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United States Attorney Benjamin B. Wagner
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TWO SACRAMENTO MEN INDICTED FOR DEFRAUDING CITY OF SACRAMENTO

SACRAMENTO -- United States Attorney Benjamin B. Wagner announced today that on July 22, 2010, a federal grand jury returned a thirteen count indictment charging Peter Scott, 47, of Roseville, California, and Robert "Robbie" Scott, Jr., 32, of Sacramento, California, with Conspiracy and Making False Contractor's Bonds, Bids, and Public Records. The indictment alleges that Peter and Robbie Scott submitted fraudulent bid and surety bonds on behalf of Advantage Demolition and Engineering (ADE) in connection with the City of Sacramento's water meter retrofit project. The bonds guaranteed execution, payment, and performance of two multi-million dollar contracts with the City of Sacramento for the replacement of water meters.

The indictment charges Peter and Robbie Scott with submitting fraudulent bonds in support of bids for eight different water meter retrofit projects. After being awarded two of the contracts, the Scotts submitted additional fraudulent bonds to guarantee payment and performance of the projects. The bonds were fraudulent in that they were purportedly issued by a legitimate bonding company. In fact, the bonds were not issued by a legitimate bonding company and contained the name of a fictional attorney. The total cost of the two projects awarded to ADE was approximately \$3.465 million.

The underlying contracts were funded out of the \$787 billion American Recovery and Reinvestment Act (ARRA), commonly known as the stimulus package. In addition to funding from the State of California, the water meter retrofit project was funded by stimulus money provided by the Environmental Protection Agency (EPA). As such, ARRA requires the EPA Office of Inspector General, as well as the Inspectors General of all of the federal agencies administering ARRA funds, to vigorously investigate allegations of fraud.

"It is imperative that the American taxpayers be assured that their hard-earned dollars are being well spent. To that end, this office will continue to work with our law enforcement partners to find and prosecute those who would try to abuse and misuse public funds for private gain," stated United States Attorney Benjamin B. Wagner.

"The public must be assured that EPA stimulus funds are awarded to law-abiding and responsible contractors so that critical environmental projects move forward, and not to those seeking to line their own pockets at taxpayers' expense," said Arthur A. Elkins, Jr., EPA Inspector General. "The EPA OIG will continue to vigorously pursue all avenues to stem fraud and protect the American taxpayer's investment."

Drew Parenti, Special Agent in Charge of the Sacramento FBI Office, said "There are many victims in this case – the federal government, the city of Sacramento and most importantly U.S. taxpayers. The abuse of government funds intended to jump start the economy, save jobs and help those struggling cities and counties across the country simply cannot be tolerated."

The maximum statutory penalty for Conspiracy is 5 years imprisonment, a fine of \$250,000, and a three-year term of supervised release. The maximum statutory penalty for Making False Contractor's Bonds, Bids, and Public Records is 10 years imprisonment, a fine of \$250,000, and a three-year term of supervised release. The actual sentence, however, will be determined at the discretion of the court after consideration of any applicable statutory factors and the Federal Sentencing Guidelines, which take into account a number of variables.

The charges are only allegations and the defendants are presumed innocent until and unless proven guilty beyond a reasonable doubt.

This case was initiated with the assistance of the California Inspector General, Laura Chick, was investigated by the FBI and EPA-OIG, and is being prosecuted by Assistant US Attorney Kyle Reardon. This law enforcement action is part of the work being done by President Barack Obama's Financial Fraud Enforcement Task Force. President Obama established the interagency Financial Fraud Enforcement Task Force to wage an aggressive, coordinated and proactive effort to investigate and prosecute financial crimes. The task force includes representatives from a broad range of federal agencies, regulatory authorities, inspectors general, and state and local law enforcement who, working together, bring to bear a powerful array of criminal and civil enforcement resources. The task force is working to improve efforts across the federal executive branch, and with state and local partners, to investigate and prosecute significant financial crimes, ensure just and effective punishment for those who perpetrate financial crimes, combat discrimination in the lending and financial markets, and recover proceeds for victims of financial crimes. One component of the FFETF is the national Mortgage Fraud Working Group, cochaired by U.S. Attorney Wagner. For more information on the task force, visit ***StopFraud.gov***.

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