

**U.S. Department of Transportation
Office of the Inspector General
Investigations**



OIG Fraud Awareness

“Fraud, Waste and Abuse”

Thomas J. Ullom

Special Agent-In-Charge

Chicago Regional Investigations



Overview

- DOT/OIG Organization
- Fraud - Definition, “What is it?”
- Fraud Case Examples Related to NHTSA
- Fraud Risk Factors/Vulnerabilities
- Fraud Prevention
- Summary & Questions



DOT/OIG Organization

- Two Primary Components
 - Investigations (12 Modal Components - \$70 Billion Annually)
 - Audit
- www.oig.dot.gov
 - Reports and Summaries of OIG Work



Role of OIG Investigations Division

- Investigate allegations and complaints regarding fraud, waste, and abuse.
- Coordinate activities & resources with other Federal & State law enforcement agencies. (ie: US Attorney's Offices / State and Local Prosecutors other LEOs including IGs)
- Refer matters for criminal and civil prosecution, administrative action, or suspension/debarment action.

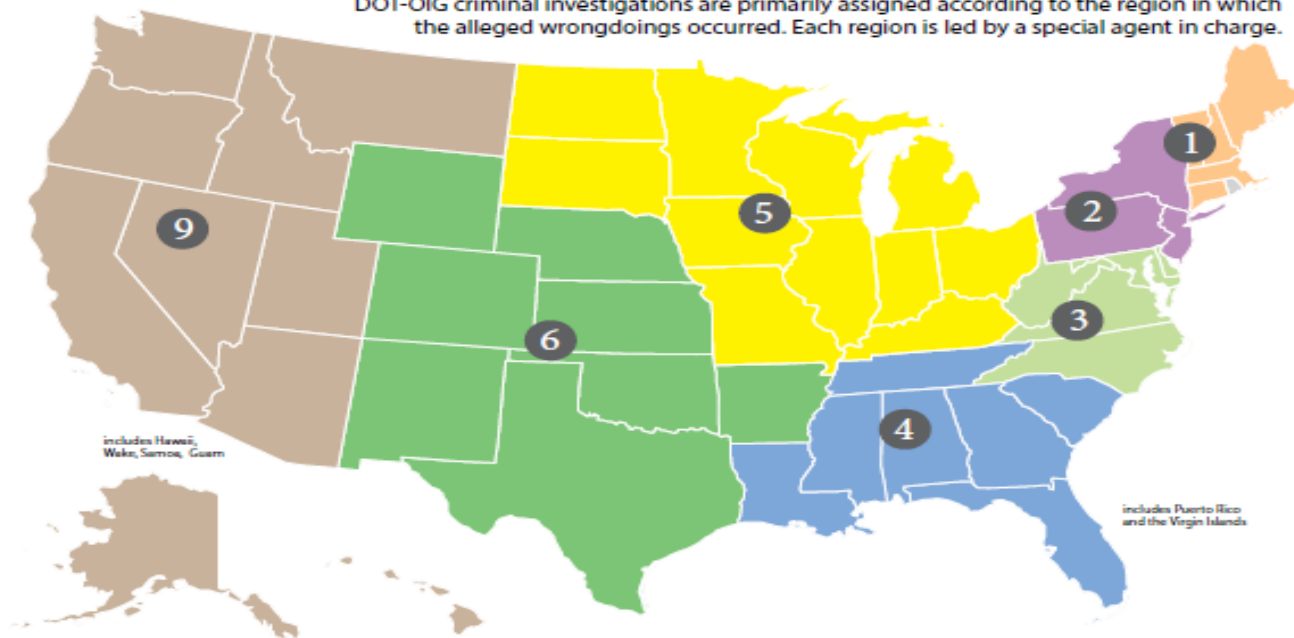


Regional Offices - Investigations



DOT-OIG INVESTIGATIVE REGIONS

DOT-OIG criminal investigations are primarily assigned according to the region in which the alleged wrongdoings occurred. Each region is led by a special agent in charge.



10/6/2015



Priority Investigative Programs - FY 2015

*** *IMPACT* ***

- **Transportation Safety Programs** – “...investigating transportation safety crimes where death or serious bodily injury has occurred or is likely to occur.”
- **HAZMAT** - Carriage by Air, MV, Rail, Vessel, including Cylinders, Tank Cars, and Pipelines.
- **Motor Carrier** - CDLs, Log Books, Fraudulent Filings, Public Corruption.



Priority Investigative Programs – Con't

- **Employee Integrity Program** – Promote Organization Excellence/Integrity by investigating and deterring serious employee misconduct.
- **Grant Fraud** – Designed to protect the loss of Federal transportation dollars by investigating fraud by grantees and grant recipients. (ie: DBE, Buy America, Embezzlement, Kickbacks, NHTSA Step Grant, Product Substitution)
 - ***Public Corruption in Transportation*** – Air, MV, Rail, Vessel, Cylinders, Pipelines



OIG Investigative Results in 2012

- Criminal Indictments 148
- Criminal Convictions 97
- Recoveries \$32 million
- Suspensions & Debarments 45





OIG Investigative Results in 2014

- Criminal Indictments: 58
- Criminal Convictions: 64
- Recoveries: Over \$1.58 Billion
- Suspensions & Debarments: 70





Fraud Definitions

- **Fraud – Intentional Deception for Financial Gain**
 - False information/representations of a material fact
 - Made with the intent to deceive
 - Reliance on the information as fact by the recipient
 - Causes someone to surrender something of value
- **Contract Fraud**
 - A government contractor or grantee enriches himself by deliberately overcharging the government for contract goods and/or services
- **Corruption / Power of Position Fraud**
 - Misuse of one's government position for personal enrichment
- **Fraud on the Job**
 - An employee enriches himself by deliberately misusing his employer's assets



Common Fraud Schemes

- Bid Rigging & Collusion
- Materials Overcharging
- Time Overcharging
- Product Substitution
- Minority-Owned Business Fraud (DBE)
- Quality-Control Testing Fraud
- Bribery & Kickbacks
- Conflicts of Interest



Reporting Fraud

- Contractor Employees
- Government Employees
- Process Controls
- Anonymous
- Media Reports
- Other



Reporting Fraud

- **Internal Agency Processes**
 - Follow your agency policies, guidelines, directives
- **Notify DOT/OIG**
 - Hotline, website, regional office

DO THE RIGHT THING - INTEGRITY !!!



FRAUD - LE Fraud Case Studies

REMEMBER:

- 1- False information or representation
- 2- Material fact
- 3- With intent to deceive
- 4- Obtain something of value.





Sub-Grantee Fraud Investigation – Case 1

- Case investigated out of Region 6
- Investigation involved Local Police Department/HSO/FBI/OIG/NHTSA
- Focus was on overtime Selective Traffic Enforcement Program (STEP) grant funds
- Involved Police Officers receiving overtime pay from STEP grant funds for hours not worked
- Identified over \$500,000 as misused grant funds in 4 police departments



Schemes Associated with STEP Grant Fraud

- Falsification of Log Sheets
- Falsification of Tickets
- Misuse of “Administrative Time”



Schemes Associated with STEP Grant Fraud

- Falsification of Log Sheets
 - Officers misreported hours worked, time tickets were written, number of tickets written to get paid for time not worked
 - Discovered when officers' log sheets were compared to actual time worked based on dispatch logs, ticket records, vehicle logs.



Cont'd Schemes Associated with STEP Grant Fraud

- Falsification of Tickets

- Discovered when an officer's ticket book was found with completed ticket information but no times noted.
- Times omitted from tickets until log sheet completed. (Citation 1)
- False time entered on ticket to appear as if written during overtime shift.
- Officer uses false name or name of violator pulled over for unrelated matter; (most common problem) (Citation 2)
- Court system later revealed no record of tickets written on officers shift (Log Sheets 1-2)

CITY OF [REDACTED] TEXAS

TRAFFIC CITATION 2010-01

OFFENSE: [REDACTED]

TIME: [REDACTED]

OFFICER: 037

VEHICLE: T214

SIGNATURE: FRWY

Mailed 2-25-10



Cont'd

Schemes Associated with STEP Grant Fraud

- Misuse of “Administrative Time”
 - Officers routinely added 1-2 hours of their time worked at the end of their shift for work *not performed* or for work *not related to the project*.



OIG INVESTIGATIVE RESULTS

- Over \$500,000 in STEP grant funds identified as misused in 4 police departments.
- 24 Police Officers removed or resigned; 1 retired.
- 25 Police Officers indicted. Adjudication in process.
- State has or will pay back NHTSA
- Investigations are continuing. The dollar amount and number of officers involved will likely increase.



Region 5 – Chicago Division – Case 2

- Former Police Commander – Mid Level PD
- Grant Coordinator / Program Director
- NHTSA STEP Grant – Saturation Patrols (DUI)
- Falsified DUI Numbers – “Pencil Whipping” (09-12)
- Back Stories
- \$170,000 Authorized / \$126,000 Spent
- \$30,000 in O/T to the former Commander
- ***** *Possible loss of retirement / pension* *****
- Effects on his life and the lives of other officers involved.
- Federally Prosecuted – 1st Instance of a federal prosecution.



Region 5 – Case 2 Results

- Federal Plea Agreement
- Misdemeanor Charge – 18 USC 641 Embezzlement
- 6 months – Federal Prison
- \$35,000 Restitution
- 200 Hrs. Community Service

- PENSION ???



Region 5 – Chicago Division – Case 3

- Former Sheriff's Deputy/Sgt. – Small/Mid Sheriff's Dept.
- Alleged to have diverted \$6000 from a STEP program
- The funds were for O/T pay; although, the Deputy did not work the hours claimed
- Local charges were brought against the Deputy – Self Surrendered
- Charges – Forgery and Official Misconduct (Misdemeanor)
- Plea Agreement - \$6000 to be repaid to NHTSA / 2 years Probation
- In addition, \$5000 to be paid to the SD for costs incurred related to the local investigation.



Region 5 – Case 3 Results

- Guilty Plea - 2 Misdemeanor Counts of Official Misconduct – Local
- 1 Year Suspended Prison Sentence
- 2 Years Probation
- Restitution \$11,021
- 50 Hrs. Community Service



Fraud Risk Factors/Vulnerabilities

MANAGEMENT / INTERNAL CONTROLS

Three most common contributing factors:

- Lack of communication regarding program management.
- Lack of training to supervisors and officers.
- Lack of supervision in grant procedures.





Fraud Risk Factors/Vulnerabilities

(1) LACK OF COMMUNICATION

- Communication failure between NHTSA, SHSO and the sub-recipient grantee was inconsistent and limited.
- Most was administrative in nature and not about program management and stewardship.
- More about paperwork in order and not about underlining performance.
- *Oversight responsibility not appropriately outlined.*
- Failure to communicate specific, clear benchmarks, goals, and deliverables for enforcement, personal service and media contracts.





Fraud Risk Factors/Vulnerabilities

(2) LACK OF TRAINING TO SUPERVISORS AND OFFICERS

- Departments with problems did not formally train their officers on the differences of the program from their normal shifts and *not informed of consequences* of mismanagement.
- Supervisors interviewed did not know how to manage a grant program, or monitor for fraud or abuse.
- More about paperwork in order and not about underlining performance.
- Failure to emphasize the unique conditions of specific grant programs in recruitment.



Fraud Risk Factors/Vulnerabilities

(3) LACK OF SUPERVISION IN GRANT IN GRANT PROCEDURES

- **Failure to provide oversight** during overtime patrols.
- Absence of a time and attendance quality control check that can easily identify log sheet falsification.
- Use of paper tickets.



PREVENTION

Law Enforcement Agency

- **OVERSIGHT (“Take Aways”)**

- Build supervision into project
- Develop and implement an enforcement or project action plan based on data
- Utilize GPS units on patrol vehicles
- Use of log sheets or personal activity report (PARs) to verify actual hours worked on shift
- Provide training – including refresher, roll call reviews of expectations
- Review ticketing system – automated vs. hand written



SUMMARY

Better communication, policies and procedures, training and closer supervision can deter fraudulent behavior and malfeasance.

INTERNAL CONTROLS, INTERNAL CONTROLS, and more INTERNAL CONTROLS !!!!!



DOT/OIG Hotline

- Call: 1-800-424-9071
- E-Mail: HOTLINE@OIG.DOT.GOV
- Write: USDOT-OIG
1200 New Jersey Avenue, S.E.
West Building, 7th Floor
Washington, DC 20590



Do the next right thing ...

“In any moment of decision, the best thing you can do is the right thing, the next best thing is the wrong thing, and the worst thing you can do is nothing.”

Theodore Roosevelt, 26th President, 1900-1909



Questions?

U.S. Department of Transportation Office of Inspector General Chicago Regional Investigations

***Thomas J. Ullom
Special Agent-In-Charge
(312) 353-0423***

Thomas.Ullom@oig.dot.gov

10/6/2015