

**IN THE UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF PENNSYLVANIA**

**UNITED STATES OF AMERICA** : **CRIMINAL NO.** \_\_\_\_\_  
v. : **DATE FILED:** \_\_\_\_\_  
**RAJAT K. VERMA** : **VIOLATIONS:**  
18 U.S.C. § 1349 (conspiracy – 1 count)

**INFORMATION**

**COUNT ONE**

**THE UNITED STATES ATTORNEY CHARGES THAT:**

**The Disadvantaged Business Enterprise Program**

1. The Federal Highway Administration (“Federal Highway”) is a sub-agency of the United States Department of Transportation (“USDOT”). Federal Highway provides billions of dollars annually in federal funding to state departments of transportation for the construction and maintenance of the federal highway system.

2. The Pennsylvania Department of Transportation (“PENNDOT”) is an agency of the Commonwealth of Pennsylvania and is a recipient of USDOT grant funds from Federal Highway for construction projects. As such, PENNDOT is required to establish goals and objectives in administering the Disadvantaged Business Enterprise (“Disadvantaged Business” or “DBE”) program in accordance with federal guidelines.

3. USDOT's Disadvantaged Business Program is governed by statute and implemented by regulations that are structured to increase the participation of minority and disadvantaged business enterprises in federally-funded public construction contracts. The statutes authorizing this program provide that, except to the extent the Secretary determines

otherwise, not less than 10 percent of the authorized funds are to be expended with Disadvantaged Business owned and controlled by socially and economically disadvantaged individuals. This 10 percent goal is an aspirational goal at the national level, which USDOT uses as a tool in evaluating and monitoring Disadvantaged Business' opportunities to participate in USDOT-assisted contracts.

4. The integrity of the USDOT's Disadvantaged Business program depends to a large extent upon the establishment of systematic procedures to ensure that only *bona fide* small disadvantaged business firms are participating in the program. Primary responsibility for the administration of the Disadvantaged Business program is delegated to the state and city agencies that receive USDOT construction funds and who are required to establish Disadvantaged Business programs in conformity with federal regulations.

5. Disadvantaged individuals include socially and economically disadvantaged individuals, as determined on a case-by-case basis, or an individual member of a group which is presumed to be socially and economically disadvantaged. To be established as a Disadvantaged Business (i.e. "certified"), a company must submit an application to a governmental agency (such as SEPTA or PENNDOT) with the authority to certify that the applying company meets the requirements of the Disadvantaged Business program (i.e. that it is in fact a disadvantaged business enterprise). Once certified by one authorized agency, the company may be used as a Disadvantaged Business on contracts administered by any other agency within that same state. Companies are generally approved in advance and appear on agency lists of approved vendors (i.e. are "prequalified").

6. When a Disadvantaged Business participates in a contract, only the value of the work actually performed by the Disadvantaged Business, with its own work forces, counts toward

Disadvantaged Business goals. By regulation, expenditures to a Disadvantaged Business count toward the Disadvantaged Business goals of a contractor only if the Disadvantaged Business is performing a "*commercially useful function*" on that contract. A Disadvantaged Business performs a commercially useful function when it is responsible for execution of the work on the contract and is carrying out its responsibilities by actually performing, managing, and supervising the work involved. The Disadvantaged Business must be responsible, with respect to materials and supplies used on the contract, for negotiating price, determining quality and quantity, ordering the material, and installing (where applicable) and paying for the material itself.

7. With respect to Disadvantaged Business that supply materials to contractors actually performing work on a federally financed project (i.e suppliers) the regulations state that "if the materials or supplies are purchased from a DBE regular dealer, count 60 percent of the cost of the materials or supplies toward DBE goals." A regular dealer is defined as "a firm that owns, operates, or maintains a store, warehouse, or other establishment in which the materials, supplies, articles or equipment of the general character described by the specifications and required under the contract are bought, kept in stock, and regularly sold or leased to the public in the usual course of business." The regulations also state that "to be a regular dealer, the firm must be an established, regular business that engages, as its principal business and under its own name, in the purchase and sale or lease of the products in question."

8. The regulations also provide that: "Packagers, brokers, manufacturers' representatives, or other persons who arrange or expedite transactions are not regular dealers...". The regulations therefore provide that: "A DBE does not perform a commercially useful function if its role is limited to that of an extra participant in a transaction, contract, or project through which funds are passed in order to obtain the appearance of DBE participation."

### **The Persons and Entities Involved in the DBE Scheme**

9. Vertech International Inc. (Vertech) is a corporation with headquarters at 420 Station Road, Quakertown, PA 18951. Vertech is currently certified as a Disadvantaged Business by the Southeastern Pennsylvania Transportation Authority (SEPTA) and is prequalified as a Disadvantaged Business supplier by the Pennsylvania Department of Transportation (PENNDOT), based on the fact that it is owned by defendant RAJ VERMA, an Asian-Indian male. On DBE applications with SEPTA, Vertech described its primary business activities as “metal fabrication” and “supplier of highway and bridge materials.”

10. Defendant RAJAT VERMA, an Asian-Indian male born in 1949, is the current president and sole owner of Vertech. VERMA has been president of Vertech since the firm was founded in February 1986.

11. The joint venture identified here as the “DE JV” is composed of two companies, identified here as Company D and Company E.

12. The corporation identified here as Company D is a non- Disadvantaged Business bridge painting contractor.

13. The corporation identified here as Company E is a non- Disadvantaged Business bridge painting general contractor.

### **The Federally Funded Project**

14. In April 2011 PENNDOT awarded an approximately \$42.7 million contract to the DE JV to perform structural steel painting and repairs, and concrete repairs, on the George C. Platt Memorial Bridge over the Schuylkill River in Philadelphia, Pennsylvania (the Platt Bridge Project). This project was completed in November, 2014, and was 80% federally funded by the USDOT and 20% funded by PENNDOT. By the time of its completion, the contract amount had

been increased to approximately \$56 million.

15. In March 2011, as part of the bid process for that project, the DE JV submitted a commitment to PENNDOT to subcontract approximately \$3.1 million in Disadvantaged Business work to Vertech to supply paint materials for the Platt Bridge project. Per DBE program regulations, the DE JV would receive 60% credit towards their overall Disadvantaged Business goal for this project, or approximately \$1.86 million.

### **THE CONSPIRACY**

16. From in or around March 2011 to in or around January 2013, in Philadelphia, in the Eastern District of Pennsylvania, and elsewhere, defendant

### **RAJAT VERMA**

conspired and agreed together with the DE JV, Company D, Company E, and others known and unknown to the grand jury, to commit an offense against the United States, that is, to knowingly devise a scheme to defraud Federal Highways, USDOT, and PENNDOT, and to obtain money and property from them, by means of false and fraudulent pretenses, representations and promises, and to use wire communications in interstate commerce to further the scheme to defraud, in violation of Title 18, United States Code, Section 1343.

### **MANNER AND MEANS**

It was part of the conspiracy that:

17. In March 2011, as part of the bid process for the Platt Bridge Project, the DE JV submitted a commitment to PENNDOT to subcontract approximately \$3.1 million in Disadvantaged Business work to Vertech to supply paint materials for that project. This commitment was submitted electronically by the DE JV by logging in to PENNDOT's

Engineering and Construction Management System (ECMS), by listing Vertech as a DBE supplier, and by representing that Vertech would perform \$3.1 million in qualifying DBE work.

18. At the direction of the DE JV, on or about March 8, 2011, Vertech also logged on to the PENNDOT ECMS system and “acknowledged” its role as a Disadvantaged Business for the Platt Bridge Project.

19. To log into the ECMS system, Vertech and the DE JV made use of the Internet, which is an instrumentality of interstate commerce.

20. PENNDOT relied on the representations of the DE JV and Vertech in awarding the contract to the DE JV.

21. In March 2011, the DE JV reported to PENNDOT, also by logging into ECMS via the Internet, that they had entered into a DBE subcontract with Vertech to supply paint materials.

22. The DE JV, Company D, and Company E negotiated contracts for materials for the Platt Bridge Project directly with suppliers that were not Disadvantaged Businesses, and without the knowledge or involvement of Vertech.

23. The DE JV, Company D, and Company E ordered materials needed for their work on the Platt Bridge Project directly from suppliers that were not Disadvantaged Businesses, and without the knowledge or involvement of Vertech.

24. Vertech did not perform any commercially useful function, but acted as a mere pass-through or front, to give the appearance that disadvantaged business enterprise requirements had been met on the Platt Bridge Project. DE JV paid Vertech 1.75% of the face value of the invoices processed by Vertech to act as a pass-through.

25. Thereafter, the DE JV would periodically log on to the ECMS system via the Internet, generally monthly, and report to PENNDOT the dollar volume of allegedly qualifying

DBE work that had purportedly been performed by Vertech as its Disadvantaged Business since the last report.

26. PENNDOT relied upon these false periodic reports in determining the DE JV's compliance with its Disadvantaged Business obligations under the contract. In February 2013, the DE JV reported to PENNDOT that approximately \$3.28 million had been paid to Vertech for DBE work performed. As a result of that report, PENNDOT awarded \$1.97 million in DBE credit to the DE JV.

### **OVERT ACTS**

In furtherance of the conspiracy, defendant RAJAT VERMA and Vertech International, Inc., and others known and unknown to the grand jury, committed the following overt acts in the Eastern District of Pennsylvania and elsewhere:

1. In March 2011, as part of the bid process for the Platt Bridge Project, the DE JV submitted a commitment to PENNDOT to subcontract approximately \$3.1 million in Disadvantaged Business work to Vertech to supply paint materials for the Platt Bridge Project.
2. On or about March 8, 2011, Vertech logged on to the PENNDOT ECMS system and "acknowledged" its role as a DBE for the Platt Bridge Project.
3. On or about March 8, 2011, the DE JV reported to PENNDOT, also by logging into ECMS via the Internet, that they had entered into a DBE subcontract with Vertech to supply paint materials.

4. On or about November 26, 2012, Vertech issued check no. 22070 to Supplier No. 1 for paint supplied to the Platt Bridge Project.

5. On or about November 26, 2012, Vertech issued check no. 22071 to Supplier No. 2 for environmental services performed at the Platt Bridge Project.

6. On or about February 1, 2013, the DE JV reported to PENNDOT that approximately \$3.28 million had been paid to Vertech for DBE work performed.,

In violation of Title 18, United States Code, Section 1349.

---

**ZANE DAVID MEMEGER**  
**United States Attorney**