



PUBLIC CORRUPTION WITHIN THE DC DOT

**U.S. DEPARTMENT OF
TRANSPORTATION
OFFICE OF
INSPECTOR GENERAL**

**SA Malik Freeman
JRI-3 WFO**



DC DOT

OVERVIEW

2 Fraud Conference 2006

- Case Background
 - Referral to DOT/OIG from DOJ Antitrust Division
 - Reported allegations and criminal violations
- Investigation and Schemes
- Working relationship between the OIG and Antitrust, overcoming pitfalls
- Disposition
- Investigation continues
- Lessons learned



Case Initiation

- Summer 2003, DOJ Antitrust division referred allegations of public corruption by a senior DC DOT official: Wilhelm DerMinassian
 - Initial focus on anti-competitive practices between DC DOT contractors
 - Developed into a more traditional public corruption case, i.e., crimes involving graft
- Shortly after we were notified, OIG brought the FBI WFO into the investigation



The Investigation

- Allegations included crimes of graft, subversion of the competitive contracting process and conversion of government property
- Government focused its investigative efforts on analyzing any and all procurements involving DerMinassian
- DOJ opened an investigation and issued numerous subpoenas



The Investigation Cont'd

- Conducted over 50 interviews throughout the nation
- Full financial work-up conducted on DerMinassian, which disclosed significant financial problems: bankruptcy
- Surprise drop-in on DerMinassian: Confession



Schemes

- Investigation revealed DerMinassian solicited a job, six figure salary and \$300,000 bonus from a current DC DOT contractor in exchange for the award of a \$2.5 million contract
- DerMinassian accepted \$6,000 cash from Dunn Engineering and Associates, a NY engineering firm, who was serving as the prime contractor on a \$17.5 million contract
- He accepted approximately \$20K in cash and other items of value from another contractor, in connection with his administration of a \$12.9 million procurement



Schemes

- DerMinassian commandeered two fully loaded SUVs for over a year which were funded under a DC contract





Schemes, continued

- He also admitted to receiving approximately \$12,000 in cash payments from another DC DOT subcontractor. The monies given to DerMinassian were used to cover the rent for an apartment that DerMinassian rented in the District.





OIG/DOJ-AT

- Immediate “buy-in” from the prosecutor
- Fully involved with the investigation
 - Assists with interviews and reviewing subpoenaed material
 - Moves the investigation forward
- Overcoming pitfalls in the working relationship



DISPOSITION

- DerMinassian:
 - Accepting gratuities: 18 U.S.C. § 201(c)(1)(B)
 - Wire fraud: 18 U.S.C. § 1343
- High-Level Government Official = Significant enhancement
- Disposition:
Sentenced on 9/05
 - 50K criminal fine and 50K restitution to DC
 - Currently serving 30 months in prison



DISPOSITION

- Dunn Engineering and Associates:
 - Providing gratuities: 18 U.S.C. § 201(c)(1)(A)
- Disposition:
Sentenced 4/05
 - Felony conviction
 - Agreed to pay a \$75K criminal fine
 - FHWA/DC Government possible debarment actions pending



Investigation continues

- The government is currently conducting an ongoing investigation with the other contractors who provided gratuities to DerMinassian.



Lessons Learned

- Understanding the DOJ-AT environment
- Working with paralegals
- Do not construct artificial limits around your investigation
- There is “attempted” bribery under the 18 U.S.C. 201 statute
- Understanding the “Thompson Memo”