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EASTERN DISTRICT *of* CALIFORNIA

NEWS

United States Attorney Benjamin B. Wagner
Eastern District Of California

Local Contractor Pleads Guilty To Defrauding City Of Sacramento Of Stimulus Funds

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SACRAMENTO, Calif. — United States Attorney Benjamin B. Wagner announced today that Peter Scott, President of Advantage Demolition and Engineering (ADE), 47, of Roseville, pleaded guilty today to two counts of submitting false contractor bonds.

This case is the product of an investigation by the Environmental Protection Agency's Office of Inspector General and the Federal Bureau of Investigation. Assistant United States Attorney Kyle Reardon prosecuted the case.

On February 19, 2009, President Obama signed into law the American Recovery and Reinvestment Act (ARRA), which provided $787 billion in stimulus funds to state and local agencies for infrastructure projects through federal agencies. These monies were provided through Executive Branch agencies such as the Environmental Protection Agency (EPA).

In 2009, the City of Sacramento received a grant from the EPA of federal stimulus funds to retrofit water meters on city homes. The retrofit contract was broken into 10 separate phases with each phase being separately bid upon. Bidders for the water meter retrofit contracts were required to have "surety bonds," that is, insurance to cover any losses that may result during the project.

According to court documents, in August and September 2009, Scott, through his company ADE, bid on eight of the water meter retrofit phases, submitting surety bonds that were purportedly issued by Merchants Bonding Company. The bonds were for $5 million and contained a raised seal and signature of a California Notary Public, as well as the signature of an attorney purportedly representing Merchants, Jeremy Daniel Phillips.

In fact, as Scott well knew, these bonds were counterfeit and contained discrepancies when compared with legitimate Merchants' bonds. The form upon which the bonds were printed was a 2006 form no longer in use by Merchants in 2009, the bonds did not contain a Merchants bond number, the Notary Public did not sign, and the date on the Notary Public's signature line was incorrect.

According to the plea agreement, Scott admitted that the Merchants' attorney who purportedly signed the bonds, Jeremy Daniel Phillips, was not a representative of Merchants, but was a fictional person. In support of his fraudulent presentation of the bonds, Scott purchased a cell phone and included the cell phone's number with the submission, representing it as the phone number for the Merchants' attorney, Jeremy Daniel Phillips.

As a result, the City of Sacramento awarded two of the contracts to ADE. The first contract was for $1.235 million (Phase 4); the second was for $2.230 million (Phase 10). The total value of federal stimulus money awarded to ADE in the two contracts was $3.465 million.

Advantage Demolition and Engineering began work on the water meter project in November 2009. In early January 2010, City of Sacramento inspectors noticed problems with ADE's work on the water meter project. On January 7, 2010, the City of Sacramento determined that the surety bonds submitted with the ADE bids were fraudulent and issued a stop-work order for Phases 4 and 10.

Charges are pending against co-defendant Robert Robbie Scott. His next court date is December 20, 2011. The charges are only allegations, and the defendant is presumed innocent until and unless proven guilty beyond a reasonable doubt.

Scott is scheduled to be sentenced by United States District Judge Lawrence K. Karlton on December 13, 2011. He faces a maximum statutory penalty for each violation of five years in prison, a $250,000, and three years 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.

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