



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

**Certified Payroll Fraud
(On Federal Highway jobs)**

*Chris Smith
Special Agent
Telephone 312-353-0106
Chris.R.Smith@oig.dot.gov*



What is a Certified Payroll?

40 USC Sec 3145 (Davis-Bacon Act):

- *“The Secretary of Labor prescribes reasonable regulations for contractors and subcontractors engaged in ...public works ... that at least partly are financed by a loan or grant from the Federal Government. The regulations shall include a provision that each contractor and subcontractors each week must furnish a statement on the wages paid each employee during the prior week.”*

In Other Words

Each contractor must pay their employees the prevailing wage for the type of work performed (i.e. machine operator, laborer, etc.), and submit this information weekly.



Typical Certified Payroll

FEDERAL I.D.		NAME OF CONTRACTOR <input type="checkbox"/> OR SUBCONTRACTOR <input type="checkbox"/>		ADDRESS																					
PAYROLL NO.		FOR WEEK ENDING		PROJECT & LOCATION							PROJECT OR CONTRACT NO.														
Sex	Race	NAME, ADDRESS, AND SOCIAL SECURITY NUMBER	REG. OR UNREG. EMPLOYER	WORK CLASSIFICATION	BY DAY & DATE							TOTAL HOURS	RATE OF PAY	GROSS AMOUNT EARNED	DEDUCTIONS				NET WAGES PAID FOR WEEK						
					DATE	S	M	T	W	TH	F				S	ICA	WITHHOLDING TAX	OTHER		TOTAL DEDUCTIONS					
					HOURS WORKED EACH DAY																				
					0																				
					\$																				
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Common Certified Payroll Fraud Schemes

- **Underpayment of wages**
- **Underpayment or nonpayment of benefits**
- **Underpayment or nonpayment of overtime**
- **Misclassification of work by employee**
- **Not including all workers on certified payroll**



Reasons Contractors Cheat

- Allows contractor to underbid other contractors to win contracts.
- Puts money back in contractors pockets





Criminal Charges

- **18 USC 1001 False Statements**
- **18 USC 1341 Mail Fraud**
- **18 USC 1343 Wire Fraud**
- **18 USC 371 Conspiracy**



U.S. v. MINNESOTA VALLEY LANDSCAPE, INC.

Company Background:

- **Family owned landscaping company in Minnesota**
- **One of the biggest landscaping contractors and subcontractors on MNDOT projects**
- **Prime contractor on \$4.7 million in contracts from 1998 – 2003**
- **Subcontractor on many other Federal and State funded contracts**



U.S. v. MINNESOTA VALLEY LANDSCAPE, INC.

Investigative Techniques used:

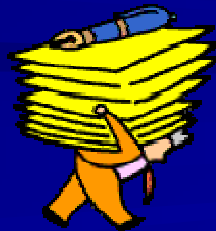
- Search warrant
- Interviews
- Grand Jury subpoenas
- Computer forensics



U.S. v. MINNESOTA VALLEY LANDSCAPE, INC.

Evidence collected:

- Signed certified payroll
- Falsified certified payrolls
- Payroll documents



Payroll Documents

Documents Analyzed for Determining Loss:

- Timecards – provided actual hours worked
- MVL internal office documents – provided job classification of each employee
- “Banked Hour” sheets – provided proof of overtime earned by employee
- Company cancelled checks – provided proof of payment of overtime

= \$396,257.43 underpaid/nonpaid wages



Indications of Certified Payroll Fraud

- No overtime worked in peak seasons
- Payroll sheets completed with different handwriting
- Delayed or non-submittal of certified payrolls
- And of course, employees telling you they are being underpaid.





Questions



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