

SARs Help Uncover Bid-Rigging Scandal

In a case where political corruption led to bid rigging of public housing contracts in order to defraud the government, BSA records proved instrumental in understanding the scheme. In this case, perpetrators repeatedly structured financial transactions in order to hide business relationships and launder funds.

A contractor won a Federal grant for more than \$50 million for the demolition of a public housing development to construct new housing after a local elected official intervened on his behalf. The contractor's business was obligated to take legitimate competitive bids from other contractors seeking to provide demolition, earthwork, utilities, and concrete services. However, the contractor manipulated the bidding process used to select the primary contractor by creating false and fraudulent documents. He recruited and directed other companies to submit inflated bids in order for another one of his companies to appear to be the lowest bidder. The cooperating companies in return received sub-contracts and kick-backs for their false bids.

The contractor's businesses earned over \$10 million from the project. From those funds, he issued a check for over \$250,000 to a third company he owned. Over a period of several months, the contractor cashed more than a dozen separate checks issued to him from the company for a total of more than \$170,000. A SAR indicated that the transactions were structured to avoid CTR reporting requirements. The investigation was initiated after a government employee reported his suspicions of bid rigging to the Housing and Urban Development's Office of Inspector General.

The BSA information accessed on the contractor was instrumental in outlining his true relationships with the various businesses he in fact owned. Eventually some funds extracted from the scheme went to the elected official's campaign coffers.

The contractor and several co-defendants were indicted on numerous charges including conspiracy to defraud the government, mail fraud, money laundering, willfully injuring U.S. property, felon in possession of a firearm, obstruction of justice, and structuring.

[Published in *The SAR Activity Review - Trends, Tips & Issues*, Issue 19, May 2011]