U.S. Department of Transportation
Office of Inspector General

2025 National Transportation in Indian Country Conference

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September 24, 2025

Preventing Fraud, Waste, and Abuse in Transportation

Agenda

1. Overview of the Office of Inspector General
2. Investigative Priorities
3. Typical Fraud Schemes – Red Flag Indicators
4. Indian Country/Tribal Specific Programs/Funds
5. OIG Case Examples
6. Making Referrals / Q&A

Overview of U.S. DOT

FAA

PHMSA

NHTSA

FRA

FHWA

MARAD

FMCSA

FTA

OIG

Every mode listed, except for FMCSA, has a designated Tribal liaison/office.

NORTHEASTERN REGION (1)

CT, DE, MA, ME, NH, NJ, PA, RI, VT

MID-ATLANTIC REGION (2)

MD, NC, VA, Washington DC, WV

SOUTHERN REGION (3)

AL, AR, FL, GA, LA, MS, OK, SC, TN, TX
includes Puerto Rico, and U.S. Virgin Islands

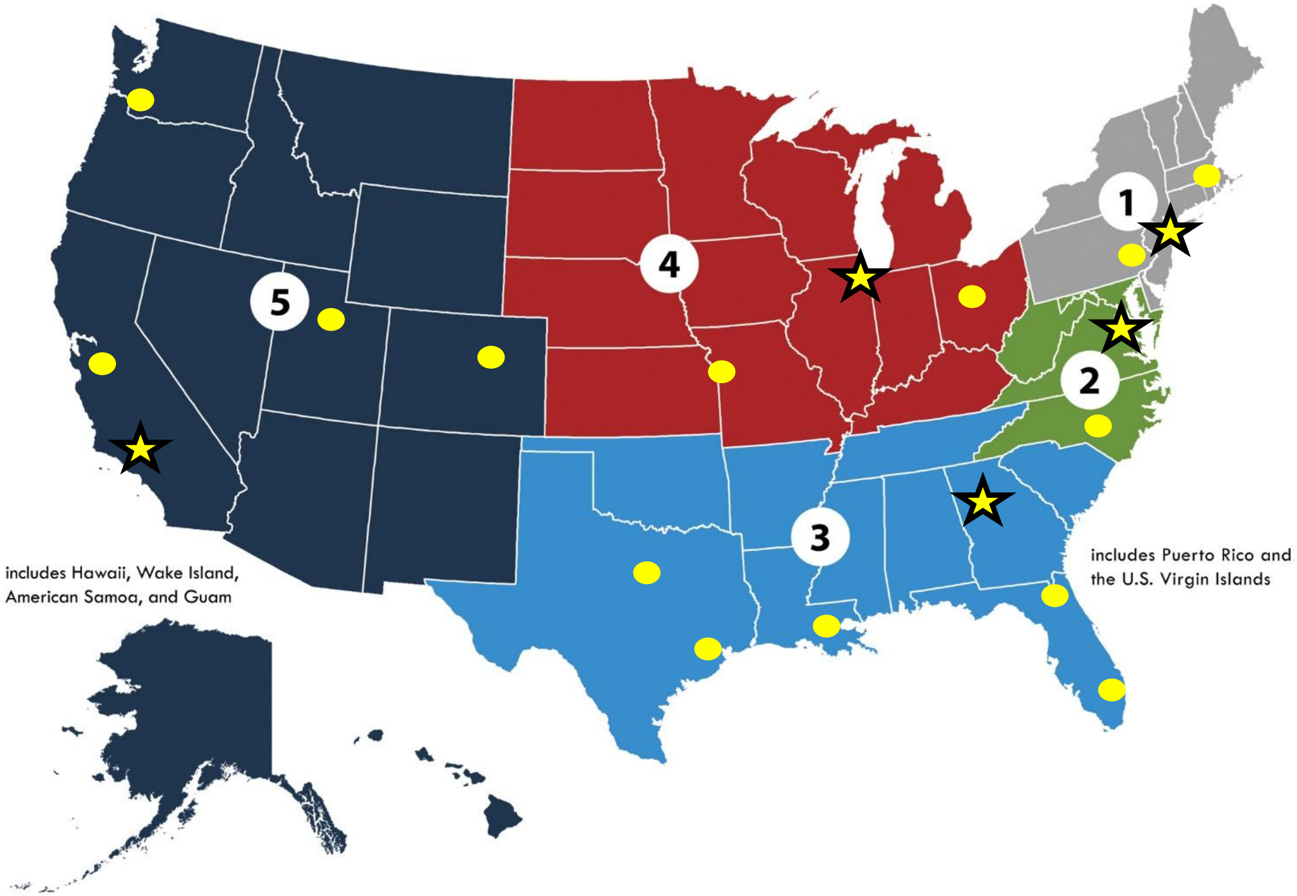
MIDWESTERN REGION (4)

IA, IL, IN, KS, KY, MI, MO, MN, NE, ND, OH, SD, WI

WESTERN REGION (5)

AK, AZ, CA, CO, MT, NV, OR, UT, WA, WY
includes Hawaii, Wake Island, American Samoa, and Guam

OFFICE OF INVESTIGATIONS REGIONS



DOT OIG

Audits	Investigations
• Supervises and conducts independent and objective audits and other reviews of DOT programs and activities to ensure they operate economically, efficiently, and effectively.	• Conduct criminal/civil investigations of fraud, transportation safety, and other matters directly affecting USDOT programs, contractors, grantees and regulated entities

Office of Investigations

What We do

- Conduct criminal/civil investigations of fraud, transportation safety, and other matters directly affecting USDOT programs, contractors, grantees and regulated entities
- Partner with Federal, State, and local law enforcement agencies and prosecutors

Investigative Resources

- Federal law enforcement arrest authority
- Investigative tools (subpoenas, search warrants, undercover operations, electronic monitorings)
- Access to DOT databases, contracts, agreements, CFRs, technical experts, etc.
- In-house computer crimes & data analytics unit

What Do We Investigate?

Definition of Fraud

- “Simple Definition of Fraud”
  - Crime using dishonest methods to gain something of value from another person
  - Person pretending to be what he/she is not in order to deceive others
  - A copy of something that is meant to look like the real thing in order to trick people

What is Fraud?

- False information or representation
- Material fact
- With intent to deceive
- Obtain something of value

Typical Fraud Schemes and Red Flag Indicators

- Product substitution
- Quality Control Testing Fraud
- Bribery
- Kickbacks
- Bid Rigging and Collusion
- Embezzlement and Theft
- Conflict of Interest

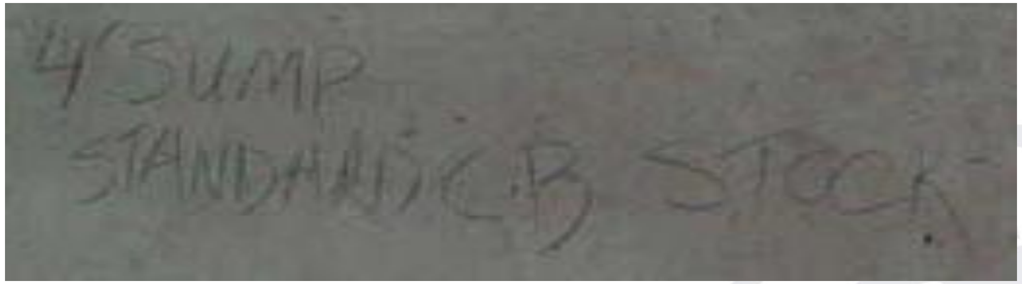
Product Substitution Indicators

Maybe it's not quite what you asked or paid for…

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

- Mismarking or mislabeling of products and materials
- Contractor restricting or avoiding inspection of goods or services upon delivery
- Photocopies of necessary certification, delivery, and production records where originals are expected
- Unsigned certifications
- Contractor refusing to provide supporting documentation regarding production or manufacturing
- High rate of rejections, returns, or failures
- Test records indicate no failures or high failure rate but contract is on time & profitable

Product Substitution Indicators cont.



Was I supposed to get this…

Instead, I got this… *No rebar*

Quality Control Testing Indicators

The tests are mostly right, nobody will know…

In quality control testing schemes, a contractor misrepresents the results of quality control (QC) tests to falsely earn contract incentives or to avoid production shutdown in order to increase profits or limit costs.

- Contractor insisting on transporting QC samples from the construction site to the lab
- Contractor employees regularly taking or labeling QC samples away from inspector oversight
- Contractor not maintaining QC samples for later quality assurance (QA) testing
- Contractor challenging results, or attempting to intimidate QA inspectors who obtain conflicting results
- Photocopies of QC test results where originals are expected
- Alterations or missing signatures on QC test results

Bribery 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

Kickbacks Indicators

Because they will give, doesn't mean you should take…

A contractor or subcontractor misrepresents the cost of performing work by secretly paying a fee for being awarded the contract and therefore inflating the job cost to the government.

- Unexplained or unreasonable limitations on the number of potential subcontractors contracted for bid or offer
- Continuing awards to subcontractors with poor performance records
- Non-award of subcontracts to lowest bidder
- Lack of separation of duties between purchasing, receiving, and storing
- Non-qualified and/or unlicensed subcontractors working on prime contracts
- Purchasing employees maintain a standard of living exceeding their income

Bid Rigging & Collusion Indicators

Back room deals are never good…no matter how dark the room is…

Contractors misrepresent the competition against each other when, in fact, they agree to cooperate on the winning bid to increase job profit.

- Unusual bid patterns: too close, too high, round numbers, or identical winning margins or percentages
- Different contractors making identical errors in contract bids
- Bid prices dropping when a new bidder enters the competition
- Rotation of winning bidders by job, type of work, or geographical area
- Losing bidders hired as a subcontractor
- Apparent connections between bidders: common addresses, personnel, or phone numbers
- Losing bidder submits identical line item bid amounts on nonstandard items

Embezzlement Indicators

It's theft…

Fraudulently taking of personal property by someone whom it was entrusted.

- Embezzler has permission to handle the property in a certain way (but not take it)
- Ponzi schemes are an example of embezzlement
- Use of false bills and receipts for activities that did not occur
- Stealing Government Funds

Conflicts of Interest Indicators

Do we have to disclose???

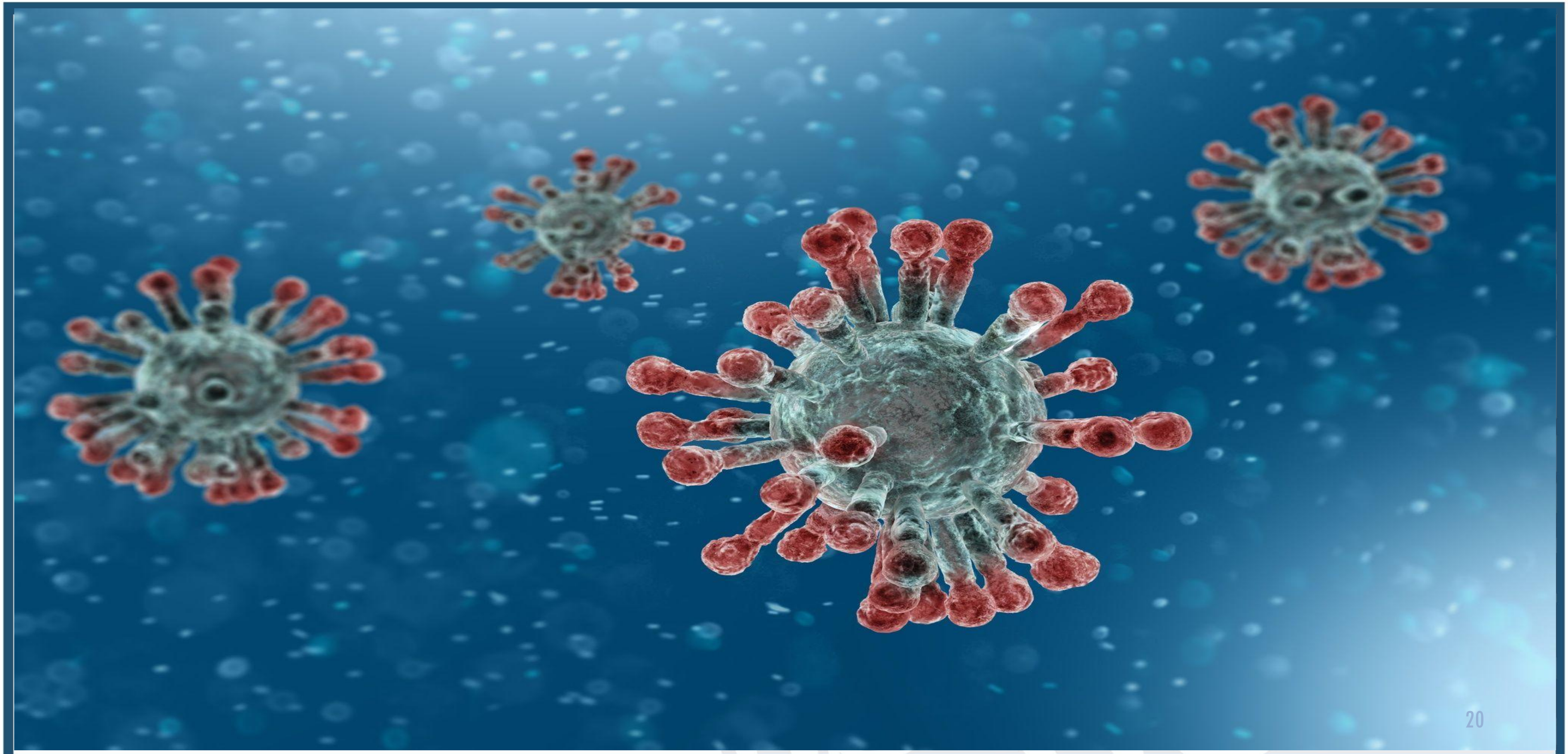
A government contracting or oversight official has an undisclosed financial interest in a contractor or consultant, resulting in an improper contract award or inflated costs.

- Unexplained or unusual favoritism shown to a particular contractor or consultant
- Government official disclosing confidential bid information to a contractor or assisting the contractor in preparing the bid
- Employee having discussions about employment with a current or prospective contractor or consultant
- Close socialization with and acceptance of inappropriate gifts, travel, or entertainment from a contractor
- Vendor or consultant address being incomplete or matching employee's address
- Government official leasing or renting equipment to a contractor for performing contract work
- Contracting or purchasing employee lives beyond his or her means
- Contracting employee fails to file Conflict of Interest or Financial Disclosure form
- Employee declines promotion from a procurement position

Why Does This Happen?

- Costs v. Profits
- Peer Pressure
- Deserving
- Opportunities
- Controlled
- Greed

COVID-19 Economic Relief Efforts



Coronavirus Response and Relief Supplemental Appropriations (CRRSAA) Act

In December 2020, the President signed the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act, which includes $900 billion in supplemental appropriations for COVID-19 relief. The bill also provided over $27 billion to DOT:

Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act

DOT Agency	Funds Provided
Federal Aviation Administration	$2,000,000,000
Federal Highway Administration	$10,000,000,000
Federal Transit Administration	$14,000,000,000
Federal Railroad Administration	$1,000,000,000
Office of the Secretary of Transportation	$23,332,000
Total Amount Provided by the CRRSA Act	**$27,023,332,000**

Main types of Tribal/Native Support within CRRSAA:

- **Tribal Transit and Rural Formula Grants under FTA**
  - Under CRRSAA, there was a provision for FTA to provide aid via *Section 5311* grants for rural areas and tribes. The law directs that some of the rural formula funding be used for tribal transit
    - **For example, Alaska got a CRRSAA Section 5311 grant of approximately $7.7 million that included tribal transit program components**

Main types of Tribal/Native Support in DOT funds within CRRSAA:

- **Highway Infrastructure Program (HIP-CRRSAA) — Tribal Set-asides**
  - Under the CRRSAA Highway Infrastructure Programs (HIP-CRRSAA), there is a specific set-aside portion "for activities eligible under the Tribal Transportation Program (TTP) as described in 23 U.S.C. 202." (Federal Highway Administration)
  - The amount set aside is in the notice of apportionment and is approx. **$114,568,862,** reserved "for activities eligible under the Tribal Transportation Program (TTP)." (More on TTP coming up)

American Rescue Plan Act (ARPA)

In March 2021, the President signed The American Rescue Plan (ARPA), a $1.9 trillion economic stimulus bill. The bill provided over $43 billion to DOT:

American Rescue Plan (ARP) Act

DOT Agency	Funds Provided
Federal Aviation Administration	$8,009,000,000
Federal Transit Administration	$30,461,356,000
Federal Railroad Administration	$1,700,000,000
Office of the Secretary of Transportation	$3,000,000,000
Total Amount Provided by the ARP Act	**$43,170,356,000**

American Rescue Plan (ARPA) Act

Main types of Native/Tribal support within DOT funds in ARPA:

•Under ARPA, **$26.6 billion** in transit-aid was to be allocated by statutory formulas “to urbanized and rural areas **and tribal governments**.” (per the Federal Transit Administration)

•There was a separate **$5 million** in ARPA for *competitive tribal grants*. (per the Federal Transit Administration)

Infrastructure Investment and Jobs Act (IIJA)

In November 2021, the President signed The Infrastructure Investment and Jobs Act, includes a 5-year reauthorization (FY22-26) of surface transportation programs and a direct advanced appropriations 5-year package valued at over $600 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: $15 Billion
- Charging and Fueling Infrastructure Grants $2.5 Billion
- Charging Formula Program $5 Billion
- Significant Freight & Highway Projects: $14 Billion

Key Program: Tribal Transportation Program (TTP)

TTP is the main source of federal transportation funding for federally recognized Tribes. TTP is administered by the FHWA in partnership with the Bureau of Indian Affairs and Tribal governments.

TTP is the largest DOT program specifically for Tribes and supports transportation infrastructure; including roads, access, and mobility on Tribal lands.

Includes sub-programs such as:

- Tribal Transportation Facility Bridge Program. (Bridges)
- Tribal Transportation Program Safety Funds. (Tribal road safety improvements)
- Tribal High Priority Projects. (highest priority projects and emergency/disaster)

Key Program: Tribal Transportation Program (TTP) Cont.

TTP is funded at **$3 billion over 5 years**, with annual distributions.

Funds can be used for:

- ✓ Road construction and maintenance
- ✓ Transit systems
- ✓ Safety improvements
- ✓ Planning and research
- ✓ Bridge projects
- ✓ Trails and paths
- ✓ Emergency and disaster repairs

Who gets the funds?:

Funds are distributed to over 570 federally recognized Tribes using a formula that considers; Tribal population, road mileage, Avg. Tribal share from previous funding formulas.

1) Statutory Formula (pop. and road mileage data.
2) Tribal Shares (historical allocations)

Other DOT Funding Opportunities for Indian Country

1) Infrastructure for Rebuilding America (INFRA) – Competitive grant for **large** transportation projects, tribes can apply directly.

2) Rebuilding American Infrastructure with Sustainability and Equity (RAISE) – Competitive grants for infrastructure and safety. Tribes can apply directly.

3) Safe Streets and Roads for All (SS4A) – Supports regional and Tribal road safety plans, focused on reducing fatalities and serious injuries. Tribes can apply directly.

4) Transit Programs (FTA) – The FTA runs a Tribal Transit Program, which funds transit services in rural Tribal communities. Tribal Transit Program funds can be either formula or discretionary/competitive grants. Tribes can apply directly.

Summary of Indian Country Funding Opportunities

Program	Type	Managed By	Eligible Uses
Tribal Transportation Program (TTP)	Formula	FHWA/BIA	Roads, bridges, transit, planning
Tribal Transit Program	Formula & Competitive	FTA	Transit systems
RAISE Grants	Competitive	DOT	Infastructure and safety
SS4A	Competitive	DOT	Safety plans, improvements

Possible Sentencing Outcomes / Remedies

Criminal Action	Administrative Remedies
Incarceration	Termination of Employment
Fines	Withholding of funds
Forfeiture / Restitution	Non-renewal of contract
Supervised Release / Probation	Suspension & Debarments
Suspended Sentence	Monitoring Agreements
Home Confinement / Electronic Monitoring	Administrative Settlements
Community Service	Compliance Agreements

Civil Actions
Corporate Settlements
Court Ordered Judgements
Civil Settlements

Possible Charges

Mail Fraud (18 USC 1341)

Wire Fraud (18 USC 1343)

Obstruction of Justice (18 USC 1519)

Money Laundering (18 USC 1957)

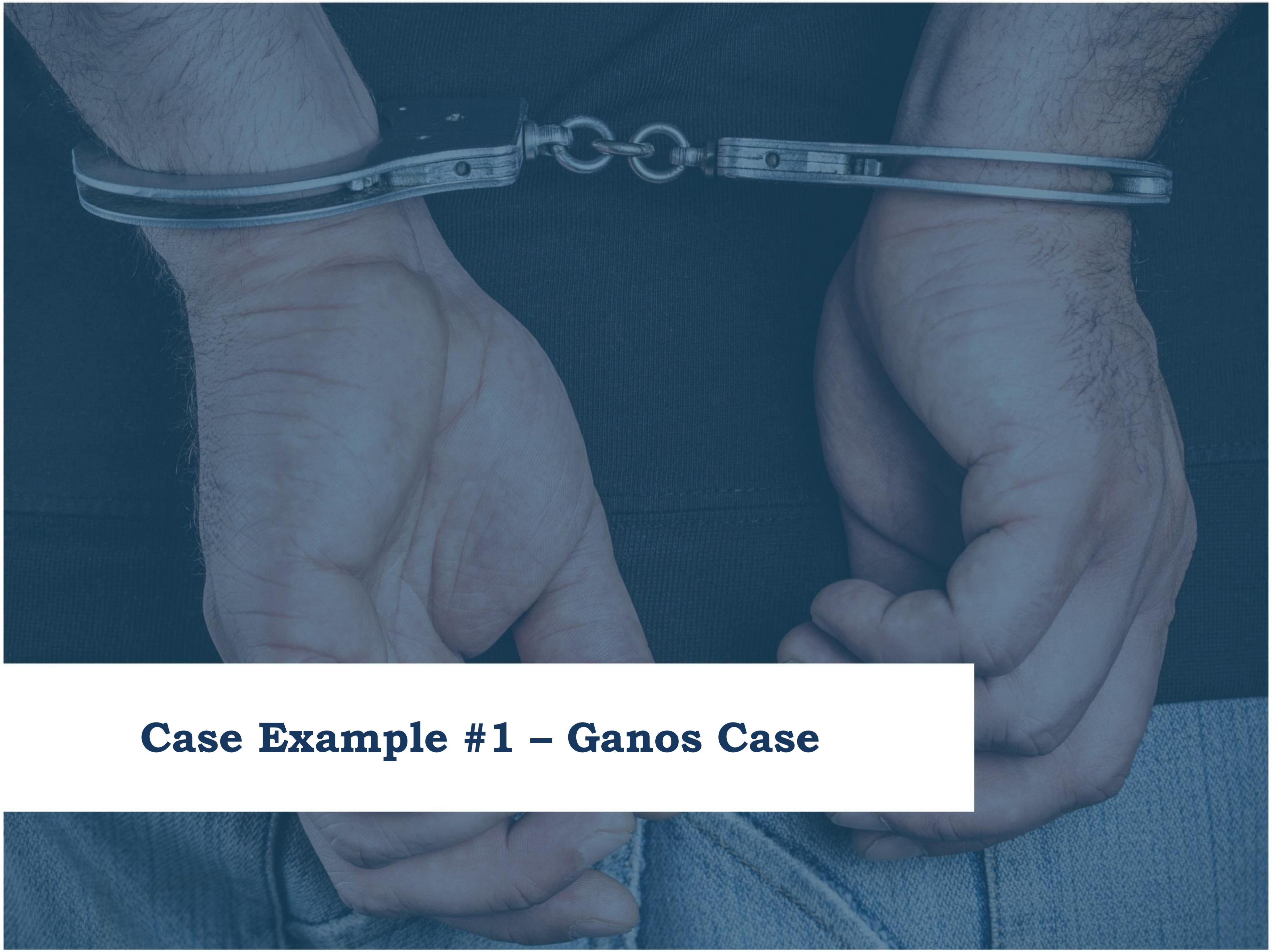
False claims (18 USC 287)

Conspiracy (18 USC 371)

False statements (18 USC 1001)

Civil False Claims (31 USC 3729)

Examples of OIG Investigations



Case Example #1 – Ganos Case

Allegation

(2011) Whistleblower contacted U.S. Dept. of Veterans Affairs, OIG (VA-OIG) alleging Nuvo Construction and C3T were used as pass-through companies. Lack of cooperation from witnesses led to closing of initial complaint.

(2013) A Nuvo employee finds an agent's business card and reiterated the same allegations (and more) -- new investigation

- Valuable information obtained via interviews, SWs, document/financial reviews
- Agents/prosecutors close to charging case, but not enough to seize assets and also discovered money was flowing in from WisDOT
- Enter USDOT-OIG to join multiple investigating agencies

Contracts, Contracts & More Contracts

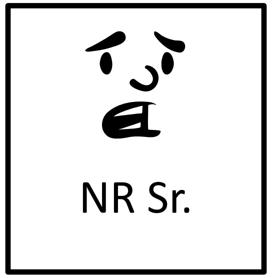
The investigations revealed that Nuvo Construction, C3T, Sonag Company, & Sonag Ready Mix received over $260M in federally funded contracts using their disadvantaged and/or disability status for 20+ years.

Contracting Agency	Investigative Partners
▪ Veterans Affairs	VA-OIG
▪ WisDOT	USDOT-OIG
▪ Milwaukee County	SBA-OIG
▪ GSA	GSA-OIG
▪ City of Milwaukee	FBI
▪ DOD & US Army	DCIS & Army-CID

The Players

Brian Ganos (Mexican American)
- Owner, Sonag Company, Milwaukee, WI
- Certified DBE in multiple gov't set aside programs (SBA's 8A & DOT)

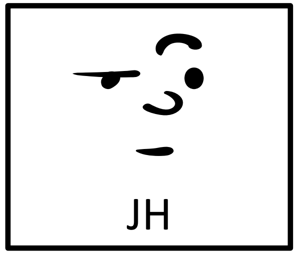
Jorge Lopez (Mexican American) (Lives in MN)
- Owner, Nuvo Construction, Milwaukee, WI
- Certified DBE in multiple gov't set aside programs (SBA's 8A/Hubzone & DOT)
- Former Sonag employee



Sonag Ready Mix, Milwaukee, WI
- Brian Ganos (51% Ownership)
- Nicholas Rivecca Sr. (49% Ownership)
- Certified DBE for SBA 8A – lost it (<$)
  -- Passed off as subsidiary - Nuvo Ready Mix

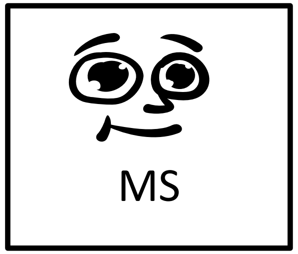
The Players (cont.)

Telemachos Agoudemos (Disabled Veteran)
- Owner, C3T Company, Milwaukee, WI (electric work)
- Certified as Service-Disabled Veteran Owned Business by the VA



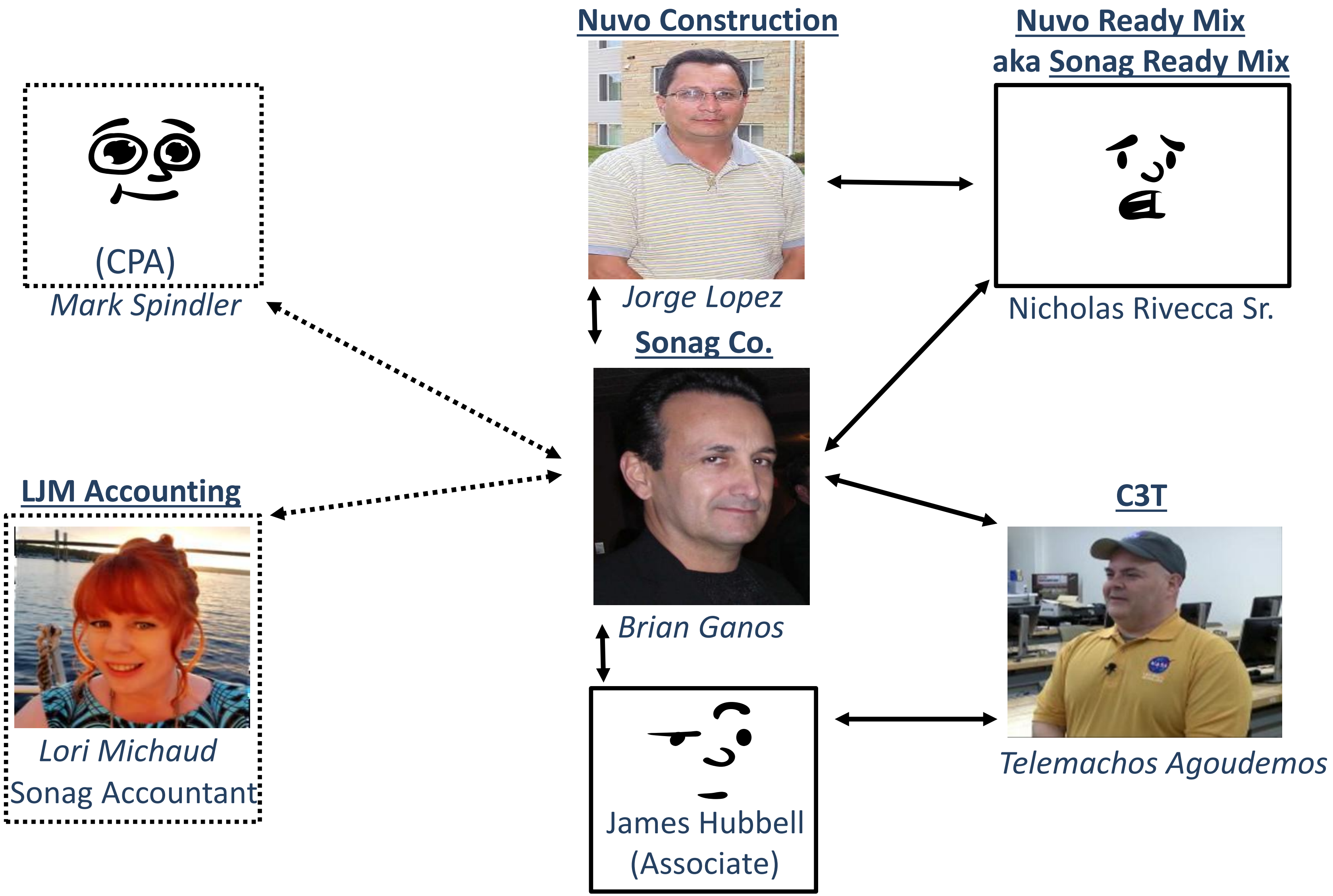
James Hubbell
- Long-time associate and employee at Sonag Company, Nuvo, & C3T
  -- Sometimes presented himself as part-owner of C3T
- Introduced Ganos to Telemachos & helped Ganos run/operate companies

Lori Michaud
- Former Sonag Company employee and in-house accountant
- Later established LJM Accounting
  -- Independent contractor to Sonag Company & Nuvo Construction



Mark Spindler
- CPA for Sonag Company, Sonag Ready Mix, Nuvo, C3T
- Based out of Milwaukee, WI

Making The Connections



So What Went Wrong?

- Sonag Company was a legitimate business
  - Aged out of SBA's 8A program & grossed too much income to remain DBE eligible
- Ganos aligned himself with other DBEs/Vets to keep the contracts coming in ($50M DOT)
  - Paid Lopez, Telemachos and Rivecca ~$60k per year to have control and use their status
  - Accountant / CPA helped cook the books

Lies

- Ganos lied annually to many different government entities via No Change Affidavits and personal net worth statements claiming DBE eligibility.

- WisDOT / Milwaukee County took steps to remove his companies from the DBE program, but his CPA was too convincing.

No Change Affidavit

WISCONSIN UNIFIED CERTIFICATION PROGRAM
DISADVANTAGED BUSINESS ENTERPRISES PROGRAM
Annual No-Change Affidavit

Purpose: This form must be submitted by all DBE firms to verify that they continue to meet the eligibility criteria for participation in the DBE program. Please complete all sections.

Failure to submit this affidavit and documentation can result in the loss of your firm's DBE certification.

Name of Firm: Sonag Company Inc
Address: 5510 W. Florist Ave City/State/Zip Code: Milwaukee WI 53218
Phone No.: (414) 393 - 9911 Fax No.: (414) 393 - 9902
E-mail: Briang@Sonag.com
Contact Person: Brian Granius Title: ______

List annual gross receipts for the last three years:

Year 2013 $ 4,950,592 Year 2014 $ 3,492,355 Year 2015 $ 3,383,878

Provide a complete copy of the most recent federal tax return(s) for the applicant firm and all affiliate firms to your certifying agency listed below.

I/We affirm[1] that there have been no changes in circumstances affecting the above referenced firm's ability to meet the Small Business Administration (SBA) size standard(s), disadvantaged status, ownership, or control requirements of 49 CFR Part 23 and Part 26, and 13 CFR Part 121. There have been no material changes in the information provided with this firm's certification application, except for any changes about which I have provided written notice to WisDOT pursuant to 49 CFR Part 26, § 26.83(i).

I/We affirm that I/we are a member of one or more of the groups identified in 49 CFR Part 26, § 26.5. I further affirm that my personal net worth does not exceed $1.32 million, pursuant to 49 CFR Part 26, § 26.67 (a)(2)(i).

I/We specifically affirm that the above referenced firm continues to meet the current SBA size standard(s) associated with its assigned NAICS code(s), and does not exceed an average annual gross receipt, over the firm's previous three fiscal years, in excess of $22.41 million (49 CFR Part 26 § 26.65 and 13 CFR 121.402). I will mail the firm's federal tax returns and/or supplemental employee data to support this affidavit

Note: All disadvantaged individuals claiming ownership must sign below.

Brian Granius Pres 10/24/16
(Signature of Owner, Title) Date

(Signature of Owner, Title) Date

(Signature of Owner, Title) Date

[1]Knowingly and willfully providing false information to the Federal government is a violation of 18 U.S.C. Section 1001 (False Statements) and could subject you to fines, imprisonment or both.

ity of Madison
epartment of Civil Rights
10 Martin Luther King Jr. Blvd., Rm. 523
adison, WI 53703
08) 266-4910
08) 267-1142 FAX
66) 703-2314 TTY/Textnet

Dane County
Dane County Executive Office
Office of Equal Opportunity
210 Martin Luther King Jr. Blvd.,Rm.421
Madison, WI 53703
(608) 266-4114
(608) 266-2643 FAX

Milwaukee County
Office of the County Board
Community Business Development Partners
Milwaukee County - City Campus
2711 West Wells Street
Room 830
Milwaukee, WI 53208
(414) 278-5248
(414) 223-1958 FAX

Wisconsin Dept Of Transportation
DBE Office
4802 Sheboygan Avenue
Room 451
P O Box 7965
Madison, WI 53707-7965
(608) 266-6961
(608) 267-3641 FAX

Job 200

- Lori Michaud (Accountant)
  - Cooperated with the gov't
  - Explained how Ganos laundered his money
  - Accounting book marked with special job code (200) to indicate $$ flow between companies

Judicial Actions

Indicted	***Informations/Plea Agreements***
Brian Ganos ▪ Conspiracy to commit wire fraud ▪ Wire Fraud ▪ Mail Fraud ▪ Money Laundering/concealment **Mark Spindler** ▪ Conspiracy to commit wire fraud ▪ Misprison of a Felony	**Telemachos Agoudemos** ▪ **False Statements** **James Hubbell, Jorge Lopez and Nicholas Rivecca** ▪ Conspiracy to commit fraud against U.S.
Nuvo Construction ▪ Conspiracy to commit wire fraud ▪ Wire Fraud ▪ Mail Fraud **Sonag Company Inc.** ▪ Conspiracy to commit wire fraud and ▪ Money Laundering	**Lori Michaud** *Deferred/Non Prosecution Agreement

Sentencings

Brian Ganos

Plead Guilty

6.5 Years Incarceration

Debarred 5 Years

Nicolas Rivecca

Plead Guilty

36 Months Probation

1200 Hrs CS

Debarred 5 Years

Jorge Lopez

Plead Guilty

24 Months Probation

Debarred 5 Years

Telemachos Agoudemos

Plead Guilty

29 Months Supervised Release

Debarred 5 Years

James Hubbell

Plead Guilty

2 Months Incarceration &

36 Months Probation

Debarred 5 Years

Sentencings

Mark Spindler

Guilty by Jury Trial

3 Months Incarceration

36 Months Supervised Release

100 hours of community service

Sonag Company, Inc.

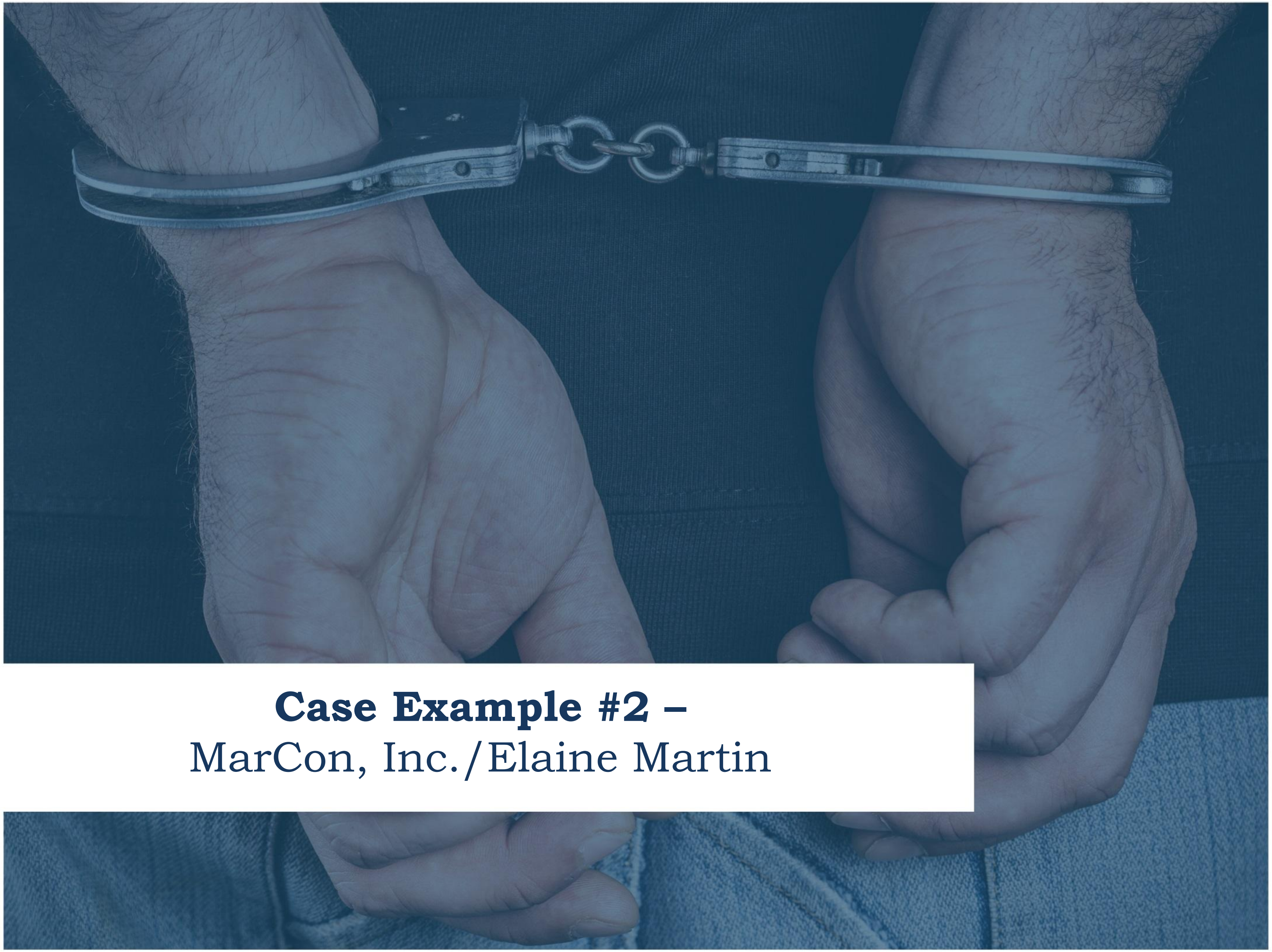
Charges Dismissed

Nuvo Construction

$300K Forfeiture

OIG

- Originally Sonag Company started off as legitimate business
- Sonag Company and Brian Ganos built a well known and respected name in the Milwaukee area
- Ganos lied to many different government entities, including Milwaukee County and WisDOT
- WisDOT and Milwaukee county took steps to remove his companies from the DBE program



Case Example #2 –
MarCon, Inc./Elaine Martin

Hide the Assets!

In 2011, a former employee of MarCon reported the owner of MarCon, Elaine Martin and co-founder Daryl Swigert were falsifying reports to the IRS and state DOTs.

According to the DOJ: “This case is about lies. It's about hiding or concealing income, hiding or concealing assets, and finally, it’s about how the defendants obstructed justice and specifically, concealed their lies from the investigation into the truth as to what actually happened.”

MarCon and Owners

MarCon, Inc., a guardrail contractor in Meridian, Idaho

Elaine Martin – President and majority shareholder

Darrell Swigert, a minority shareholder

From 1999 to 2013

Awarded approximately 245 State and Federal contracts in Utah and Idaho. Over $42 million in Idaho.

After entry into SBA 8(a) program, MarCon was awarded $2.5 million sole-sourced, non-competive bid contracts.

Fraud Indicators

MarCon was a successful business and Martin "lowered" her Personal Net-worth, by acquiring, holding and transferring assets to family members annd other businesses she held control over.

The Lies

In 1999 and 2003, Martin withdrew her application when her eligibility was questioned. However, in April 2004, Martin submitted the required documentation along with her application: a personal financial statement showing her net worth was less than $250,000, a narrative essay as to why she belonged in the 8(a) program, and her personal income tax returns. She also alleged she did not take any money from MarCon.

Prior to 2004, Martin took hundreds of thousands of dollars out of MarCon to give to family members and invest in real estate ventures.

Which lead to a search warrant….

The Evidence

May 16, 2002, memorandum that Martin wrote “assets in MarCon so I can participate in 8(a). The actual value would throw me out of contention even if I lowered values. …this way we can try for 8(a) and not be worried about cooking the books.”

Agents also found documents that tied Martin to 12 companies she invested in and had significant control over—none of which were disclosed to SBA—to move money around and make it appear as though she was qualified for the 8(a) program.

Martin submitted forms to SBA for 8(a) certification and yearly recertification—including false tax returns and backdated transactions—were submitted to the Utah DOT from 2002 to 2011 and Idaho DOT from 2002 to 2012 to obtain DBE certification. Martin also failed to disclose her interests in 12 real estate development companies.

The Evidence

In December 2009, Martin took $800,000 out of MarCon (more than the $750,000 DBE limit) to allegedly buy 41 acres in Eagle, ID—

Swigert contributed $300,000 for the property, but Martin transferred it to one of her companies: Martin LLC. While Martin disclosed the company on the personal financial statement she submitted to the Utah DBE office, her interest in Martin LLC was valued at $2,500—significantly below her one-third interest in Martin LLC, which owns the $800,000 property.

The IRS CID agent reviewed the tax returns and found that Martin hid hundreds of thousands of dollars of income—generated from the sale of used concrete barriers—from MarCon's CPA by depositing it into a secret bank account that was opened in July 1987.

Partnership and Trial

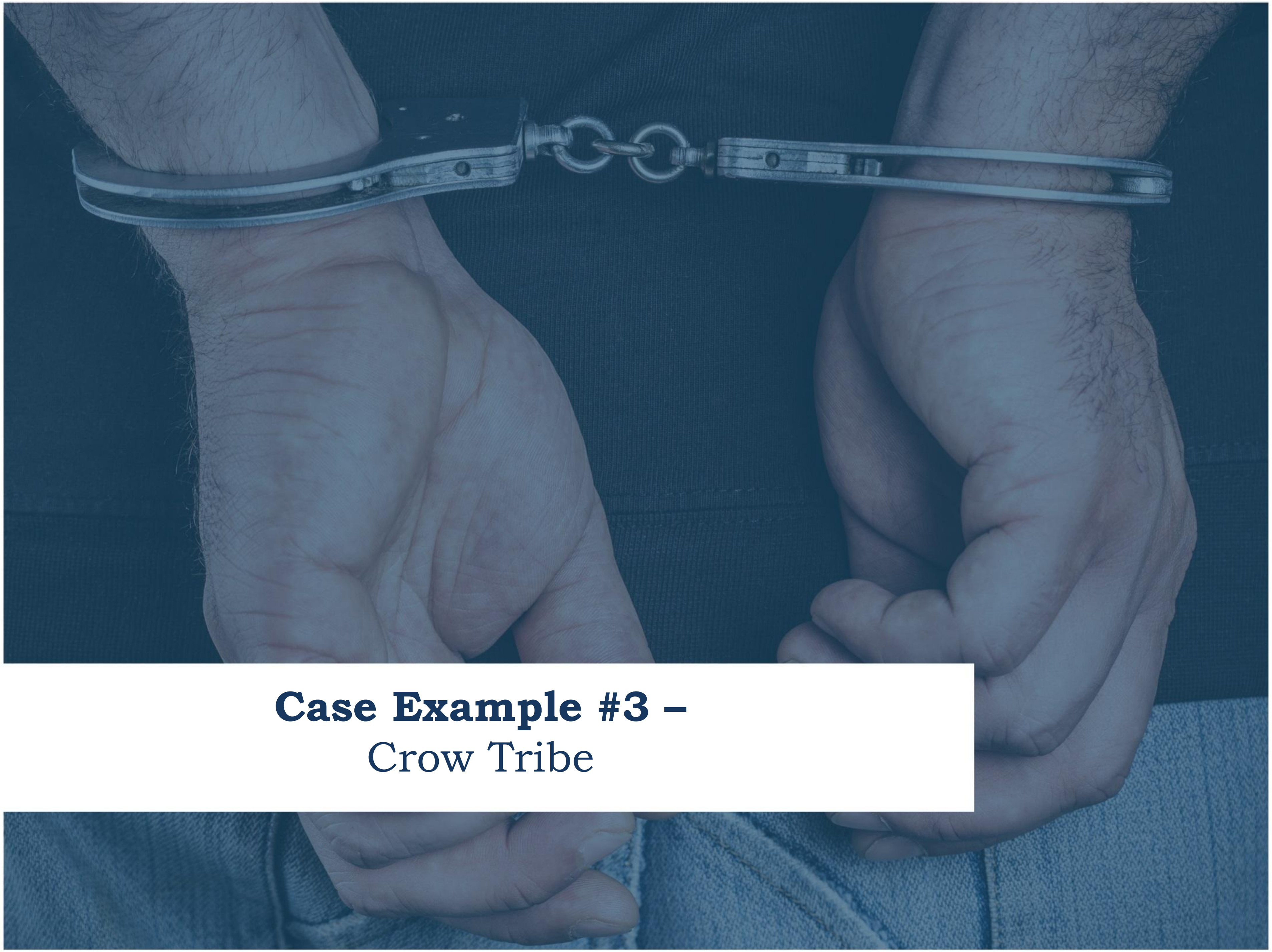
- IRS, SBA-OIG, DOT-OIG
  - Charges related to all agencies – can't have them without working together

- Trial – Martin and Swigert – August 2013
  - 22 Count Conviction (False taxes, SBA applications and DBE applications)

- After trial, Martin failed to report the fair market value of her assets and transferred assets without prior permission.

- Martin was ordered to forfeit over $3 Million and was sentenced to 7 years in prison, 3 years of supervised release

- Swigert sentenced to 3 months in prison, two years of supervised release and had to perform 100 hours community service



Case Example #3 –
Crow Tribe

How it started

- DOT-OIG was forwarded a complaint from the Department of Interior (DOI), OIG, that the Crow Tribe in Billings, MT, allegedly misappropriated $2.2M in FHWA money given to the Tribe via the BIA.

- The Crow Tribe was supposed to use the money to construct a transportation building on the Crow Indian Reservation. Instead, the Tribe allegedly used the funds to help offset general fund operations, during a time of financial difficulty.

Mix it all together

- Agents had to fly to Montana multiple times to conduct interviews, as well as retrieve financial documents related to the alleged misappropriated funds.
- Agents noticed that FHWA funds were commingled with other funds in a main Tribal account. This will likely cause the government to rely on legal theory to establish how the funds were misspent.
- Assistant United States Attorney's Office (AUSA) advised that 18 USC 666, did not require stolen/embezzled funds to be federal funds, so long as the Tribe received at least $10K or more in federal funds annually and misused $5K or more.
- The Crow Tribe acknowledged in a letter to the BIA that they in fact did misappropriate the funds ($2.2 million) received from the FHWA via the BIA during a time of financial difficulty.

The Outcome (Settlement)

- The BIA and the Crow Tribe entered into a settlement agreement. The Crow Tribe agreed to issue a check to the BIA for $2,267,469, which is the amount originally misappropriated by the Tribe.

- The Crow Tribe complied with the settlement within the allotted 30-days, and no further legal action was taken by the government.

U.S. DEPARTMENT OF TRANSPORTATION
OFFICE OF INSPECTOR GENERAL

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Investigations

August 15, 2016

Crow Tribe Reaches Civil Settlement of $2 million in Misappropriation of FHWA Funds Case

On August 15, 2016, the Crow Tribe entered into a settlement agreement with the Bureau of Indian Affairs (BIA) in which the tribe agreed to issue BIA a check for $2,267,469. This payment will settle a dispute between the parties stemming from an audit finding that the tribe had misappropriated $2,267,469 in Federal Highway Administration (FHWA) funds it had received via BIA. The Crow Tribe was supposed to use the FHWA funds to construct transit buildings but instead used them for other, unauthorized purposes.

Per the settlement agreement, BIA will use the money to construct the aforementioned transit buildings on the tribe's behalf. Upon the tribe's final acceptance of the transit buildings, BIA will withdraw the bill of collection it previously issued to the tribe to recoup the misappropriated funds.

The settlement is a compromise of disputed claims and is neither an admission of wrongdoing by Crow Tribe nor a concession by Federal and State Governments that their contentions were not well founded.

Case Example #3 – John Brown

Money for me, not for thee

- DOT-OIG received information from the Department of Housing and Urban Development (HUD), OIG, in Rhode Island involving the Narragansett Indian Tribal Historic Preservation Office (NITHPO) and its Director, John BROWN.

- The lead outlined that the Narragansett Indian Tribe (NIT), has received over $500K in HUD grants over the last 5 years. A HUD review indicated possible personal use of these funds. HUD-OIG referred this case to DOT-OIG after noticing that the NITHPO received federal funds from the FHWA.

Evidence of Personal Use

1. HUD-OIG identified NIT payments to the NITHPO for alleged "consulting" work. When NIT was questioned about the particulars of this consulting work, HUD was told they would have to ask the NITHPO.

2. HUD-OIG learned that Director, BROWN, opened several bank account for the NITHPO, and HUD funds were deposited into these bank accounts. Review of bank account transactions reveal indications of personal item purchases.

DOT-OIG Nexus

NITHPO also received federal funds from the FHWA for archeological monitoring related to the Rhode Island Department of Transportation (RIDOT) construction projects.

- In Fiscal Years 06’ and 07’, NITHPO received $150K per FY for archaeological monitoring.
- In FYs 08’, 09’ and 10’, NITHPO received $250K per FY for archaeological monitoring.
- Records of payments showed that the NITHPO received nearly $1 million of federal funds, consisting of 80% FHWA and 20% RIDOT funds.

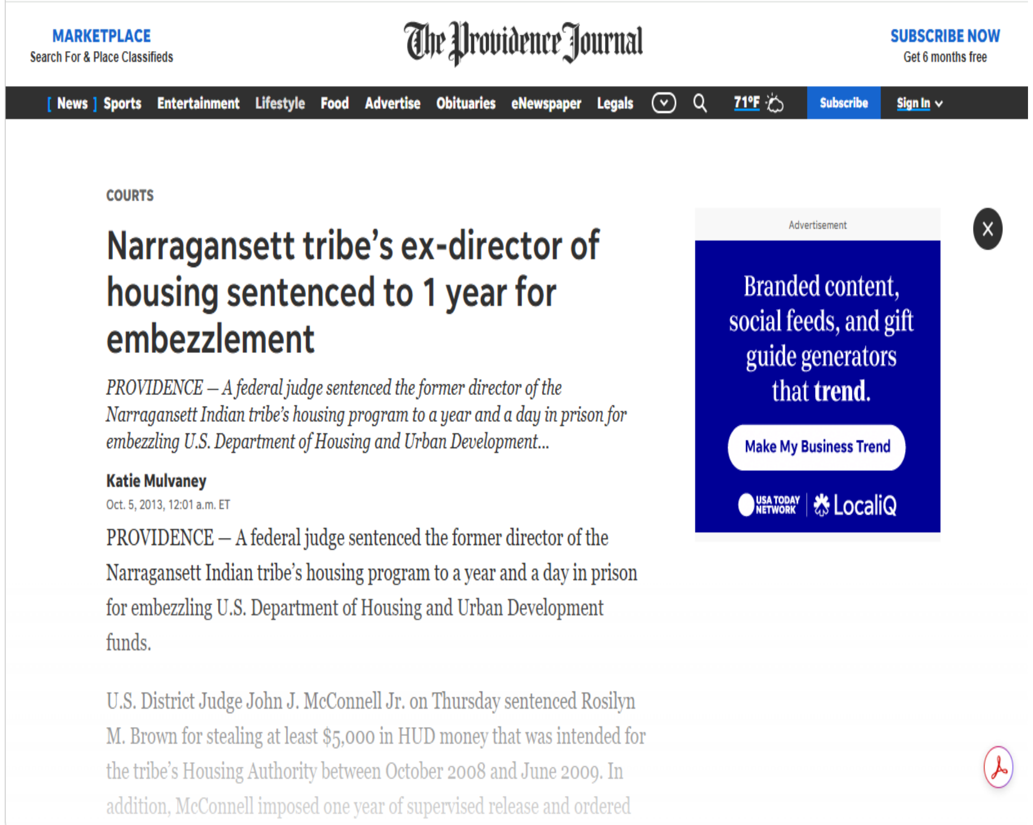
Other "Evidence"

1. Investigators were able to obtain reports related to a previous DOI-OIG investigation involving NITHPO and Director, BROWN.

2. Additionally, investigators learned that Rosilyn Brown, sister of Director, BROWN, and former executive director of the Narragansett Indian Tribe's Housing Office, was indicted on one count of Title 18 USC Section 666 for embezzling funds from the Tribal housing office, including cash withdrawals and personal purchases.

3. Later, it was learned that it was Rosilyn's office that paid the "consulting" fees to Director, BROWN's office (NITHPO).

4. Although the funds sent by Rosilyn were determined to be HUD funds, the funds were deposited into a same bank account that also received FHWA funds.



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COURTS

Narragansett tribe's ex-director of housing sentenced to 1 year for embezzlement

PROVIDENCE – A federal judge sentenced the former director of the Narragansett Indian tribe's housing program to a year and a day in prison for embezzling U.S. Department of Housing and Urban Development...

Katie Mulvaney
Oct. 5, 2013, 12:01 a.m. ET

PROVIDENCE – A federal judge sentenced the former director of the Narragansett Indian tribe's housing program to a year and a day in prison for embezzling U.S. Department of Housing and Urban Development funds.

U.S. District Judge John J. McConnell Jr. on Thursday sentenced Rosilyn M. Brown for stealing at least $5,000 in HUD money that was intended for the tribe's Housing Authority between October 2008 and June 2009. In addition, McConnell imposed one year of supervised release and ordered

The Twist and Turns of the Legal System

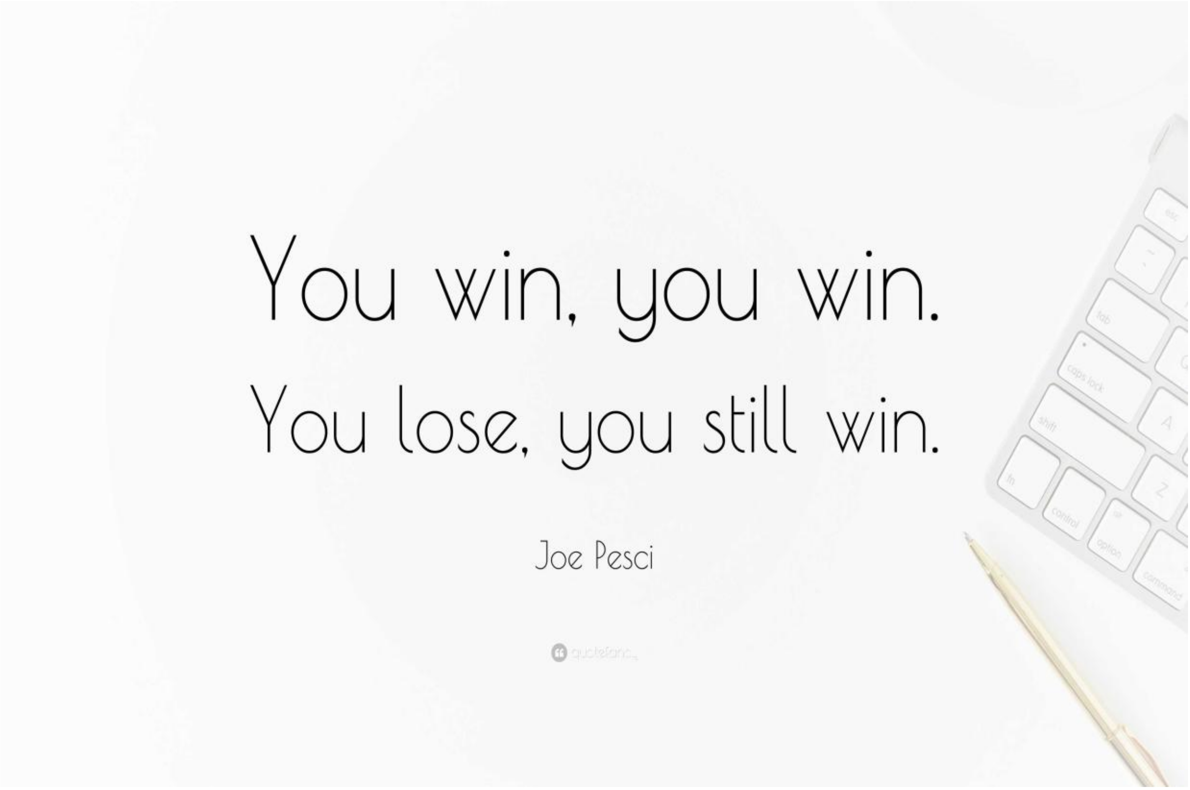
After years of back and forth between investigators and the Assistant United States Attorney's Office (AUSA), interviews, and review/analysis of numerous records, including bank records, and MOA agreements.

Long story short …

Due to a mixture of production compelling, appeals, failure to comply, failure to respond to a GJ subpoena. The AUSA's office declined prosecution on this case.

Still a "W"

- Not every case needs to end in a legal disposition.
- In this case DOT-OIG was able to administratively review and change the federal funds agreement between the FHWA and Director, BROWN's NITHPO.
- In this change the FHWA changed the agreement with NITHPO to a project-by-project basis, as opposed to a "lump sum funding", and reduced federal funding from $300K to NTE $100K annually.



Closing

- Biggest challenges federal law enforcement agencies face when working DBE cases and other fraud mentioned earlier is that it can viewed as "Victimless Crime" or "The Work was Done."
- Continue to invite us to provide presentations to your agency, the industry, conferences, symposiums, etc.
- Call/email USDOT-OIG us (Phone calls and emails are free ☺)
- If there is someone making allegations, you can direct them to us.

If You Suspect Fraud …

Trust Your Intuition

If possible:

- Document suspected fraudulent activity
- Seek an explanation for irregular activity
- Copy documents and take photographs
- Report your concerns or suspicions to management / USDOT Operating Administrations

To report fraud, waste, and abuse at DOT, please contact the OIG Hotline

1-800-424-9071
www.oig.dot.gov
www.oig.dot.gov/hotline

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Questions