DBE’s & The USDOT-OIG

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What do DBE’s say?
Survey Says

“In the last 5 years, have you or anyone from your firm been asked by a prime contractor to let them ‘use your company’s name’ on the project without doing the actual work on the project?”

- 27.3% said a prime contractor had asked them to use the DBE’s name on a project without doing the actual work.

- 21.2% were asked multiple times.
What construction industry says?
Goals

• To provide an overview about the OIG and cases of DBE fraud.

• To encourage cooperation between government, industry and OIG officials.
About USDOT – OIG

• Mission

• What We Do
Investigative Process: *Inputs*

- Allegations Received
- Assessment
- Investigative Activity
Investigative Process: Outputs & Outcomes

• Outputs
  – Upon completing the investigation, reports and other documents are written for use by senior decision makers and other stakeholders, including Congress, U.S. Department of Justice officials, DOT management, and the public.

• Outcomes
  – Criminal
  – Civil
    • Civil False Claims
    • Qui Tam *(Latin for “He who sues for the king as well as for himself”)*
  – Administrative
    • Suspension and Debarment
    • Departmental management actions
  – Ultimately supports DOT’s strategic goals
DBE FRAUD

Somebody steals and then lies about it

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

Isolated mistakes are not fraud, but a pattern of “mistakes” consistently favoring the contractor indicates fraud.
DBE FRAUD

Definition
Contractor *misrepresents* who performed contract work in order to *limit costs* while appearing to be in compliance with contract goals for use of minority / women-owned businesses.

Example
Prime contractor and minority-owned subcontractor submit false payroll records and prepared false job-cost records to indicate that a minority-owned business performed specialty painting of highway structures, when a non-minority-owned subcontractor actually controlled and supervised the painting work.
DBE FRAUD SCHEMES

• False Eligibility Schemes

• Conduit Companies

• Front Companies

• Subcontract Fraud
Indicators

- DBE owner lacks background, expertise, or equipment to perform

- Employees go back and forth between prime contractor and DBE payrolls

- Business names on equipment and vehicles are covered with paint or magnetic signs

- Orders and payment for necessary supplies are made by individuals not employed by DBE

- Prime contractor facilitated purchase of DBE

- DBE owner never present at job site
• Don’t be afraid to ask questions. If something doesn’t seem right, follow up on it. The easy thing to do is to let someone else worry about it, but it’s too important to treat it as someone else’s problem.
Contact Information

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