



Richmond City Council

The Voice of the People

Richmond, Virginia

Office of the Inspector General

November 16, 2023

Mr. Lincoln Saunders
Chief Administrative Officer
City of Richmond

The Office of the Inspector General has completed a joint investigation with the Federal Bureau of Investigations and the United States Attorney's Office for the Eastern District of Virginia involving the Department of Public Works (DPW).

Allegations

The Office of the Inspector General received information that DPW was paying, or had paid in the past, four companies for services and products that were not provided or for services that were completed by on-duty city DPW employees. In violation of Administrative Regulation 1.1 Code of Ethics and 18 USC § 1349 Conspiracy to Commit Wire Fraud.

Legal and City Policy Requirements

- 1) In accordance with the Code of Virginia §15.2-2511.2, the Inspector General is required to investigate all allegations of fraud, waste and abuse.
- 2) City of Richmond Administrative Regulation 1.1 Code of Ethics
- 3) 18 USC § 1349 Conspiracy to Commit Wire Fraud

Background

The allegations centered on four companies providing services and products to DPW Grounds Maintenance Division through numerous purchase orders. During the investigative process, it was determined that these four companies submitted bids to Grounds Maintenance, which were entered and processed by the same senior administrative technician and approved by the same operations manager. One of the companies was owned by the operations manager's wife, one by the senior administrative technician, and the two by known associates of the employees. These two employees and their associates used the companies to defraud the City of Richmond by steering contracts between 2016 and 2021 by using various schemes.

They used two procurement methods to secure funds: non-competitive single quotes (\$5,000 and under) and non-professional competitive bidding (\$5,000-\$100,00). The initiating department controls both processes. Over \$100,000 would require Procurement Services involvement and public posting. The employees committed these schemes by creating purchase orders for the straw companies they controlled and awarding contracts to these companies for products or services never produced or provided, for services that DPW employees were provided in the regular course of their duties at Grounds Maintenance or by sub-contracting to other companies and charging a higher price for the services.

Examples of the schemes are:

1. The companies were awarded numerous contracts for the purchase of mulch. In total, 37 tractor-trailer loads of mulch were purchased for \$192,296.00. This amount of mulch was more than what the city could use or store at one time.
2. The senior administrative technician was tasked to find a company that could decorate the bridges in the city for the Holiday. The senior administrative technician contracted a private company through her straw company to provide the decorations for the bridges. The senior administrative technician inflated the cost to the city and made a partial payment to the company. The private company complained to DPW about non-payment for the bridge decorations, believing they were doing business with the city. After reviewing the company's documents, the City of Richmond paid the private company the outstanding balance.
3. In 2019, DPW sought to have overgrown foliage at Parker Field cleared before the Fourth of July celebrations that same year. The Operations Manager and the Senior Administrative Technician knew DPW employees were performing mowing of the field, so they approved a requisition in the DPW purchase order system for one of the straw companies to mow the entire area 16 times in four days at a total cost of \$4,800.
4. Erosion control work needed to be completed at a city intersection. The employees solicited a bid from a private company who provided a quote for the job. The city employees then submitted three proposals from straw companies they controlled, awarding one straw company the contract, significantly marking up the price. The straw company then subcontracted the work to the Private company they initially contacted for the quote for a profit.

Findings

In the records recoverable, it was found that the two companies controlled by the operations manager's wife and the senior administrative technician received \$603,701 in city contracts. An exact amount of the loss could not be determined because older records no longer exist, and, in some instances, it could not be determined whether the city provided the services; they were subcontracted out or not completed at all.

Both employees violated the City of Richmond's ethics and procurement policies related to self-dealing in city business. In furtherance of their schemes, they violated numerous state and federal criminal statutes related to procurement fraud.

The operations manager, his wife, and the senior administrative technician were charged in federal court. All three entered plea agreements with the Government and plead guilty to 18 USC § 1349 Conspiracy to Commit Wire Fraud. All three were ordered to pay \$226,727 in restitution, jointly and severally, to the City of Richmond.

The former operations manager was sentenced to twenty-seven months confinement with the Federal Bureau of Prisons and three of supervised probation upon release.

The operations manager's wife was sentenced to eight months of home incarceration through the Federal Bureau of Prisons and five years of supervised probation.

The senior administrative technician was sentenced to 14 months of confinement with the Federal Bureau of Prisons and three years of supervised probation upon release.

Recommendations

During the course of the investigation, the Department of Public Works evaluated and enhanced their internal controls for awarding single quote and competitive bidding projects under \$100,000. It is recommended that DPW continue to evaluate the internal controls on a regular schedule.

The point of contact for this report can be reached at extension 1840.

Submitted,



James Osuna
Inspector General

CC: Honorable Members of City Council
Robert Steidel, Deputy Chief Administrative Officer
Bobby Vincent, Director of Public Works