



## INSPECTOR GENERAL REPORT

2007-09-0201

October 1, 2008

### INDOT CONTRACTOR

*Inspector General David O. Thomas and Staff Attorney Amanda Schaeffer, after an investigation by INDOT Auditor Ed King and Special Agent Dave Clark, report as follows:*

The Office of the Inspector General (OIG) was requested to investigate a complaint that a company, HARCO, on contract #R-27904 with the Indiana Department of Transportation (INDOT) was not in compliance with state and federal regulations. The allegations were that HARCO had grossly underpaid employees, had a false pension plan and no health coverage for these employees. This contract work was issued through the Equal Opportunity Division which is charged to ensure compliance with EEO provisions as required by INDOT contract and federal law.

The investigation revealed that INDOT was already reviewing the contractual compliance by HARCO and had launched an extensive audit.

The OIG is required by statute to coordinate and supervise investigations on behalf of the State and is responsible for addressing fraud, waste, abuse, and wrongdoing in agencies. IC 4-2-7-2(b) and 3(1).

Interviews were conducted and documents were reviewed. The following findings were made:

1.

INDOT's internal audit unit had already commenced a review of these allegations against HARCO. This audit was shared with the Office of Inspector General and appeared to be thorough.

2.

The audit revealed violations by HARCO. This audit consisted of three reviews which determined that HARCO had a challenged accounting system and failed to produce documents supporting its finances in a timely fashion. The audit found that HARCO employees *did* have an insurance program through Anthem but had paid employees in cash rather than placing monies in a benefit trust fund as required.

Contrary to the complainant's claim of employee underpayment of \$120,000, the audit determined that the wage underpayment was in the amount of \$3,817.94. The audit revealed that HARCO had been using the "Utilities" category which put it in the position of paying some of the part-time truck drivers in a lower pay scale. All employees should have been in a "Heavy Machinery" category instead. It was also determined due to the faulty trust that HARCO had underpaid fringe benefits to 52 employees in the amount of \$32,420.06.

3.

As a result of the audit, HARCO was confronted and reprimanded by INDOT and instructed to reimburse the subject employees. HARCO responded with payouts.

HARCO was further brought before INDOT's Pre-Qualification Committee due to its inconsistent documentation and poor accounting system. Following this meeting, INDOT notified HARCO that: (1) it had failed to pay proper wages under both the contract provisions and Davis Bacon Act, (2) it had poor accounting practices resulting in lack of documentation, and (3) it failed to timely submit hourly wage information as requested. These findings then became a part of HARCO's file to be considered on their Pre-Qualification renewal application.

At the time of this report, HARCO has not been pre-qualified by INDOT, and HARCO no longer appears on INDOT's list of pre-qualified companies allowed to contract with INDOT.

Based upon these findings, the OIG joins INDOT in the handling of this matter and recommends that should HARCO reapply to do business with the State, that its application be strictly reviewed for compliance.

Dated this 1<sup>st</sup> day of October, 2008.



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David O. Thomas, Inspector General