage claim for a trip he purportedly took on November 19, 2008. The agents found this to be particularly funny, given the fact that November 19 was the day he was arrested and jailed. Smith subsequently resigned from FAA, effective January 1, 2009.

"Guilty on All Counts"

On February 4, 2009, a Federal grand jury returned a one-count Indictment charging Smith and Garner with wire fraud and theft of honest services. On March 19, 2009, the Indictment was superseded to include additional wire and mail fraud counts, as well as a count of engaging in an unlawful money transaction. The men entered not guilty pleas when they were arraigned, and trial dates were set for both.

The agents and prosecutors spent months preparing for Garner's trial. The evidence against him was solid, and the team worked long hours (including nights and weekends) to put to-

gether their case. They wanted to be certain a jury would convict him of all the charges levied against him.

His trial started in June 2009, and lasted nearly 3 weeks. Garner's attorney argued that Garner did not know how Smith got the property. The attorney said Garner did not know Smith could not legally take possession of the property for his own use, or that Smith could not legally give the property to him. But the Government's case against him was solid, due in large part to the solid investigative work done by the multi-agency team of investigators and CCU's computer forensics analysis.

The evidence found by CCU was so important to the Government's case, that the CCU agent responsible for the analysis spent almost 4 hours on the witness stand testifying about his findings. He explained how his analysis found e-Fax documentation on computers used by Garner and Smith that showed Garner was fully aware of Smith's activities. This evidence, coupled with the extensive investigative work done by the investigators—which included conducting numerous interviews, several days and nights of surveillance, and reviewing the mountain of documents gathered throughout the investigation—proved that Garner had knowledge of and participated in the scheme. After deliberating 10 hours, the jury returned a verdict of guilty on all counts.

Garner was sentenced on February 26, 2010. A sentencing memo written by the AUSA recommended that Garner be ordered to serve a 15-year prison sentence, and noted Garner's leadership of the scheme and the harm to the community. The prosecutor wrote, "Bit by bit, piece by piece, the evidence showed that Garner was a manager, financier, and driving force behind the scheme. By the end of trial, the facts proved that Garner's expertise, leadership, and resources caused the scheme to grow in breadth and boldness. The brothers went from stealing tools from nearby Federal facilities to elaborate stratagems that targeted airplanes and yachts...[They] deprived deserving agencies from state and local law enforcement, fire departments, job corps, and others of the use of this property, where it would have served the community's interests, not the schemers' interests." The court ultimately sentenced him to serve 54 months in prison and ordered him to make restitution in the amount of $239,687. The restitution included $67,993 to the investigating agencies for the money spent to move and store recovered items. Garner will also serve 3 years probation when he is released from prison.

After Garner's conviction, on March 22, 2010, Smith pled guilty to the theft of honest services and wire fraud. Writing to the court in support of a 54-month prison sentence for Smith, prosecutors noted, "The scheme did more than monetary damage to the 22 Federal agencies the defendants defrauded. Their scheme also did untold damage to the integrity of the Federal Government and the entire GSA property distribution system... It is convenient for Smith to console himself by thinking that they stole only junk, and did so from the richest and most powerful Nation in the world. The truth is that they stole from a program designed to save taxpayers money, and from the stream of charity and beneficence that the United States directs to the less fortunate. In short, Smith's crimes had greater impact on taxpayers and the needy than they did on the United States Government."

At his June 30, 2010, sentencing, the judge told Smith, "This was a serious offense. You say that it was a lapse in judgment, but it was not just one; it was many conscious decisions, day after day, week after week, month after month, to take advantage of your position in the Government." Smith was sentenced to serve 42 months in prison and will serve 3 years probation when he is released from jail. He was also ordered to make restitution in the amount of $186,619.

While Smith and Garner's excess property scheme may have been unique, a small percentage of DOT employees will abuse their public trust by other means. When they do, OIG special agents will be there to see that they are held accountable for their actions.

Cessna 210 aircraft stolen by Smith

Time Overcharging

In a time overcharging scheme, a consultant or contractor misrepresents the distribution of employee labor on jobs in order to charge for more work hours, or a higher overhead rate to increase profit.

Recognize and Report Fraud in Federally Funded Programs, Contracts, and Grants

(800) 424-9071

U.S. Department of Transportation
Office of Inspector General

OIG Special Agent Identifies Sub-Standard Steel on Sound Transit Light Rail Project and Helps Resolve Safety Concerns

By Michelle Ward McGee, Assistant Special Agent in Charge, Region 9 (Seattle)

Sound Transit Seattle Light Rail

OIG special agents are responsible for investigating a variety of complex fraud and safety cases to protect Federal transportation funds and the traveling public. Upon receiving a new case, an agent must quickly get up to speed and become conversant in the subject matter in order to quickly frame the issues involved, competently talk to technical witnesses, expertly analyze documentary evidence, and explain technical findings in plain English to first a prosecutor and later in court.

In the Appleby NW, Inc., case in Seattle, Washington, one agent learned the intricacies of steel manufacturing and, in the process, helped convict a steel supplier for making false statements and ensured the safety of the Sound Transit Seattle Light Rail.

Red-faced and Spittin' Mad

In July 2007, following a tip from the Federal Highway Administration (FHWA), agents from OIG's Seattle office met with an irate manager of a steel fabrication shop in northern Washington. The red-faced man told the agents he was "spittin' mad" because his company had recently lost another lucrative FHWA-funded bridge construction project to Appleby NW, a company located in Granite Falls, Washington. The contract was for steel shaft casings to be used to support the bridge's foundation. The manager explained that he believed the company's owner, David Appleby, was able to undercut his competitors' bids on FHWA projects in Washington and Oregon by purchasing foreign steel to fabricate the casings, a violation of the Buy American Act. The manager provided the case agent with several leads, including information relating to the recently constructed Tolt River Bridge project, and a criminal investigation into the alleged Buy American Act violations was opened.

The Steel Expert

OIG special agents met with FHWA engineers, who explained that the steel casings Appleby NW made for the Tolt River Bridge project were temporary casings. After examining the contract, it was determined that the temporary casings were not required to be Buy American-compliant. The agent asked the engineers to provide a list of projects where Appleby NW had subcontracted to make permanent steel casings, which were required to be Buy American-compliant. One such project identified was the $2.6 billion Sound Transit Seattle Light Rail, a project not funded by the FWHA but by the Federal Transit Administration (FTA).

The agent contacted FTA officials to obtain information about the project, especially contract specifications, along with the steel mill tests reports to certify that the steel was melted, manufactured, and rolled in the United States. Appleby NW had supplied permanent shaft casings used to form and support the concrete foundations for the elevated portions of the project's 4-mile track. The company provided approximately 150 casings, ranging in size from 9- to 12-feet high and approximately 12 feet in diameter. FTA officials suggested that the agent could get the mill test reports that Appleby NW had gotten from its supplier when the steel was purchased. It was a requirement of the contract that these reports be submitted to Sound Transit as proof the steel met contract specifications.

A few days later, Sound Transit provided the agent with hundreds of mill test reports it received from various contractors for steel used on the project. Thirty-six mill test reports received in 2005 and 2006 were for the steel shaft casings Appleby NW had made for the project. Sound Transit also gave the agent a letter from Appleby NW's steel supplier dated September 7, 2005, that appeared to have been written to indicate the steel used met the project specifications.

The agent closely examined the mill test reports, but according to everything he had been told by several expert engineers about what to look for in the reports, nothing looked out of the ordinary. The reports indicated that the steel was manufactured, made, and rolled in the United States. The steel met the tensile and yield strengths as required by the contract specifications, and the certifications were all signed by a representative from the steel supplier.

Former Appleby NW employees were interviewed, but none of them provided information to corroborate the allegations. The agent told his supervisor, "My gut tells me something's up with these, but I don't think it's a Buy America issue. I'm starting to think, though, if there is fraud here, I'm going to have to become a steel expert to find it."

Things Are Not as They Appear

In February 2008, Appleby NW's steel supplier was served with an Inspector General subpoena that required it to submit the certified mill test reports and invoices for any steel purchased by Appleby NW from January 2005 to December 2006. The agent wanted to compare the reports with the ones previously received from Sound Transit. On the day the supplier received the subpoena, the agent received a telephone call from the company's attorney. The attorney wanted to know if his client was the target of an OIG investigation and why the agent wanted these particular documents. The agent explained that he was looking into allegations regarding Buy American compliance. The attorney told him that his client had regularly sold Appleby NW Buy American-compliant steel, and that his client would comply with the subpoena request.

Within a few weeks, the agent got a package from Appleby NW's steel supplier containing numerous pages of invoices as well as mill test reports. The attorney was right. From the sheer volume of documents received, it appeared that Appleby was a regular customer of his client. It took several days to find the 36 mill test reports and invoices that corresponded with those received from Sound Transit. As the agent compared and contrasted each mill test report, he quickly realized there was a problem.

The 36 mill test reports received from Sound Transit and the ones received from the steel supplier were identical except in one detail: the physical properties for yield strength on the mill test reports received from Sound Transit appeared to have been altered to reflect a yield strength psi of 50,000 or above. The steel supplier's report indicated a yield strength psi of 36,000. All of the mill test reports the prime contractor provided to Sound Transit had been altered in this way, but by whom exactly and why? Was it the prime contractor, Appleby NW, or the grant recipient, or was there a conspiracy between some or all of them? The agent didn't know, but decided a meeting with FTA was in order and

since he now believed he had evidence the mill test reports were falsified, it was time to meet with a prosecutor.

In April 2008, the agent met with FTA representatives to report his findings. Based on the evidence of falsified mill test reports to cover up the use of substandard steel, FTA would have to get a safety determination from Sound Transit certifying that the steel used to construct the steel shaft casings for the project was safe and did not have to be replaced.

The agent also presented his findings to an Assistant United States Attorney (AUSA), who found the potential safety issues extremely troubling. The prosecutor told him that if his hunch was right, and the documents were falsified, the case would be prosecuted. The agent also coordinated with the FBI, and an FBI agent was assigned to assist in the investigation. The agents quickly discovered that this was a classic case of "Who done it and why?" The "who" was David Appleby, and the "why" was the reason that motivates most white collar criminals: money.

Substandard steel casing manufactured by Appleby

"But That's Not the Only Thing That's False"

In May 2008, a witness told the agents that in the spring of 2005 or 2006, while working in an office at Appleby NW with David Appleby, Appleby had told him something like, "I sure hope they don't compare the mill test reports I submitted to the ones I got from my steel supplier because they won't match." The witness believed the "they" David was referring to was the light rail's prime contractor, Sound Transit, or both. He also recalled seeing a number of mill test reports that accompanied the steel Appleby NW purchased from the supplier, which was set aside to make the casings for the Seattle Light Rail project. When the witness reviewed the reports, he noticed that the yield strength was lower than what the contract specifications called for, which he brought to the attention of David Appleby. Appleby told him that although the steel was not what the light rail project specifications called for, he was going to use it anyway because time was money and he didn't want to wait for a new shipment from his supplier because it would take too long to get it. The witness remembered that David Appleby told him that they "needed to make sure this stuff passes." The witness interpreted this comment to mean that it had to pass testing and, specifically, had to meet the minimum yield strength the project specifications required.

The witness said that when the inspector hired to test the steel arrived, samples were cut from steel that David Appleby told the inspector had been purchased for use on the light rail project. These samples, commonly referred to as "coupons," would be taken to a testing facility to determine if their chemical properties met contract specifications. The inspector and David Appleby watched as the coupons were being cut, but then an Appleby NW employee took them to another building, purportedly to be cleaned. What the inspector didn't know was that David Appleby had already made sure that identical coupons had been cut from steel that met contract specifications and the employee had been instructed to switch the samples.

The agents got a copy of the lab test results in June 2008, along with an attached summary report dated September 25, 2005. The report said that the inspector had witnessed the cutting of the coupons at Appleby NW and had taken them to a lab to be tested. But much to their surprise, the lab report indicated that all five coupons failed to meet the minimum yield strength. The steel

used by Appleby NW to construct the steel shaft casings for the light rail project did not meet the project's contract specifications, but neither did the samples provided to the inspector.

The witness also told the agents he had recently seen the Appleby NW employee who had cut the coupons and switched the samples. The witness said that the employee no longer worked for Appleby NW but was worried because he knew the agents wanted to talk to him. He was certain that OIG knew about the false coupons and he feared he'd be arrested. The case was turning into one that everyone involved in the investigation feared most: one that could potentially impact the safety of the new light rail.

The agents knew that all the mill test reports they had identified stated that the coupons' structural properties were grade 36 steel and the contract specifications called for grade 50 steel. They had the September 7, 2005, letter from Appleby's steel supplier that indicated the steel was manufactured and made in the United States, and that the steel met all the chemical and physical requirements of grade 50 steel. But how could the company make this claim when the letter was attached to mill test reports that showed the steel referenced in the letter was actually grade 36 steel?

The agents decided to contact the author of the letter, a sales representative who worked for the steel supplier. The salesman reviewed the letter and unequivocally denied ever writing it. He stated that the signature on the letter was not his, and moreover, the information in it was untrue. He told the agents that none of the mill tests reports that his company provided to Appleby NW for the steel used on the light rail project met the minimum yield strength required for 50 grade steel. Furthermore, he said he would have never written the letter because he did not have the authority to make claims about the physical properties of steel; it was not in his job description and was against company policy for him to provide that kind of analysis. He looked in the file he kept marked "Appleby NW" and could not locate the letter or anything like it.

He told the agents he had last spoken with David Appleby in June 2008, when Appleby had called to request that the company send him copies of a large amount of old mill test reports for steel purchased many years before. He had faxed David Appleby 139 mill test reports in response to this request and he subsequently provided copies of these reports to the agents. They also asked for samples of his signature, which he willingly provided. He told them that Appleby had said he had recently sold the company, but he was staying on as an employee.

The agents sent the handwriting samples to a certified forensic document examiner for handwriting analysis. The examiner concluded that "the questioned signature had many of the same qualities of a simulated signature and was probably not signed by" the sales representative.

Safety First

When the engineer who was responsible for project oversight at Sound Transit was interviewed, he said that he became aware of the steel grade discrepancy in September 2005. A subordinate told him that Appleby NW was claiming that the yield strength of the steel was dual certified as both 36 and 50 grade steel, but in order to use grade 36 steel, Appleby would have had to get authorization from Sound Transit, which they had not done. By the time this discrepancy was discovered, there were already dozens of these casings in the ground so a team of engineers at Sound Transit had the steel independently tested, and it was determined that the steel met acceptable safety standards.

The agents and the prosecutor met with FTA officials to brief them on their findings and were told that they were waiting on the requested certifications from Sound Transit about the safety of the steel Appleby NW used for the project; however, in light of the information the agents and the prosecutor provided, FTA officials decided to hire their own expert to conduct an independent review of the structural integrity of the steel shaft casings.

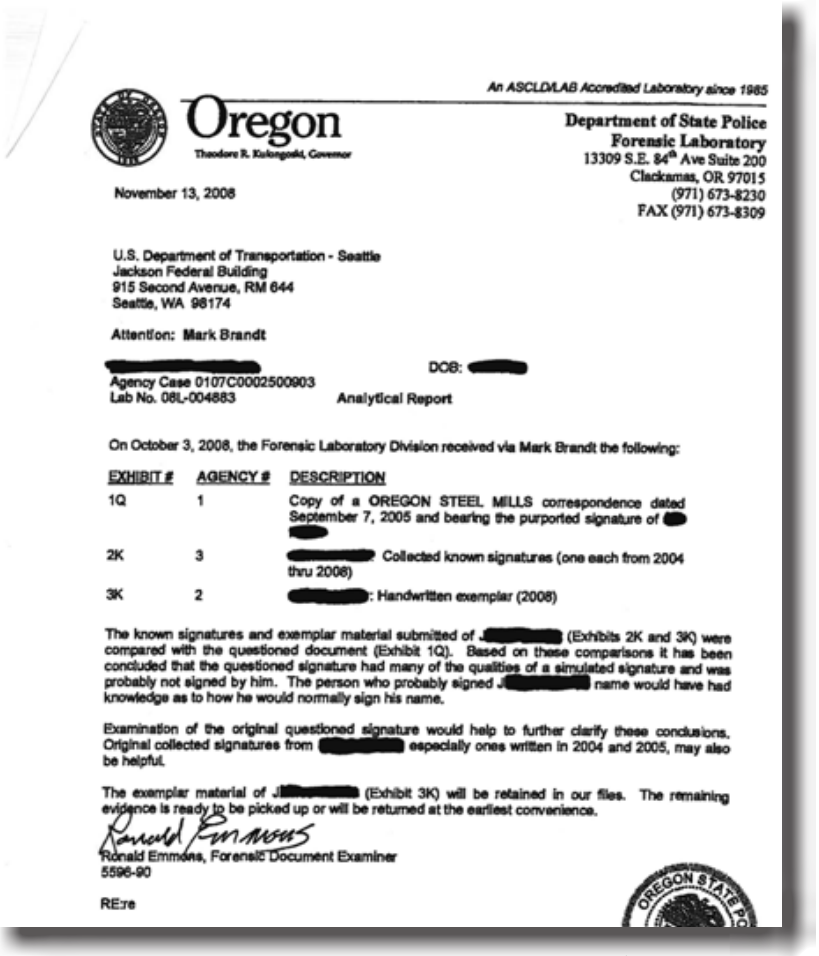
Appleby Comes In

By October 2008, David Appleby knew that Federal investigators were closing in, so he hired an attorney who contacted the U.S. Attorney's Office and a meeting was held between Appleby, his attorney, an engineer Appleby had hired, the special agents and the prosecutor at the U.S. Attorney's Office in Seattle. Appleby explained that after he won the bid to construct the steel shaft casings, he discovered that the contract specified that they be fabricated from grade 50 steel and he had based his bid on the cost of procuring grade 36 steel. The mistake was going to cost him an additional 50 cents for each 100 pounds of steel, and he had to purchase 1.5 million pounds of steel.

"... the questioned signature had many of the same qualities of a stimulated signature..."

- certified forensic document examiner

Appleby stated that in June 2005, he falsified the 36 mill test reports by cutting and pasting yield strength numbers from old reports he had on hand for grade 50 steel. He sent the altered mill test reports to the contractor as proof the steel met contract specifications. He said he knew it was wrong, but he panicked.



An ASCLD/LAB Accredited Laboratory since 1985

Oregon
Theodore R. Kulongoski, Governor

Department of State Police
Forensic Laboratory
13309 S.E. 84th Ave Suite 200
Clackamas, OR 97015
(971) 673-8230
FAX (971) 673-8309

November 13, 2008

U.S. Department of Transportation - Seattle
Jackson Federal Building
915 Second Avenue, RM 644
Seattle, WA 98174

Attention: Mark Brandt

[redacted] DOB: [redacted]
Agency Case 0107C0002500903
Lab No. 08L-004883 Analytical Report

On October 3, 2008, the Forensic Laboratory Division received via Mark Brandt the following:

EXHIBIT #	AGENCY #	DESCRIPTION
1Q	1	Copy of a OREGON STEEL MILLS correspondence dated September 7, 2005 and bearing the purported signature of [redacted]
2K	3	[redacted] Collected known signatures (one each from 2004 thru 2008)
3K	2	[redacted]: Handwritten exemplar (2008)

The known signatures and exemplar material submitted of J[redacted] (Exhibits 2K and 3K) were compared with the questioned document (Exhibit 1Q). Based on these comparisons it has been concluded that the questioned signature had many of the qualities of a simulated signature and was probably not signed by him. The person who probably signed J[redacted] name would have had knowledge as to how he would normally sign his name.

Examination of the original questioned signature would help to further clarify these conclusions. Original collected signatures from [redacted] especially ones written in 2004 and 2005, may also be helpful.

The exemplar material of J[redacted] (Exhibit 3K) will be retained in our files. The remaining evidence is ready to be picked up or will be returned at the earliest convenience.

Ronald Emmons, Forensic Document Examiner
5596-90

REre

OREGON STATE PO

Forensic document exam report

Appleby Accepts Responsibility and Pleads Guilty

Appleby ultimately accepted responsibility for his actions by pleading guilty in U.S. District Court in Seattle to making false statements. He was sentenced on February 19, 2010, in a courtroom packed with onlookers and the media. The prosecutor told the court, "Appleby should have immediately notified Sound Transit about the problem with the steel. Instead, the defendant wrongly assumed that if he told the truth, this would unnecessarily delay the light rail construction. The defendant believed that the resulting economic fallout from such a delay outweighed the need to be truthful." Speaking on Appleby's behalf, his attorney said simply, "People panic and they cover-up." Recognizing Appleby's acceptance of responsibility and cooperation with the Government, the judge sentenced Appleby to probation and a fine, and ordered him to repay the Government for the cost of the safety experts.

The Experts Agree and Rule Out Any Safety Concerns

In the end, FTA, Sound Transit, and Appleby all commissioned independent experts to evaluate any potential safety impact from the substandard steel. All three experts independently concluded that the use of grade 36 steel did not adversely affect the structural integrity of the columns. Each expert independently determined that even with the weaker steel, the columns met seismic requirements and would withstand the trauma of a large scale seismic event. So by becoming a "steel expert," and working closely with FTA and law enforcement partners, an OIG agent was able to address a potential safety concern for the millions of riders of the Sound Transit Light Rail.

Agents Shut Down Fraudulent Household Goods Mover

By Michelle Ward McGee, Assistant Special Agent in Charge, Region 9 (Seattle)

Each year, more than 40 million Americans move for personal or job-related reasons. Moving can be a stressful event, and unfortunately, a small percentage of moving companies only add to the stress by engaging in fraudulent practices. This type of fraud typically involves an increase in price once the mover has possession of household goods and personal effects. The costs are inflated and belongings are held "hostage" until the person moving agrees to pay the inflated costs.

Under its Consumer and Workforce Fraud initiative, OIG conducts criminal investigations of egregious violations of the household goods laws. Special agents in the Seattle office recently concluded a criminal investigation that put one rogue mover in the Northwest out of business and behind bars.

Referral to OIG

In March 2008, the U.S. Attorney's Office in Portland, Oregon, contacted OIG and requested investigative assistance in a Federal investigation against Lester Charles Kasprowicz. The Assistant United States Attorney (AUSA) explained that Federal and state prosecutors had a long history with Kasprowicz. They believed he had been operating an illegal household goods moving scam in Oregon for many years.

According to the AUSA, in October 1990, the U.S. Interstate Commerce Commission obtained a permanent injunction order against Kasprowicz and his moving business for willfully misrepresenting moving services to his interstate customers. Then in May 2002, the Oregon Department of Justice (ODOJ) obtained a permanent injunction order against Kasprowicz after the Oregon Department of Transportation had received several complaints from people he had cheated. The AUSA explained that the

FMCSA operates the Household Goods Program and works closely with the moving industry, consumer groups, and law enforcement to protect consumers from rogue interstate movers. OIG is one of those law enforcement partners, and special agents conduct criminal investigations of household goods violations. For more information on the Government's household goods program, visit **www.protectyourmove.gov.**

two orders should have stopped Kasprowicz from operating any kind of moving business, but he disregarded the orders and was continuing his scheme.

The AUSA believed that since regulatory enforcement and civil action had failed to get Kasprowicz's attention, it was time to take Federal criminal enforcement action against him. OIG special agents agreed to work jointly with investigators from the U.S. Attorney's Office and ODOJ. It was decided that the investigative team would attempt to catch Kasprowicz in the act.

Operation: We Move For More

In August 2008, the investigators commenced Operation "We Move for More." The name was a play on "We Move for Less"---one of the bogus moving company names Kasprowicz used. "We Move for More" was a better representation of how he operated his moving scam.

Kasprowicz solicited customers through advertisements on the Internet and in telephone books. To conceal his true identity, he used several aliases, including John Kelly, John Murphy, and John Thompson; he also used multiple business names, addresses, and fax numbers. Potential customers would tell Kasprowicz what they had to move, and he would provide them with estimates for the cost of moving their goods by fax or e-mail. His estimates would always be intentionally low, so that he could get their business. After customers entered into a contract with Kasprowicz, and their household goods were loaded onto his truck, he would tell the customer he needed to add more charges that significantly increased the price of the move. In most cases, the added amount exceeded the 10 percent increase FMCSA regulations allow, and the customer was rarely provided any justification for the rate increase. If customers refused to pay, he would threaten to leave their belongings on the street or store them at an undisclosed location until they paid the inflated price.

In October 2008, two OIG agents posing as a husband and wife reached out to Kasprowicz to arrange a move through a series of telephone calls and e-mails they made to Allied World Shipping. Allied was a business name known to investigators as one of several bogus moving company names Kasprowicz used to operate his scam. The undercover agents told him they wanted to move approximately 2,200 pounds of household goods from Clackamas, Oregon, to Fife, Washington, and they received an estimate via e-mail that stated the cost of the move would be $1,196.50. In November 2008, the undercover agents met with Kasprowicz in Clackamas to show him the items they wanted moved. The items included a moped, furniture, and several boxes, but what he couldn't see was a hidden GPS tracking device. After reviewing the items, Kasprowicz told the agents that the items would be in Fife in 3 days.

On November 18, using the tracking device, the agents determined that Kasprowicz had moved the goods to a location near his home. They surveilled the house and confirmed that the shipment was parked in his driveway. Later that same day, someone from Allied (believed to be Kasprowicz) left a voice mail message saying the shipment would be in Fife the following day, and the price originally quoted had increased by $226.75 due to a weight overage. After receiving the message, one of the agents contacted Allied demanding an explanation.

On November 24, the agents received a second voice mail message from an unidentified person at Allied who was calling about the weight overage charge for $226.75. The person advised that the accounting department had gone over the bill and the balance was reduced to $147.50. They also said that the additional money would have to be paid before Allied could release the items. However, this increase in cost was over the 10 percent the law allowed, and effectively provided the additional evidence agents needed to obtain warrants to search Kasprowicz's home and truck.

"Bag It and Tag It"

On a snowy morning in December 2008, just before Christmas, Kasprowicz and his live-in girlfriend awoke to the sound of OIG agents knocking on the door and announcing that they had a Federal warrant to search the home and vehicle. After the search scene was secured, Kasprowicz called his attorney, then left the home with his girlfriend while the search was being conducted. The search netted a mountain of evidence that showed that he was still operating an illegal moving business.

The evidence included billing invoices, bills of lading, and other correspondence related to moves that had been made for customers in 2007 and 2008, as well as for moves he was still in the process of arranging. Agents also ran across what they believed to be evidence of bank fraud. W-2s and Federal income tax returns for Kasprowicz, purportedly filed in 2005 and 2006, were attached to an application for a loan to refinance a property he

owned. The W-2s and tax returns indicated that he was employed by We Move for Less and had earned wages from the company both years. To err on the side of caution, the case agent called the prosecutor to determine if they could seize these documents under the terms of the search warrant. After a brief discussion, the AUSA determined the evidence was within the scope of the warrant and told the agents to "bag it and tag it."

The agents spent the next few months analyzing the documents and found evidence substantiating the claims of seven complaints ODOJ received from victims in 2007 and 2008. They also found evidence of bogus company names and aliases Kasprowicz used to deceive his customers. The evidence was provided to the AUSA who presented it to a Federal grand jury. In July 2009, Kasprowicz was indicted on seven counts of mail fraud related to his illegal operation of a moving company. Each count in the indictment represented a victim he had ripped off while he operated the moving scam.

More Troubles for Kasprowicz

The AUSA asked an agent from the Internal Revenue Service to analyze the bank loan application, tax returns, and W-2s that had been seized during the search of Kasprowicz's home. The agent determined that Kasprowicz had provided false Federal income tax returns and W-2s to the bank as a part of his application for a loan, and that he had lied about additional items on the application as well. In September 2009, a Federal grand jury indicted Kasprowicz on one count of money laundering and one count of making false statements to a financial institution.

Kasprowicz's Victims Get Their Day in Court

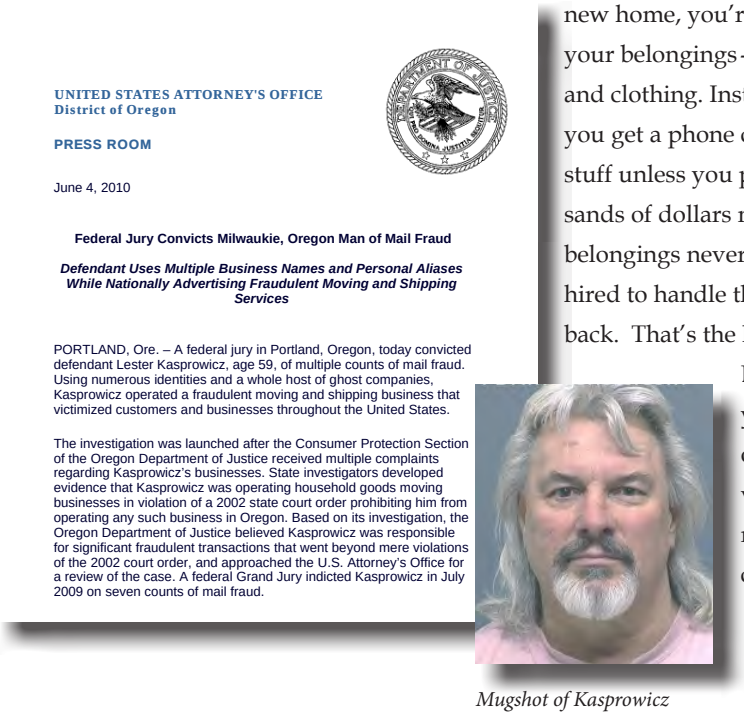
The trial for mail fraud began in June 2010, and lasted nearly a week. The most compelling part of the prosecution's case was the testimony of several victims, who included military personnel, the elderly, and several people who moved from the United States to other countries. On June 4, 2010, after deliberating only 2 hours, the jury foreman announced, "We find the defendant guilty on all counts."

The Federal case against Kasprowicz was not over though. There was still the matter of the pending money laundering and false statement charges. In July 2010, just prior to the trial date set by the U.S. District Court judge on those charges, Kasprowicz's attorney moved to suppress the financial records seized by OIG agents during the search of his home. The judge denied the motion and within minutes Kasprowicz pled guilty to both charges.

Kasprowicz Sentenced to Prison

On November 8, 2010, Kasprowicz was sentenced to serve 33 months in prison for his conviction on the mail fraud charges, and another 33 months in connection with his guilty plea to the false statements and money laundering charges. The sentences are to run concurrently. He was also ordered to pay restitution to his moving scam victims.

Following the sentencing, U.S. Attorney Dwight Holton summed up the case. "In the realm of financial nightmares, this is one of the worst. You've moved to your new home, you're awaiting the arrival of your belongings—family photos, books, and clothing. Instead of your belongings, you get a phone call: You can't have your stuff unless you pay hundreds or thousands of dollars more. Or worse, your belongings never come, and the man you hired to handle the move never calls you back. That's the kind of fraud scheme Lester Kasprowicz ran for years. But the charade is over. Thanks to this guilty verdict, Kasprowicz now must face justice and his customers."



UNITED STATES ATTORNEY'S OFFICE
District of Oregon

PRESS ROOM

June 4, 2010

Federal Jury Convicts Milwaukie, Oregon Man of Mail Fraud

Defendant Uses Multiple Business Names and Personal Aliases While Nationally Advertising Fraudulent Moving and Shipping Services

PORTLAND, Ore. – A federal jury in Portland, Oregon, today convicted defendant Lester Kasprowicz, age 59, of multiple counts of mail fraud. Using numerous identities and a whole host of ghost companies, Kasprowicz operated a fraudulent moving and shipping business that victimized customers and businesses throughout the United States.

The investigation was launched after the Consumer Protection Section of the Oregon Department of Justice received multiple complaints regarding Kasprowicz's businesses. State investigators developed evidence that Kasprowicz was operating household goods moving businesses in violation of a 2002 state court order prohibiting him from operating any such business in Oregon. Based on its investigation, the Oregon Department of Justice believed Kasprowicz was responsible for significant fraudulent transactions that went beyond mere violations of the 2002 court order, and approached the U.S. Attorney's Office for a review of the case. A federal Grand Jury indicted Kasprowicz in July 2009 on seven counts of mail fraud.

Mugshot of Kasprowicz

Without Just Compensation: OIG Special Agents Protect Truckers from Broker Schemes

By Michael Waters, Assistant Special Agent in Charge, Region 2 (King of Prussia, PA)

The Avetyans were on the lam. On July 15, 2009, a Federal grand jury in Harrisburg, Pennsylvania, indicted the family members for operating a fraud scheme that allegedly bilked dozens of legitimate trucking companies out of more than a million dollars. The forty-count indictment charged them with various offenses including mail fraud, aiding and abetting, aggravated identity theft, and conspiracy. A Federal magistrate issued arrest warrants and special agents from OIG; the Bureau of Alcohol, Tobacco, and Firearms (ATF) and the U.S. Postal Inspection Service put in around-the-clock surveillance to locate the wanted father and two sons, believed to have fled to California.

The Avetyans' Scheme

In July 2008, Rubik Avetyan, using the stolen identity of a former employee, accessed FMCSA's SAFER system and applied for a DOT operating number for a carrier he called State Transport, Incorporated, allegedly operating at 6301 Grayson Road in Harrisburg, Pennsylvania. This company was used as cover for a double brokering scheme in which truckers hauled loads across the country but were never paid for their services. Instead, payments were diverted from the shipper to the Avetyans.

In December 2008, greed became the Avetyan's downfall when they saw an opportunity to not only bilk an unsuspecting trucker but to steal a couple thousand cases of liquor. They obtained a load that was destined from Las Vegas to Virginia, but when their driver picked up the load in Nevada, they instructed him to return to California before heading to Virginia. They met him in the parking lot of a Home Depot, and the store surveillance video showed the driver of the liquor load backing up to a trailer operated by Rubik Avetyan and his son Allen. The driver and the Avetyan brothers removed cases from the truck onto the trailer. The driver then proceeded to Virginia with the "light" load.

Virginia's Liquor Control Board noticed the missing freight upon delivery and notified the local ATF office to report the stolen liquor. ATF, using information provided by the driver and data contained on the bills of lading, identified State Transport of Harrisburg, Pennsylvania, as the carrier and Arrow Truck Brokers, Incorporated, of California as the broker. After sending the information to ATF in Harrisburg, it was quickly determined that the address for State Transport was nothing more than a UPS mail drop.

ATF contacted OIG and the U.S. Postal Inspection Service for investigative assistance. Data provided from the UPS mailbox store was analyzed and the Avetyans, residents of California, were identified as the operators of State Transport and of Arrow Truck Brokers. It was quickly discovered that Arrow Truck Brokers was a fictitious broker without the necessary bonds or insurance to operate legitimately.

When the investigative team searched DOT records to see how the Avetyans had obtained a DOT number, FMCSA records showed that when the legal business name of State Transport, Incorporated, had been registered, the Avetyans had requested to operate a "Motor Property Common Carrier" which indicated they planned to operate trucking vehicles. While registering, they certified that they had access to and were familiar with all applicable DOT regulations and would comply with those rules.

The SAFER system also revealed that the Avetyans had used the name of a former employee as administering the oath necessary to complete the application process. Using the stolen identity of the former employee, the Avetyans had falsely verified, under penalty of perjury, that all the information they supplied was true and correct. When the former employee was interviewed he stated that he had at no time applied for a DOT operating number. The application process contained disclaimer language that warned applicants that providing false information constituted criminal violations. Interestingly, the investigators also discovered that the Avetyans had paid the $300 application fee using another stolen identity.

The team began to track and analyze the financial information connected to State Transport and Arrow Truck Brokers, which led the team directly back to the Avetyans. The team discovered that illicit proceeds had been used to fund five mortgages, three Mercedes Benzes, and a Maserati. Dozens of witness statements confirmed that the operators of State Transport were not paying the end carriers, and the financial analysis showed that the money for those transactions came in, but no money went back out.

Bruce's Truck Stop

Arrest warrants were entered into the National Criminal Information Center (NCIC) database and local agents in California conducted surveillance at the known addresses of the Avetyans near Los Angeles, but they observed no movement at any of the homes. Meanwhile, OIG Special Agent Jill Dempsey and her investigative partners analyzed information from multiple bank accounts used by the Avetyans, but at first no leads were apparent. Then, upon further review, the agents discovered that the Avetyans were in the process of purchasing Bruce's Truck Stop in Bakersfield, California—a facility that included a fuel station, a convenience store with showers, and a tire and weigh station, located adjacent to the Bakersfield Travel Stop campground. There had been no movement at any of the Avetyans' known addresses because they were living in a camper at the campground while they ran the truck stop.

One night in late July 2009, a car hauler loaded with golf carts parked at the truck stop. Allen Avetyan and his brother Alfred decided to steal a cart from the truck. They drove the golf cart to their campground site, which was located only several hundred yards away. They concealed the golf cart by parking it near their camper, angling a pick-up truck in one direction, and a Jeep Wrangler in

What Is a Trucking Broker Scheme?

A typical legitimate trucking broker transaction follows a simple format. A company has freight it must move. The company wants to pay the best possible price to a trucking firm to haul the product so it uses a broker to look for the best deal. Using electronic message boards specific to the industry, a broker will negotiate a deal between competing trucking firms who bid on moving the load.

Ultimately, the broker communicates the best offer from the trucking firms and the company agrees to the amount. The company pays the broker, and the broker then pays the trucking firm that hauls the goods. The broker is compensated through a modest mark up.

Unfortunately, fraudulent brokers create shell companies as brokers and trucking companies. A fraudulent broker will advise the company that needs freight moved that it has secured a trucking firm to move the load. The company then pays the broker the total amount for the hauling, a legitimate carrier moves the freight, but the broker never pays the carrier.

A broker scheme can be financially devastating to small independent truckers. OIG special agents conduct criminal investigations to protect these innocent victims.

another, surrounding the golf cart with the two vehicles and the camper.

The truck driver who operated the car hauler quickly realized a golf cart was missing and contacted the police. When the police responded, they decided to check out the adjacent campground. They quickly discovered what the brothers had not known—that the campground owners had installed surveillance equipment throughout the premises. When the surveillance tape was reviewed, they observed the two Avetyans driving the golf cart from the truck stop to the campground. Allen and Alfred Avetyan were quickly taken into custody and Rubik Avetyan was later arrested for his role in helping to conceal the cart. While processing the trio of thieves, the police pulled data from NCIC and saw that the three brothers were wanted on Federal arrest warrants for the double brokering indictment in Pennsylvania. They contacted the Federal investigative team to let it know they had their guys in custody.

The agents knew they needed to travel to Bakersfield as soon as possible. They quickly obtained search warrants for the camper, the truck, the jeep, and for Bruce's Truck Stop to look for evidence. When they arrived, they first searched the camper, and it quickly became clear that at least one of the Avetyans loved the high life. The camper contained Rodeo Drive name-brand watches, sunglasses, jewelry, and clothes. However, it was not a glamorous search scene with agents searching amidst the smell of rotting food and spoiled milk, a broken camper sewerage tube, and the California heat.

The agents next went to search the truck stop. When they entered the premises, they found members of the Avetyan family sleeping in the offices. They isolated the family members and attempted to interview them, but a cousin began shouting in a foreign language and suddenly all of the family members became quiet and forgot how to speak English. But the search was fruitful. Records were found revealing additional bank accounts and Rolex watches; a computer and other valuables were also seized. The computer seized during the search provided the IP address needed to confirm that it had been used to set up State Transport with FMCSA.

Old Habits Are Hard to Break

Initially following their arrest on state charges, the Avetyans were detained but eventually, after turning in their passports, they made bail and were released. Instead of preparing their defense, however, they returned to their fraudulent ways.

On March 30, 2010, Allen and Alfred Avetyan approached the California Highway Patrol (CHP) for a scheduled and required vehicle identification number (VIN) inspection for a pricey off-road dune buggy. They implied that they had built this dune buggy together and offered receipts as proof. The receipts, however, didn't list any serial numbers. On closer inspection, CHP inspectors felt that a previously installed VIN plate had been illicitly removed. CHP suggested that the brothers leave the buggy and return after they completed the inspection.

CHP soon discovered that Allen Avetyan had previously reported a dune buggy stolen in Los Angeles around January 31, just a few weeks before. On February 5, he had filed a claim with the insurance company, who promptly cut him a $97,000 check. They also learned that the purportedly stolen dune buggy had a black paint job with orange flamed paint that contained money graphics on the flames. The dune buggy they were inspecting was mostly black with a white paint graphic, but on closer examination, they realized that the current "paint" job was merely a vinyl overlay wrap. When they pulled back the wrap, the dune buggy clearly revealed the black and orange flamed paint with the money graphics. The next day when Allen and Alfred Avetyan came back to complete the registration process, they were promptly arrested.

The Plea

On August 16, 2010, Rubik Avetyan and his two sons, Alfred and Allen, pled guilty in U.S. District Court in Harrisburg, Pennsylvania, to one count of conspiracy related to the Federal indictment in the double-brokering scheme. Federal Judge Smyser detained Alfred and Allen Avetyan to home confinement until sentencing. He had also previously ruled that the Avetyans forfeit over $1 million as a result of the criminal conduct.

Special agents work closely with law enforcement partners to diligently investigate fraud against America's truckers under OIG's Consumer and Workforce Fraud initiative.

Purchase Card Fraud Investigation Highlights OIG's Knowledge Management Practices

by Gabrielle Hessman, Attorney Investigator, Special Investigations (Washington, DC)

On July 7, 2010, when FAA reported to OIG that one of its employees, Keysha Logan, appeared to have embezzled nearly $25,000 from the Agency by abusing her Government purchase card authority, Robert Westbrooks, Deputy Assistant Inspector General for Investigations, recognized a good opportunity to apply knowledge management practices at OIG.

A Team Approach

Westbrooks saw the case as having three distinct parts, so he formed a team consisting of two attorney-investigators to handle the disciplinary administrative case, a criminal investigator to handle the criminal case, and two auditors to examine the internal control failures within FAA's purchase card system that allowed this unlawful activity to occur.

Lead Attorney-Investigator Gabrielle Hessman, an MBA graduate, utilized her quantitative skills to work with the financial auditors. Lead Senior Analyst Brian Frist , also an MBA graduate, had 9 years of auditing experience with OIG and was also experienced at effectively coordinating and communicating with DOT modes, such as FAA.

The first priority was to investigate the allegation that Logan had violated her purchase card authority, and if so, determine if the situation warranted criminal prosecution. Logan was a purchase card holder at FAA with a $250,000 per month credit limit and was responsible for purchasing supplies and other items for an FAA information technology directorate. FAA reported that in 2010, she had allegedly purchased with her U.S. Bank Government purchase card nearly $25,000 worth of unauthorized gift cards, mostly from Office Depot, for personal use. Use of a Government purchase card for

What Is Knowledge Management?

Knowledge management includes strategies to combine mind sets and skill sets throughout an organization with the goal of producing more effective operations. The premise promotes staff collaboration and distribution of knowledge.

The keys to knowledge management are (1) identifying where in the organization specialized expertise resides, and (2) the ability to quickly combine talent.

personal purchases violates both Federal criminal law and Agency policy.

The investigative team had to identify if, in fact, unlawful purchases were made with Logan's purchase card, and then verify that those purchases were made by Logan. This necessitated a review of her purchase card transactions, including the signed credit card receipts for the purchased gift cards, then a review of the transactions corresponding to the use of the gift cards to determine if they were used for personal benefit. The team worked closely with Jeffrey Baker, Lead Acquisition Program Analyst for FAA's purchase card program, who led FAA's internal inquiry into the matter and who provided the OIG with invaluable assistance throughout the investigation.

Making the Paper Case

The team drafted OIG subpoenas for receipts and signature cards corresponding to Logan's Office Depot purchases and for the gift card transaction data. U.S. Bank allows its cardholders and approving officials to review purchase card transaction data online; approving officials are also able to approve transactions for reimbursement on the website. The auditors were able to see Logan's purchases, including several purchases of American Express and Vanilla Visa gift cards.

Upon review of the subpoenaed documentation, the investigative team was able to show that Logan purchased gift cards at Office Depot with her U.S. Bank Government purchase card, then used those gift cards for personal benefit. But what especially peaked the team's interest was that the severity of Logan's unlawful activity far exceeded what was originally identified by FAA. FAA had reported that it suspected Logan had made approximately $25,000 worth of personal purchases using her Government purchase card in 2010. After a preliminary review of records, the investigative team determined that Logan had made over $100,000 worth of personal purchases over a 3-year period. They identified at least 349 times she had misused her Government purchase card. The activity included the purchase of at least 630 gift cards valued at over $82,000 and over $30,000 worth of other unauthorized purchases at Staples office supply stores.

Investigators Confront Logan

On September 1, 2010, special agent Jameel Bagby and an attorney-investigator interviewed Logan in an office at FAA headquarters. Logan, whose cardholder privileges were temporarily suspended by FAA pending the investigation, knew why she was being interviewed and she voluntarily agreed to do so without a lawyer or a union representative present. She was generally cooperative, and answered the investigators' questions typically with one word responses. After the investigators confronted her with the documentation, she quietly admitted using her purchase card to buy gift cards for herself. She explained she preferred purchasing Vanilla Visa cards because she could use them on the same day of purchase and admitted using the cards to buy groceries at a Costco warehouse near her house. She initially said she used the card to simply supplement her living expenses after her husband got sick. After some prodding, she confessed to also using her Government card to take her husband and children on a vacation to Walt Disney World. She also said that she would not be surprised to know that she had charged over $100,000 in personal purchases but stated she had no idea exactly how much she had stolen.

The Criminal Prosecution

The investigative team presented its findings to the U.S. Attorney's Office in Greenbelt, Maryland. The Assistant U.S.

Attorney assigned to the case believed the evidence warranted obtaining an immediate criminal complaint and arrest warrant for Logan. On the morning of September 3, 2010, Logan was arrested at her sister's residence in Maryland by Special Agent Bagby, with assistance from the U.S. Marshal's Service. At her arraignment later that day, she was assigned a public defender and was handed a draft plea agreement by the Federal prosecutor. She signed the agreement and pled guilty to felony theft on September 27, 2010.

The Forensic Audit

Although Logan had pled guilty, the investigation was not complete. Due to the expeditious nature of the criminal investigation, the team did not have time to thoroughly review the purchase data to verify the total loss and determine what internal control failures allowed Logan's unlawful activity to occur.

As the team continued to investigate, several red flags were identified that should have alerted management. For example, in December 2009, FAA management discovered that Logan had used her Government travel card for personal use. She admitted the misuse, claimed that it had not happened before and insisted that it would not happen again. She was disciplined but management did not look into possible misuse of her purchase card, and during this time, while her travel card misuse was being reviewed, she brazenly continued to misuse her purchase card. If FAA had frozen her purchase card at that time and checked for possible misuse, they could have prevented over $24,000 worth of unauthorized purchases.

The auditors decided to perform a trend analysis on suspected unlawful transactions that had been identified in her purchase card data. They wanted to see if there were any fluctuations in the unlawful activity that may have correlated with significant events, such as new approving officials or a shift to the electronic purchase request system. The earliest transaction that they were aware of at that time was from 2007, but it seemed odd that there was a high amount of activity in that year. Usually, embezzlers start off slowly with small amounts to see if they can get away with it while they perfect their scheme. The team followed up with the purchase card issuer, U.S. Bank, and discovered that Logan had in fact first been issued purchase card authority back in 2004. They had only been given data on her current purchase card, which was issued in 2007, when she had reported her purchase card stolen and received a new one.

After receiving the new set of purchase data, going back to the original card issued in 2004, the auditors discovered that Logan's unlawful activity now surpassed $100,000 and spanned 5 years, from 2005 through 2010. She had had 3 purchase card approving officials during this time period, all of whom approved fraudulent transactions. The total dollar loss was now estimated at more than $145,000, $120,000 more than what was suggested in the original allegation.

Lessons Learned

The collaboration between auditors and investigators on this engagement allowed for mutual appreciation of the other's discipline and subject matter expertise. Combining different mind sets and skill sets resulted in a timelier, comprehensive, and impactful OIG work product. Armed with the team's findings, FAA has since revised its program and has taken several steps to improve purchase card internal controls. When the auditors on the team realized the extent of the internal control failures, they felt this identified the need to request an FAA-wide purchase card program audit.

These collaborative efforts using knowledge management brought results that will help prevent future thefts of this type.

DOT OIG Hosts Sixth Biennial National Fraud Awareness Conference on Transportation Infrastructure Programs

By Elise Woods, Assistant Special Agent in Charge, Region 3 (Washington, DC)

Investigating and working with the U.S. Department of Justice and others to prosecute fraud is an integral part of OIG's mission. An equally important part is preventing fraud, and the key to preventing fraud is education. OIG and the American Association of State Highway and Transportation Officials (AASHTO) initiated a partnership in 2000 to host the Biennial National Fraud Awareness Conference on Transportation Infrastructure Programs in order to create opportunities to further educate transportation professionals and others about fraud. The conference highlights ways of detecting and preventing fraud and offers numerous general and breakout informational sessions.

Deputy Secretary of Transportation John Porcari

The sixth conference was held in the summer of 2010 in Arlington, Virginia, and was the most widely attended, with approximately 350 attendees representing all modes of transportation in Federal, state and local governments and industry. The event was co-sponsored by the Virginia Department of Transportation, the D.C. Department of Transportation, the Maryland Department of Transportation, the Delaware Department of Transportation, and the Washington Metropolitan Area Transit Authority Office of Inspector General.

The two and a half day conference featured general session speakers such as: James L. Oberstar, former Member of the U.S. House of Representatives, and former Chairman, House Committee on Transportation and Infrastructure; the Honorable John D. Porcari, Deputy Secretary, DOT; the Honorable Calvin L. Scovel III, Inspector General, OIG; and John Horsley, Executive Director, AASHTO. In these general sessions attended by all conference participants, the speakers provided insights on how to maximize DOT's economic recovery investments, perspectives on stewardship of ARRA funds, and oversight challenges associated with these funds.

Former Chairman of the House Committee on Transportation and Infrastructure, James Oberstar (D-MN)

Representatives from the Department of Justice also addressed the attendees, including the Honorable Rod J. Rosenstein, U.S. Attorney, District of Maryland, who discussed the challenges in prosecuting contract and grant fraud cases. There were also several panel discussions that featured various state Inspectors General, officials from state DOTs, and executives from DOT's Operating Administrations, including FHWA, FTA, and FAA.

American citizens have entrusted all levels of government with the responsibility of ensuring that tax dollars are spent wisely on transportation infrastructure projects that enhance the safety, security, and mobility of the traveling public. Working together, all members of the transportation community can protect these projects from fraud and maintain the public's confidence in the integrity and safety of the Nation's transportation system. This National Fraud Awareness Conference provided the perfect opportunity to strengthen transportation infrastructure programs against fraud with first-hand accounts of matters that can adversely impact transportation projects.

Conflict of Interest

In fraud involving conflict of interest, a contracting or oversight official misrepresents that he or she is impartial in business decisions when he or she has an undisclosed financial interest in a contractor or consultant who inflates the job cost to the Government.

Recognize and Report Fraud in Federally Funded Programs, Contracts, and Grants

(800) 424-9071

U.S. Department of Transportation
Office of Inspector General

U.S. DEPARTMENT OF TRANSPORTATION
OFFICE OF INSPECTOR GENERAL

WHISTLEBLOWERS
KNOW YOUR RIGHTS

On February 17, 2009 the American Recovery and Reinvestment Act (ARRA) was signed into law by President Obama to improve public welfare. If you protect America's interests by reporting fraud, abuse, or mismanagement of ARRA funds at your workplace, and are retaliated against as a result, know that America is here for you.

American Recovery and Reinvestment Act of 2009, Pub. L. No. 111-5, Title XV, Subtitle D, Section 1553

ADMINISTRATIVE REVIEW:

You have the right to file a complaint with the Office of Inspector General and receive a timely investigation and response.

REPRISAL-FREE:

You have the right to be free from discharge, demotion, or discrimination as a result of disclosing:

- ***Gross mismanagement of a stimulus-funded project.***
- ***Gross waste of stimulus funds.***
- ***Danger to public health and safety related to a stimulus-funded project.***
- ***Violation of the law relating to stimulus funds or a stimulus-funded project.***
- ***Abuse of authority related to the implementation of stimulus funds.***

REMEDIES:

You have the right to receive remedies if the Office of Inspector General determines you were subjected to an unlawful reprisal. Your employer may be ordered to abate the reprisal, reinstate your employment, and you may receive compensation to reimburse you for your attorney fees and other financial suffering experienced as a result of the reprisal.

ALTERNATIVES:

You have the right to take action against your employer in civil district court if the Office of Inspector General does not respond within 210 days or determines that there was not an unlawful reprisal.

••• OIG HOTLINE •••

www.oig.dot.gov/recovery/whistleblower_protections.jsp
Phone: 1-800-424-9071
Email: hotline@oig.dot.gov