



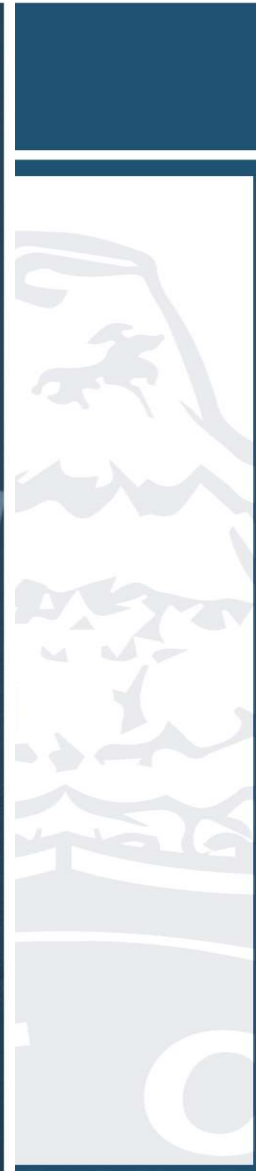
U.S. Department of Transportation
Office of Inspector General

Fraud Briefing

Texas Association of
MPOs
(Summer Meeting)

El Paso, TX
July 13, 2023

Reginald Lee | Assistant *Special Agent in Charge* - Region 3 (Fort Worth)





Agenda

- Introduction
- JI Regions
- OIG Mission & Activities
- Investigative Priorities
- Investigative Process
- Investigative Resources
- Investigative Outcomes
- Case Study
- Cares Act & IIJA
- Questions

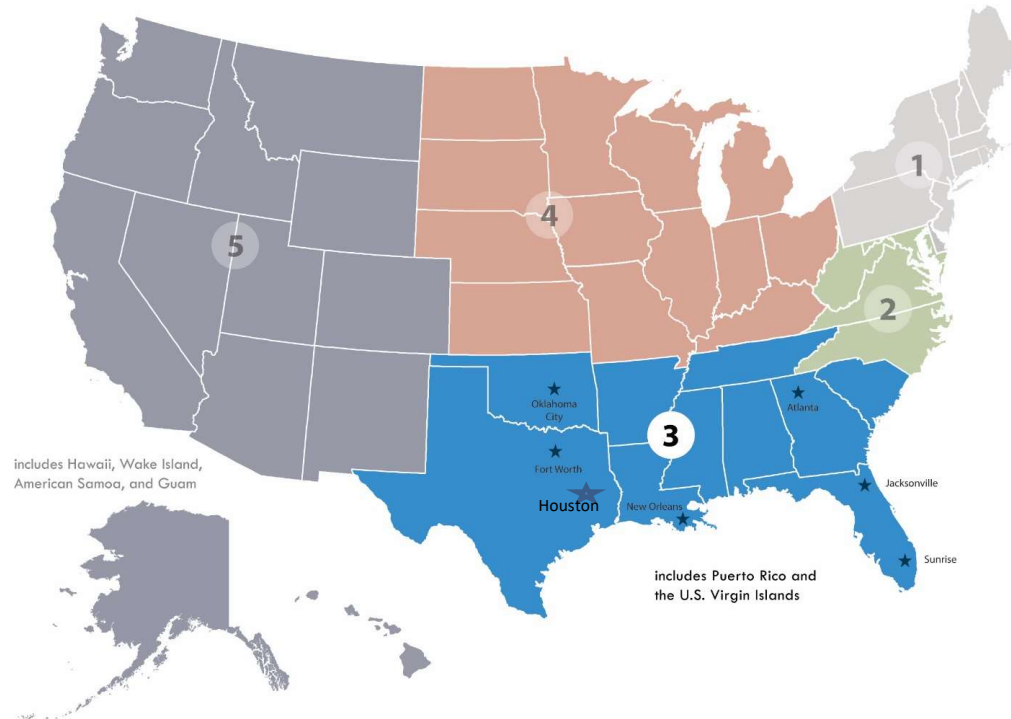


Experience

- 24 years experience as an agent
- 4 Years as supervisor
- 14 years as DOT-OIG Agent in Ft. Worth Field Office
- Prior – US Secret Service, financial and cyber crimes experience.



SOUTHERN REGION



Fort Worth Office

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Southern Region

PROTECTING PEOPLE PROTECTING RESOURCES



OIG Mission & Activities

- Created by the Inspector General Act of 1978
- Improve Department Programs and Operations by Promoting Economy, Efficiency and Effectiveness
- Independently conducts *Investigations, Supervises and Conducts Independent and Objective Audits and Other Reviews of DOT Programs and Activities.*
- Review and Make Recommendations Regarding Existing and Proposed Transportation Legislation and Regulations
- OIG conducts audits and investigations on behalf of the American public to improve the performance and integrity of DOT's programs to ensure a safe, efficient, and effective national transportation system.



OIG Investigative Priorities

Transportation Safety Investigations

The goal of these investigative operations is to enhance DOT's transportation safety goals by investigating crimes where death or serious bodily injury has or is likely to occur. These types of investigations typically involve parties that egregiously violate DOT's safety regulations and statutes. The availability of criminal sanctions sends a message to violators who consider regulatory/civil penalties as a cost of doing business.

Within this priority are aviation safety and hazardous materials investigations.

Procurement and Grant Fraud Investigations

The goal of these investigations is to protect the loss of Federal transportation dollars by investigating fraud by grantees, grant recipients, and DOT contractors. Fraud typically seen in DOT procurements and grants includes allegations of bribery and corruption, bid rigging, false claims, labor and materials over-charging, DBE fraud, and product substitution.

Public Interest Investigations

These investigations aim to address issues that directly impact the public or OIG's law enforcement partners and also promote improvements to DOT's programs. They include unmanned aerial systems (UAS), lasers, and medical certificate fraud related to airmen certificates.

Employee Integrity Investigations

The goal of these investigations is to promote program integrity by investigating serious DOT employee misconduct. These investigations address violations involving DOT employees, such as time and attendance fraud, misuse of Government property or funds, conflicts of interest, ethics violations, and other prohibited actions.



OLG Investigative Priorities

Common Types of Fraud

- Bid Rigging & Collusion
- Product Substitution
- False Claims / Overcharging
- Prevailing Wage (Davis Bacon)
- Bribery & Kickbacks
- Embezzlement
- Disadvantaged Business Enterprise (DBE) Fraud
- Falsification of Quality Control Testing Documents



OIG Investigative Process

- Receipt of an allegation
- Some allegations cause the initiation of investigations, while others are retained as the basis for audits, referred to DOT management for action, or, if appropriate, referred to another law enforcement agency.
- Prosecutorial consideration.
- At the conclusion of an investigation, a report is prepared that will summarize the facts disclosed during the investigation. The report is distributed to prosecuting attorneys, as appropriate, and to DOT Operating Administration officials who may have an official interest in the results of the investigation.
- Our investigations, especially contract & grand fraud, take a few years (or longer) to complete.



OIG Investigative Process

Criminal

- Federal or State Prosecution

Civil Statute

- False Claims Act, Civil Penalty Action

Administrative

- Certificate Revocation, Civil Penalties, Decertification, Suspension and Debarment, Program Fraud Civil Remedies Act



OIG Investigative Resources

- Special Agents with Federal Law Enforcement Authority
- Expertise in Identifying and Investigating Fraud
- Subpoena Power for Documents & Testimony
- Search & Arrest Warrants
- Forensic Accounting
- Computer Crimes and Data Analytics Unit
- Undercover Operations



OIG Investigative Resources

- **Training.** All our special agents are subject to law enforcement training required for most other Federal law enforcement agencies, including the U.S. Marshals Service, Homeland Security Investigations, and other OIGs.
- Required to complete a standard criminal investigator training program, and advanced training at the Federal Law Enforcement Training Center.
- Special Agents must also attend quarterly firearms training and qualification.
- Advanced training examples: procurement/grant fraud, product substitution, covert electronic surveillance, etc.



OIG Investigative Outcomes

First Half FY 23

Investigative Accomplishments

investigations opened, by priority area

	transportation safety	15		public interest	7
	grant and procurement fraud	17		other	4
	employee integrity	1			

75/75

investigations/complaints
closed/opened

20/17

convictions/indictments

\$9,212,979

financial impact of
DOT OIG investigations



Case Study (Fraud Against MPO)



Grant Fraud

Texas Woman Sent to Prison for Defrauding Federal Program Intended To Improve Air Quality

On August 30, 2018, Shonda Renee Stubblefield, a.k.a. Shonda McGowan, was sentenced in U.S. District Court, Houston, Texas, to 72 months' incarceration, 36 months' supervised release, \$125,999.40 in restitution, and a \$1,000 special assessment.

Stubblefield was indicted in February 2018 and charged with theft of public money, mail fraud, wire fraud, money laundering, and aggravated identity theft. According to the indictment, she defrauded the Federal Highway Administration's Congestion Mitigation Air Quality and Surface Transportation Program (CMAQ) while she was the owner of World Corporation, Inc. (WCI).

CMAQ provides money to help public entities reduce traffic congestion and air pollution. Stubblefield stole \$125,999.40 by falsely and fraudulently representing to the Houston Galveston Area Council (HGAC), an MPO, that WCI had hundreds of employees participating in a telework program designed to reduce air pollution.



CARES ACT & IIJA



Coronavirus Aid, Relief and Economic Security (CARES) Act

In March 2020, the President signed the Coronavirus Aid, Relief and Economic Security (CARES) Act into law, providing over \$2 trillion in emergency relief in the face of the ongoing COVID-19 pandemic. Along with expanded worker protections and individual payments to taxpayers, the bill also provided over \$36 billion to DOT:

Coronavirus Aid, Relief, and Economic Security (CARES) Act

DOT Agency	Funds Provided
Federal Aviation Administration	\$10,025,000,000
Federal Transit Administration	\$25,000,000,000
Federal Railroad Administration	\$1,018,250,000
Office of the Secretary of Transportation	\$57,753,000
Federal Motor Carrier Administration	\$150,000
Maritime Administration	\$4,134,000
Office of Inspector General	\$5,000,000
Total Amount Provided by the CARES Act	\$36,110,287,000

Approximately **\$70 Billion** additional dollars were made available through the American Rescue Plan Act and Coronavirus Response and Relief Supplemental Appropriations Act.



Red Flag Indicators

Its not just a few bucks between friends.

A contractor misrepresents the cost of performing work by compensating a government official for permitting contractor overcharges to increase contractor profit.

- Other government inspectors at the job site noticing a pattern of preferential contractor treatment
- Government official having a lifestyle that exceeds their salary
- Contract change orders lack sufficient justification
- Oversight officials socializing with, or having business relationships with contractors or their families

PROTECTING PEOPLE PROTECTING RESOURCES










Red Flag Indicators

Do I need to let anyone know about my other interests?

A contracting or oversight official misrepresents that he or she is impartial in business decisions when they have an undisclosed financial interest in a contractor or consultant who inflates the job cost to the Government

- Government official disclosing confidential bid information to a contractor or assisting the contractor in preparing the bid
- Unexplained or unusual favoritism towards a particular contractor or consultant
- Close socialization with or acceptance of inappropriate gifts, travel, or entertainment from a contractor
- Employee discusses employment with a current or prospective contractor or consultant
- Vendor or consultant address is incomplete or matches employee's address

Infrastructure Investment and Jobs Act (IIJA)

- Infrastructure Investment and Jobs Act (IIJA) includes 5 year reauthorization (FY22-26) of surface transportation programs and direct advanced appropriations
 - 5-year package is over \$660 billion
 - IIJA includes significant new discretionary and formula programs, such as
 -  Bridge Formula Program: \$28 billion (5 years)
 -  Bridge Investment Program: \$16 billion
 -  National infrastructure Investments (Megaprojects): \$15 billion
 -  Local and regional project assistance (RAISE): \$15 billion
 -  Nationally Significant Freight & Highway Projects: \$14 billion
 -  Charging Formula Program: \$5 billion
 -  Charging and Fueling Infrastructure Grants: \$2.5 billion



Infrastructure Investment and Jobs Act (IIJA)

- DOT Department-wide website
 - <https://www.transportation.gov/bipartisan-infrastructure-law>
- Website established by the White House
 - <https://www.whitehouse.gov/build/>
 - Provides information about transportation projects
 - Guidebook for State, Local, Tribal, Territorial Govts and other Partners
- Joint DOE / DOT website for EV Charging Infrastructure
 - <https://driveelectric.gov/>



Questions



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Contact & DOT OIG Hotline

To report fraud, waste, and
abuse at DOT, please contact the
OIG Hotline
1-800-424-9071
www.oig.dot.gov/hotline

For more information regarding the OIG go to www.oig.dot.gov or contact
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