

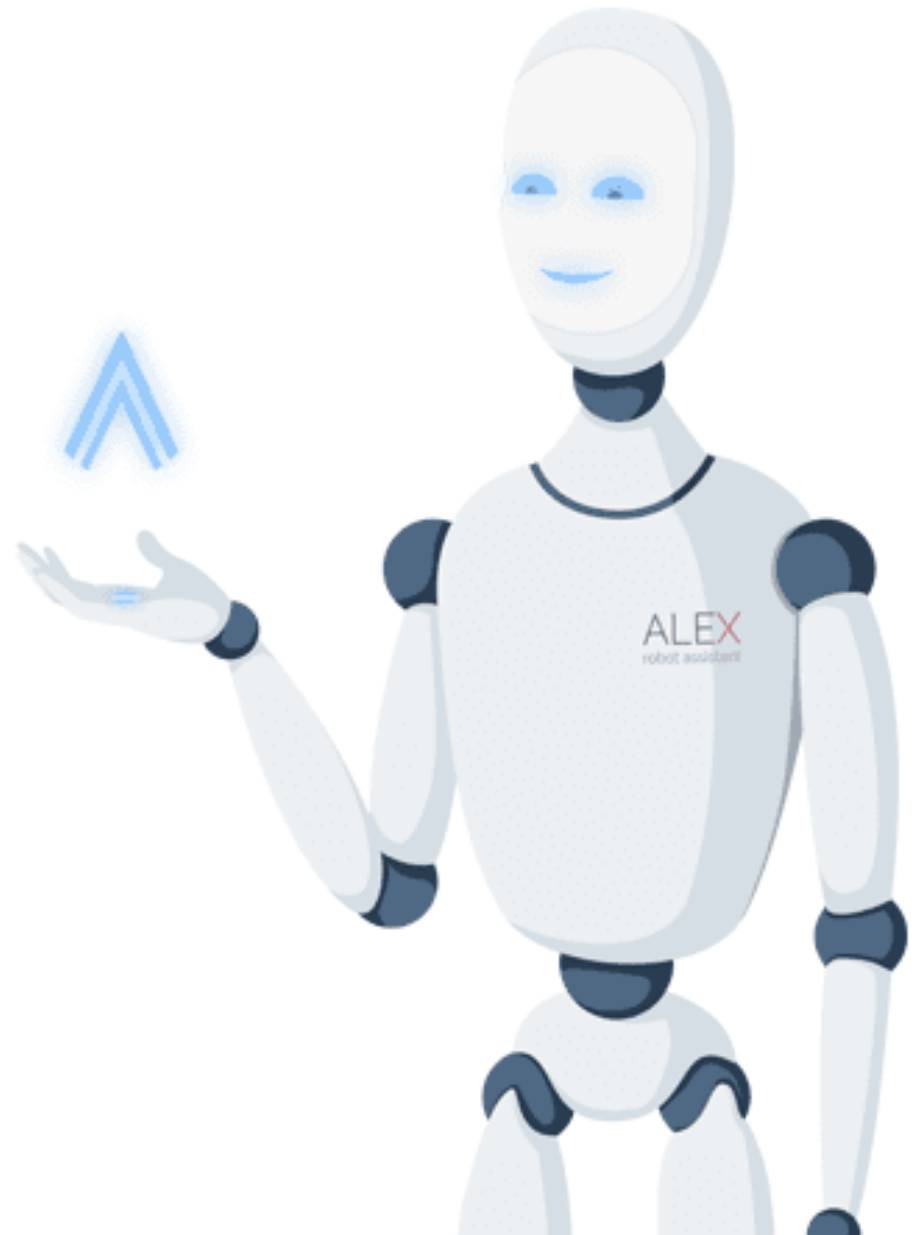
DBE

is an acronym for

Disadvantage Business  
Enterprise



by [allacronyms.com](https://allacronyms.com)



# Disadvantaged Business Enterprise (DBE) Commercially Useful Function

- See Section 2.25 Subcontracts
  - Subcontractor – Disadvantaged Business Enterprise (DBE)
  - *page 2-38 in Att. D or page 39 in C.M. Ch. 2*

# Disadvantaged Business Enterprise (DBE) Commercially Useful Function

- DBE is totally responsible for execution of a distinct element of work by actually performing, managing, and supervising the work.

# Disadvantaged Business Enterprise (DBE) Commercially Useful Function

- The DBE must manage the work contracted.
- The DBE shall perform work with employees normally employed by and under the DBE's Control.

# Disadvantaged Business Enterprise (DBE) Commercially Useful Function

- DBE must supervise daily operations of their portion of contracted work.
  - 1) The DBE owner may supervise the work, or
  - 2) The DBE must employ a supervisor to directly supervise that work. (The DBE owner must be actively involved in all decisions of the firm.)

# Disadvantaged Business Enterprise (DBE) Commercially Useful Function

- DBE's shall supervise and perform contracted work with workers on their payroll and under their direct supervision.
- The Office of Employee Services will assist in determining requirements of a Commercially useful function for DBE suppliers and manufacturers.

Subcontractor: DORMARK CONSTRUCTION CO.

Subcontractor Vendor ID: DO140

Address: 3310 SW BROOKSIDE D  
P.O. BOX 530  
GRIMES, IA DO140

Division of Labor Registration: Y

Telephone No.: (515)986-4270

The following conditions apply if this is a Federal Aid Contract:

1. The prime contractor is responsible for compliance by the subcontractor with Required Contract Provisions for Federal Aid Contracts, Form FHWA-1273, dated as per contract, relative to projects financed under the Federal Highway Act relative to wages and payrolls, and all terms of the prime contract applicable to the work performed by the subcontractors. The subcontract agreement shall be in writing and a copy of FHWA-1273 shall be attached.
2. The prime contractor is responsible for checking and submitting subcontractor's payrolls at the same time the prime contractor's payrolls are submitted when payment of predetermined wages is required.
3. I do hereby certify that in requesting authorization to sublet a portion of this project we have taken affirmative action to seek out and consider disadvantaged business enterprises as potential subcontractors and/or material suppliers.

Line No.	Item Description	Quantity	Unit Price	"A"	\$ Amount	Partial Item
0130	CONC BARRIER RAIL	586.000	\$56.54000	\$33,132.44	\$33,132.44	Y
Signature (Prime Contractor)		Totals:		\$33,132.44	\$33,132.44	
Contract Amount (b)						Pct. Sublet (a/b)*100
\$1,388,040.68						2.38699

Subcontractor: MID STATES REBAR AND SUPPLY

Subcontractor Vendor ID: MI188

Address: 3221 73RD ST.

Division of Labor Registration: Y

ATKINS, IA MI188

Telephone No.: (319)364-6474

The following conditions apply if this is a Federal Aid Contract:

1. The prime contractor is responsible for compliance by the subcontractor with Required Contract Provisions for Federal Aid Contracts, Form FHWA-1273, dated as per contract, relative to projects financed under the Federal Highway Act relative to wages and payrolls, and all terms of the prime contract applicable to the work performed by the subcontractors. The subcontract agreement shall be in writing and a copy of FHWA-1273 shall be attached.
2. The prime contractor is responsible for checking and submitting subcontractor's payrolls at the same time the prime contractor's payrolls are submitted when payment of predetermined wages is required.
3. I do hereby certify that in requesting authorization to sublet a portion of this project we have taken affirmative action to seek out and consider disadvantaged business enterprises as potential subcontractors and/or material suppliers.

Line No.	Item Description	Quantity	Unit Price	"A"	\$ Amount	Partial Item
0080	REINFORC STEEL	82,132.0	\$0.43650	\$35,850.62	\$35,850.62	Y
Signature (Prime Contractor)		Totals:		\$35,850.62 (a)	\$35,850.62	
Contract Amount (b)						Pct. Sublet (a/b)*100
\$1,388,040.68						2.58282



December 19, 2017 Letting -- DBE Commitments

Bid Order: 009 County: DUBUQUE Contract ID: 31-0321-041  
Prime Contractor DBE Contractor Commitment \$Amt Contract Work Items

SCHROEDER, JIM CONSTRUCTION, I  
SCHROEDER, JIM CONSTRUCTION, I

SCHROEDER, JIM CONSTRUCTION, I	DORMARK CONSTRUCTION CO.	33,132.44	Slip Form standard section of concrete barrier rail and hand
SCHROEDER, JIM CONSTRUCTION, I	MID STATES REBAR AND SUPPLY LL	34,850.62	Furnish epoxy coated reinforcing steel.

DORMARK CONSTRUCTION CO.	33,132.44
MID STATES REBAR AND SUPPLY LL	34,850.62

67,986.06

DORMARK CONSTRUCTION CO.

Slip Form standard section of  
concrete barrier rail and hand

MID STATES REBAR AND SUPPLY LL

Furnish epoxy coated reinforcing steel.

# CONTRACT

Letting Date: Dec 19, 2017 10:00 A.M.

Contract ID: 31-0321-041

Call Order No.: 009

County: DUBUQUE

Project Engineer: MANCHESTER RESIDENT CONST  
OFFICE

Cost Center: 611000

Object Code: 890

DBE Commitment: \$67,983.06

Contract Work Type: BRIDGE NEW - STEEL GIRDER

This agreement made and entered by and between the Contracting Authority,  
IOWA DEPARTMENT OF TRANSPORTATION  
and Contractor,  
JIM SCHROEDER CONSTRUCTION, INC.

DORMARK CONSTRUCTION CO.	33,132.44
MID STATES REBAR AND SUPPLY LL	34,850.62

**67,986.06**

# DBE Commercially Useful Function Checklist



Form 517014 (03/16)

## DBE Commercially Useful Function Checklist

Project Number: \_\_\_\_\_

Prime Contractor: \_\_\_\_\_

DBE Sub-Contractor: \_\_\_\_\_

Work Type: \_\_\_\_\_

Type of Work Observed:

\_\_\_\_\_  
\_\_\_\_\_

Does DBE on-site representative effectively manage the work being performed?  Yes  No

If No, explain:  
\_\_\_\_\_  
\_\_\_\_\_

Does DBE appear to have control over methods of work and equipment needed for their contract items?  Yes  No

If No, explain:  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

# DBE Commercially Useful Function Checklist



Form 517014 (03/16)

## DBE Commercially Useful Function Checklist

Project Number: NHSX-032-1(41)-3H - 31

Prime Contractor: Jim Schroeder Const

DBE Sub-Contractor: Dormark

Work Type: Barrier Rail

Type of Work Observed:

Slip Form Barrier Rail

Does DBE on-site representative effectively manage the work being performed?

Yes

No

If No, explain:

Does DBE appear to have control over methods of work and equipment needed for their contract items?

Yes

No

If No, explain:

# DBE Commercially Useful Function Checklist

To your knowledge, has anyone other than the DBE's personnel worked on the sub-contracted items?

If Yes, explain:

Yes

No

Has the DBE used their own, leased, or rented equipment for these contract items?

If No, explain:

Yes

No

Has the DBE used any of the prime contractor's people or equipment?

If Yes, explain:

Yes

No

Does it appear that someone other than the DBE is furnishing material for the items the DBE is responsible for?

If Yes, explain:

Yes

No

Reviewer: \_\_\_\_\_ Date: \_\_\_\_\_

# DBE Commercially Useful Function Checklist

To your knowledge, has anyone other than the DBE's personnel worked on the sub-contracted items?

If Yes, explain:

Yes  No

Has the DBE used their own, leased, or rented equipment for these contract items?

If No, explain:

Yes  No

Has the DBE used any of the prime contractor's people or equipment?

If Yes, explain:

Yes  No

Does it appear that someone other than the DBE is furnishing material for the items the DBE is responsible for?

If Yes, explain:

Yes  No

Reviewer:

*James Wilbur*

Q.T.S.

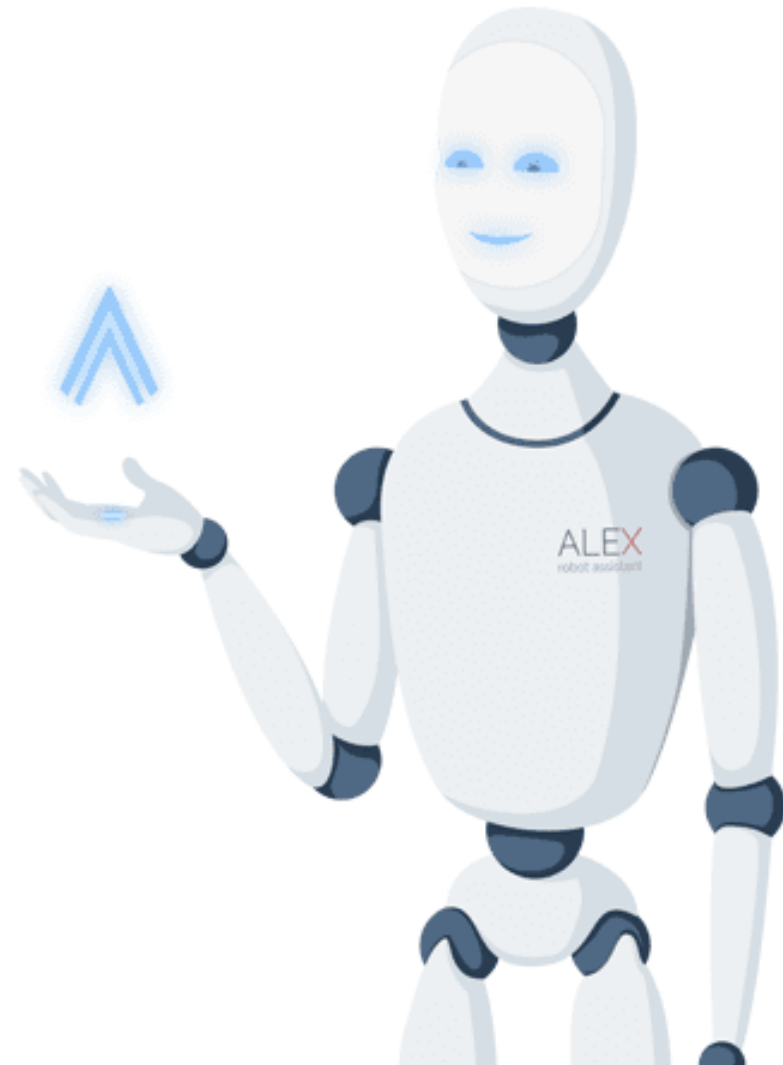
Date:

10-15-2018

# Knowledge Check – Disadvantaged Business Enterprise

DBE

is an acronym for  
Disadvantage Business  
Enterprise



# Knowledge Check – Disadvantaged Business Enterprise

- Why is it just as important to know not only who the DBE contractors are on your project, but what work they will be performing?
  - Because as an inspector, you must verify that the DBE performed the work they had contracted with their own forces and their own equipment.



# Knowledge Check – Disadvantaged Business Enterprise

- When a DBE has contracted a partial item, how does the inspector know what portion of that item the DBE will be completing?
  - This is a subject that must be discussed at the Pre-Construction meeting.
  - If it is not discussed, it must be made clear to the Project Engineer/Inspector before the DBE begins work on the project!

# Knowledge Check – Disadvantaged Business Enterprise

- Is it ever acceptable for a DBE Subcontractor to use equipment that is owned by the Prime Contractor or another one of the Subcontractors?
  - Only if they can show proof that the equipment was leased from the other contractor.

# Knowledge Check – Disadvantaged Business Enterprise

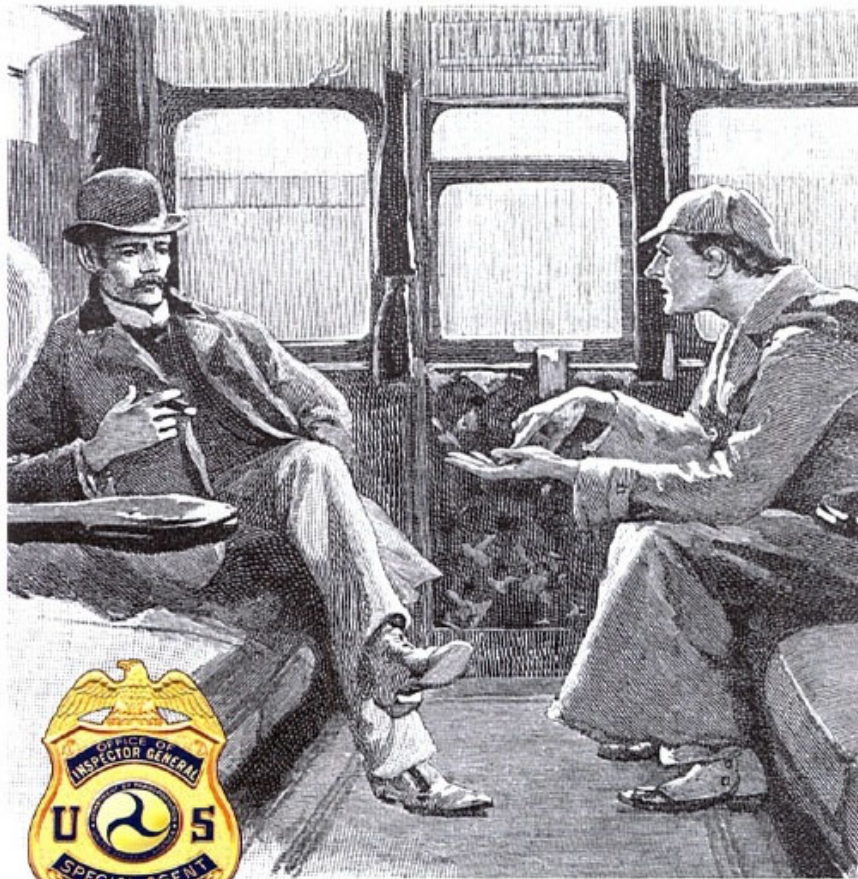
- Is it ever acceptable for a DBE Subcontractor to use employees of the Prime Contractor or another one of the Subcontractors?
  - **NO!** The employees must work for the DBE Subcontractor and can not be employees of the Prime Contractor or another Subcontractor.

# FALSE STATEMENTS CONCERNING HIGHWAY PROJECTS – Federal Code

- Form FHWA 1022 NOTICE
- Title 18 United States Code 1020
- Willful falsification, distortion, or misrepresentation with respect to any facts related to the project is a violation of Federal law.
- Punishable by up to \$10,000 fine and/or up to five years in federal prison.

# FALSE STATEMENTS CONCERNING HIGHWAY PROJECTS – State Code

- Iowa Code 714.8, subsection 3
- Knowingly executes or tenders a false certification under penalty of perjury, false affidavit, or false certificate, if the certification, affidavit, or certificate is required by law or given in support of a claim for compensation, indemnification, restitution, or other payment.
- Class C or Class D felony



*"It's elementary my dear Watson..."*

Fraud is deliberate deception to secure an unfair gain.

**Recognize and Report Fraud in  
Federally Funded Programs,  
Contracts, and Grants**

**(800) 424-9071**

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

## Reporting Concerns About Fraud, Waste, Abuse, and Other Irregularities

OIG maintains a hotline to report allegations of fraud, waste, abuse, and other irregularities in USDOT programs or operations. Allegations may be reported by USDOT employees, contractors, or the public. The OIG Hotline is available 24 hours a day, 7 days a week. Issues that should be reported include the following:

- ✓ Contract, procurement, and grant fraud
- ✓ Environment, health, and safety violations
- ✓ Computer crimes
- ✓ Product substitution, including suspected unapproved and counterfeit aircraft parts
- ✓ Bribery, kickbacks, and gratuities
- ✓ False statements and false claims
- ✓ Conflicts of interest and ethics violations
- ✓ Travel fraud, theft, and/or abuse of Government property
- ✓ Other violations of Federal laws and regulations

Contact OIG using any of the following methods:

**Online complaint form:** [www.oig.dot.gov/hotlineform.jsp](http://www.oig.dot.gov/hotlineform.jsp)

**Telephone:** (800) 424-9071

**Fax:** (540) 373-2090

**E-mail:** [hotline@oig.dot.gov](mailto:hotline@oig.dot.gov)

**Mail:** USDOT Inspector General

P.O. Box 708

Fredericksburg, VA 22404-0708

*Note:* The OIG Hotline is obligated to expeditiously forward all safety-related complaints to USDOT's safety regulatory agencies for action, as appropriate.





# NOTICE

The highway construction underway at this location is a Federal or Federal-aid project and is subject to applicable State and Federal laws, including Title 18, United States Code, Section 1020, which reads as follows:



Any person having reason to believe this statute is being violated should report the same to the agency representative(s) named below.

<p>State Transportation Agency</p> <p>Mark Dunn, P.E. 515-239-1414 Ames, IA 50010</p>	<p>U.S. Department of Transportation</p> <p>Hotline for Fraud, Waste, &amp; Abuse <b>1-800-424-9071</b></p>	<p>Federal Highway Administration Division Administrator</p> <p>Timothy C. Marshall 105 6th Street Ames, IA 50010 Phone: (515) 233-7300</p>
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# Conflicts of Interest

- A contracting or oversight official misrepresents that he or she is impartial when he or she has an undisclosed financial interest
  - Unexplained or unusual favoritism
  - Disclosing confidential bid information
  - Having discussions about employment
  - Close socialization with and acceptance of inappropriate gifts
  - Vendor or consultant address being incomplete or matching employee's address
  - Government official leasing or renting equipment to contractor
  - Contracting or purchasing employee living beyond his means
  - Contracting employee fails to file Conflict of Interest or Financial Disclosure
  - Employee declines promotion from a procurement position



# Bribery

*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 notice a pattern of preferential contractor treatment
  - ✎ Government official has a lifestyle that exceeds his/her salary
  - ✎ Contract change orders lack sufficient justification
  - ✎ Contracting employee declines promotion to a non-procurement position
  - ✎ Oversight officials socialize with, or have business relationships with, contractor or their families

# Kickbacks

*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

# Disadvantaged Business Enterprise Fraud

*Are they really meeting ALL the contract goals?*

- A contractor misrepresents who performs the contract work in order to increase job profit while appearing to be in compliance with contract goals for involvement of minority-or women-owned businesses
  - ✎ DBE owner lacking background, expertise, or equipment to perform subcontract work
  - ✎ Employees shuttling back and forth between prime contractor and DBE-owned business payrolls
  - ✎ Business names on equipment and vehicles covered with paint or magnetic signs
  - ✎ Orders and payment for necessary supplies made by individuals not employed by DBE-owned business
  - ✎ Prime contractor facilitated purchase of DBE-owned business

# Disadvantaged Business Enterprise Fraud

## Select Case Example

- **Fraudulent Disadvantaged Business Enterprise**

TULIO LANDSCAPING, INC. 6097

REFERENCE NO.	DESCRIPTION	INVOICE DATE	INVOICE AMOUNT	DISCOUNT TAKEN	AMOUNT PAID
565		10/20/99	3,200.00		3,200.00
577		10/30/99	3,500.00		3,500.00

CHECK DATE	CHECK NO.	PAYEE	DISCOUNT TAKEN	CHECK AMOUNT
12/13/99	6097	AANON ENTERPRISES INC		\$39,780.00

Original payable to Non-DBE subcontractor

TULIO LANDSCAPING, INC. 6097

REFERENCE NO.	DESCRIPTION	INVOICE DATE	INVOICE AMOUNT	DISCOUNT TAKEN	AMOUNT PAID
7837		11/17/99	\$39,780.00		\$39,780.00

CHECK DATE	CHECK NO.	PAYEE	DISCOUNTS TAKEN	CHECK AMOUNT
12/1/99	6097	Eugene Pullins Truck & Equipment		\$39,780.00

Altered to show payable to fraudulent DBE to deceive transit DBE officials

# Time Overcharging

*What's a couple of hours here or there?*

- A contractor or consultant misrepresents the distribution of employee labor on jobs in order to charge for more work hours or a higher overhead rate to increase profit
  - ✎ Unauthorized alterations to timecards and other source records
  - ✎ Billed hours and dollars consistently at or near budgeted amounts
  - ✎ Timecards filled out by supervisors, not by employees
  - ✎ Frequent adjustments to journal entries with descriptions such as changed wrong "work order" or "contract number"
  - ✎ Inconsistencies between consultant's labor distribution records and employee timecards
  - ✎ Personnel files that cannot be found or "found" only after a delay

# Time Overcharging

## Select Case Example

### MTA, INC. - TIME CARD

11

NAME [REDACTED]

MONTH FEBRUARY

YEAR 1994

1st Half     2nd Half

	JOB NO.	FUNCTION	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	TOTAL
			16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	
✓	S032	105	2						2	2								6
✓	S132	105	2	3					4	2								11
✓	S227	105		2	2	2				2					4			12
✓	S311	105	4	3	6	6			2	2					4	6		33

S032  
S032

ME

# Bid Rigging & Collusion

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

- **Contractors misrepresent that they are competing 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 drop when a new bidder enters the competition
  - ✎ Rotation of winning bidders by job, type of work, or geographical area
  - ✎ Losing bidder submits identical line item bid amounts on nonstandard items or is hired as a subcontractor
  - ✎ Joint venture bids by firms that usually bid alone

# Bid Rigging & Collusion



List of upcoming state highway projects

Contractors charged with fixing price for state road work

### 4 indicted in bid-rigging

Contractors charged with fixing price for state road work

BY ANNE WILSON  
12/18/03

Four transportation executives from two Madison companies were indicted Tuesday on criminal charges that they rigged bids for highway construction projects.

James Earl Martin, 56, and James Earl Martin, 56, are charged with conspiring with two government highway projects and conspiring of wire fraud. Edward Thomas and Charles ... after submitting the bid to the state.

All four were made as joint appearance Tuesday in federal court and were released. Lawyers for the men had no statement after the hearing.

James Martin, 56, is president of "Village Construction Co. in Madison." "Ed Earl" Thomas, 56, is vice president. James Earl Martin, 56, is president of "State Construction Co. in Madison. James Earl Martin, 56, is president of the firm.

The Madison and State agencies reported that the four men had conspired to rig bids for projects. They must receive the price must be approved. If approved on both sides, each man faces up to 10 years in prison and up to \$100,000 in fines.

According to the affidavit filed with the federal charges in U.S. District Court in Madison, the men are accused of racketeering. The indictment charges each man with 10 counts of bid-rigging. The charges also state that the men conspired to rig bids for projects. The charges also state that the men conspired to rig bids for projects. The charges also state that the men conspired to rig bids for projects.

Investigators instead of the other three a separate indictment. It is ... James Earl Martin, 56, and James Earl Martin, 56, are charged with conspiring with two government highway projects and conspiring of wire fraud. Edward Thomas and Charles ... after submitting the bid to the state.

All four were made as joint appearance Tuesday in federal court and were released. Lawyers for the men had no statement after the hearing.

Michael Martin, left, and James Martin of Village Construction Co. in Madison are charged with rigging bids for government construction projects. Photo by Dan Taylor/Press Herald

Michael Martin, left, and James Martin of Village Construction Co. in Madison are charged with rigging bids for government construction projects. Photo by Dan Taylor/Press Herald

Michael Martin, left, and James Martin of Village Construction Co. in Madison are charged with rigging bids for government construction projects. Photo by Dan Taylor/Press Herald



# Materials Overcharging

*Dishonest contractors think you aren't checking the bills...*

- A contractor misrepresents how much construction material was actually used on the job and then is paid for excess material to increase job profit
  - ✎ Discrepancies between contractor-provided quantity documentation and observed data, including yield calculations
  - ✎ Refusal or inability to provide supporting documentation
  - ✎ Truck weight tickets or plant production records with altered or missing information
  - ✎ Unusually high volume of purchases from one vendor
  - ✎ Invoiced good cannot be located in inventory or accounted for
  - ✎ No receiving report for invoiced goods

# Materials Overcharging

## Select Case Example

Plant Production Report shows 1,380 tons more asphalt shipped than produced on this day

DATE 10-9-91 ASPHALT PLANT PRODUCTION REPORT PLANT NO. 102

ASPHALT SHIPPED TO JOBS

JOB NO.	JOB NAME	MIX TYPE	COST CODE	TOTAL TONS
0069	Golf Road	2.5R	40600850	2055.46
0065	Golf Road	2.5R	40600850	787.95
0069	Golf Road	2.5R	40600851	1387.52

**Asphalt Shipped**

ASPHALT SHIPPED TO CUSTOMERS

CUST NO.	CUSTOMER NAME	MIX TYPE	OFFICE USE	CASH/CHECK REC'D	TOTAL TONS
04001	Travis W. S.	5UR			46.62
04850	OLYMPIC	5UR			201.22
07200	Phisway	RBN			680.03
04670	J.C. Bridgeway	5UR			529.88

**Private Jobs**

TOTAL AMOUNT SHIPPED 5,692.78

PLANT START 6:00 A PLANT STOP 8:00 TOTAL PLANT HOURS 11

MIX FORMULA TYPE	ASPHALT CONTENT	TONS PRODUCED
2.5% RBN	3.3	500
4.0% RBN	2.6	110
1.5% Sun	1.6	790
2.5Sun	5.8	2910

**Asphalt Produced**

COMMENTS: Auto Sweep

0069 Golf Sun 4/232.93 \$1200

# Quality Control Testing

*The tests are mostly right, nobody will know...*

A contractor misrepresents the results of quality control tests to earn contract incentives falsely or to avoid production shutdown in order to increase profits or limit costs

- ✎ Contractor insists on transporting quality control (QC) samples from the construction site to the lab or does not maintain QC samples for later quality assurance testing
- ✎ Photocopies of QC test results are provided when originals are expected
- ✎ Lab test reports are identical to sample descriptions and test results, varying only in date and lot number tested
- ✎ Test results cannot be found, are suddenly found after a delay, or have been destroyed
- ✎ Contractor regularly takes or labels QC samples away from inspector oversight

# Quality Control Testing

## Select Case Example

- **Fraudulent Core Samples**

DAY Wednesday DAILY LOG

CONTRACTOR CONCRETE JOB NAME AIRPORT

Work Performed Today: "AIRPORT"  
Jeff Naugle

Rain out

Problems - Delays \_\_\_\_\_

Sub-Contractor Progress \_\_\_\_\_

Special Assignments Good thing they  
sent me, to airport  
Shelley's cores she marked

Extra Work	Authorized By	Approx. Price
<u>would have failed</u>	<u>So</u>	
<u>marked Her</u>	<u>cores.</u>	

Equipment Rented Today	Rented From	Rate

Supervisor's Signature TJ:GO - - 2 - Show me

Special Assignments	Authorized By	Approx. Price	Material Purch
<u>Good thing they</u> <u>sent me, to airport</u> <u>Shelley's cores she marked</u>			
<u>would have failed</u>	<u>So</u>		
<u>marked Her</u>	<u>cores.</u>		

Equipment Rented Today	Rented From	Rate



# Product Substitution

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

- A contractor misrepresents the product used in order to reduce costs for construction materials
  - ✎ Any mismarking or mislabeling of products or materials
  - ✎ Contractor restricts or avoids inspection of goods or services upon delivery
  - ✎ Refusal to provide supporting documentation regarding product or manufacturing
  - ✎ Test or quality records reflect no failures or a high failure rate but contract is on time and profitable
  - ✎ Contractor offers to select samples for testing programs
  - ✎ Irregularities in signature, dates, or quantities on delivery documents

# Product Substitution

## Select Case Example

4' SUMP  
STANDARD CB STOCK



Was supposed to get this...



Instead got this...  
*No rebar*

# How is Fraud most Commonly Detected?

## **1. Tip**

- **Fraud is most commonly detected through employee tips.**

## **2. Internal Audit**

## **3. Accidental Discovery**

## **4. Internal Controls**

...

## **8. External Audit**

# If You Suspect Fraud, Waste, and Abuse

- Be vigilant about “Red Flag” indicators
- Document the activity you suspect to be fraudulent
- Seek an explanation for irregular activity, if possible
- Make copies of all relevant documents and take photographs, if possible
- Report your concerns or suspicions to management and refer to OIG, as appropriate
- Report directly to OIG and remain confidential