

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

UNITED STATES OF AMERICA)	
)	No.
v.)	
)	Violations: Title 18, United States Code,
LESTER COLEMAN)	Section 1343

COUNT ONE

The SPECIAL JANUARY 2020 GRAND JURY charges:

1. At times material to this indictment:

a. Defendant LESTER COLEMAN was the president and sole owner of Coleman Development Corporation (“CDC”), an Illinois corporation in the business of providing construction and renovation services.

b. The Chicago Housing Authority (“CHA”) was a municipal not-for-profit corporation based in Chicago, Illinois, that provided housing to more than 60,000 low-income families and individuals in Chicago.

c. The CHA solicited bids for construction and rehabilitation work at its properties throughout Chicago. As mandated by U.S. Department of Housing and Urban Development regulations, the CHA required that minority-owned business enterprises, referred to as MBEs, along with women-owned business enterprises, referred to as WBEs, had ample opportunity to participate in the performance of contracts financed in whole or in part with federal funds, and that bidders or contractors, and their subcontractors or suppliers, were required to ensure

that MBEs and WBEs had sufficient opportunity to compete for and perform contracts financed by federal funds.

d. To further these ends, CHA rules required that a bidder, or a contractor who was awarded a CHA contract, allocate the following percentages of the total contract price to participation by one or more MBE or WBE: (1) a contract of \$200,000 or less required 25% participation; (2) a contract worth \$200,001 to \$500,000 required 30% participation; (3) a contract worth \$500,001 to \$1,000,000 required 35% participation; and (4) a contract worth more than \$1,000,000 required 40% participation.

e. CHA rules also required that employees working on a CHA project within specific trades had to be paid at least the prevailing wage rates set by the U.S. Department of Labor, pursuant to federal labor laws.

f. The CHA required any contractor working on a CHA project to submit certified weekly payroll reports which set forth, among other things: the name of each employee, the number of hours worked by each employee, the hourly rate of pay for each employee, and the gross wages earned by each employee.

g. The CHA used a web-based payroll reporting system called LCPtracker, which allowed contractors to submit payroll reports electronically.

h. CDC was a certified MBE and submitted bids to the CHA or its designee for construction and rehabilitation work on CHA properties throughout Chicago.

i. At times, the CHA retained other companies to oversee the purchase and rehabilitation of CHA housing units. One such company was Company A. All contractors approved by Company A were required to adhere to the CHA's rules regarding, among other things, MBE/WBE participation and wage requirements.

j. As part of the bid process, CDC provided to the CHA or its designee certain documentation including a Schedule A, which listed which MBE(s) would be performing work on the contract and at what percentages, and a Schedule B, which listed the subcontractors, if any, that would to be used to complete the project.

k. To be compensated for work performed, CDC periodically submitted requests for payment to the CHA or its designee. In the requests for payment, CDC made representations about the labor and material costs that had been incurred, as well as representations about the parties that had furnished labor and material.

l. Subcontractor A was a construction business and was not a certified MBE or WBE.

m. Between 2010 and 2012, defendant LESTER COLEMAN submitted or caused to be submitted to CHA or its designee bids on behalf of CDC for contracts for work at various CHA properties, including the following: (i) construction work at housing units located at 6330 N. Oakley and 6449 N. Washtenaw, both in Chicago; (ii) Americans with Disabilities Act ("ADA") retrofit construction work at

various CHA sites in Chicago; (iii) construction work at housing units located at 4640 S. Keating, 5354 S. Kolin, 6000 N. Monticello, and 4918 N. Ridgeway, all in Chicago, and (iv) construction work on a computer lab conversion project at 3983 S. Lake Park in Chicago. CDC was awarded each of these contracts, with a total contract value in excess of \$2,750,000.

2. Beginning in or around 2010 and continuing through in or around November 2018, in the Northern District of Illinois, Eastern Division, and elsewhere,

LESTER COLEMAN,

defendant herein, knowingly devised, intended to devise, and participated in a scheme to defraud and to obtain money and property from the CHA by means of materially false and fraudulent pretenses, representations, and promises, and by concealment of material facts, as further described below.

3. It was part of the scheme that defendant COLEMAN, through CDC, fraudulently obtained from the CHA in excess of \$2,750,000 in payments on construction contracts by falsely representing the amount of work performed by CDC and the amount of employee wages paid by CDC.

4. It was further part of the scheme that when defendant COLEMAN caused CDC to bid on CHA construction contracts, he falsely represented, both in writing and orally, that CDC, an MBE, would itself perform an amount of the work sufficient to satisfy CHA's MBE requirements, knowing that CDC did not have the number or types of employees – such as carpenters, plumbers, painters, or electricians – necessary to perform that amount of work.

5. It was further part of the scheme that during the bidding process, defendant COLEMAN caused CDC to submit to CHA or its designee fraudulent Schedules A and B, which falsely represented that CDC would perform all or the majority of the work, knowing that most of that work would instead be performed by Subcontractor A, a non-MBE business, which COLEMAN had intentionally omitted from the schedules.

6. It was further part of the scheme that defendant COLEMAN caused Subcontractor A to perform substantially all of the services that COLEMAN had represented to the CHA that CDC itself would perform.

7. It was further part of the scheme that defendant COLEMAN caused the CHA to make payments to CDC by submitting to the CHA payment requests supported by documents, including “sworn statements for contractor,” “contractor’s affidavits,” and “contractor’s applications for payment,” that falsely represented the amount of work done by CDC and others, including by inflating the labor and materials costs incurred by CDC, and by falsely underreporting the amount of work done by Subcontractor A.

8. It was further part of the scheme that, to make it appear that CDC was meeting its MBE requirements, defendant COLEMAN caused to be submitted to the CHA payment requests that falsely represented the identity of certain subcontractors.

9. It was further part of the scheme that when defendant COLEMAN caused CDC to bid on CHA construction contracts, he falsely represented that the

employees working on the project would be paid the prevailing wages required by federal labor laws.

10. It was further part of the scheme that defendant COLEMAN caused to be submitted to the CHA, via the LCPtracker system, certified payroll reports which falsely represented that CDC had paid its employees at the prevailing wage rates and that particular individuals had performed work on projects, knowing that CDC had not paid its employees at the prevailing wage rates and that certain individuals had not performed work on the projects or had not performed the amount of work listed in the payroll reports.

11. It was further part of the scheme that, for the purpose of concealing the scheme, in or around October 2013, defendant COLEMAN made false representations to CHA officials regarding the identity of, and amount of work performed by, certain subcontractors on the computer lab conversion project. COLEMAN further falsely claimed that Individual A was a CDC employee, knowing that Individual A was not a CDC employee.

12. It was further part of the scheme that, in or around November 2018, to attempt to secure further payment on a CHA construction contract previously awarded to CDC, defendant COLEMAN submitted a request for payment that included false statements regarding earlier false representations by COLEMAN concerning the identity of subcontractors on the project.

13. It was further part of the scheme that defendant COLEMAN concealed, misrepresented, and hid, and caused to be concealed, misrepresented, and hidden, the existence, purposes, and acts done in furtherance of the scheme.

14. On or about February 13, 2015, at Chicago, Illinois, in the Northern District of Illinois, Eastern Division, and elsewhere,

LESTER COLEMAN,

defendant herein, for the purpose of executing the above-described scheme, knowingly caused to be transmitted by means of a wire communication in interstate commerce certain writings, signs, and signals, namely, an interstate wire transfer in the amount of approximately \$59,863.95 from CHA's bank account, through the Federal Reserve System, to CDC's bank account at Bank of America;

In violation of Title 18, United States Code, Section 1343.

COUNT TWO

The SPECIAL JANUARY 2020 GRAND JURY further charges:

1. Paragraphs 1 through 13 of Count One are incorporated here.
2. On or about February 20, 2015, at Chicago, Illinois, in the Northern

District of Illinois, Eastern Division, and elsewhere,

LESTER COLEMAN,

defendant herein, for the purpose of executing the above-described scheme, knowingly caused to be transmitted by means of a wire communication in interstate commerce certain writings, signs, and signals, namely, an interstate wire transfer in the amount of approximately \$24,595.84 from CHA's bank account, through the Federal Reserve System, to CDC's bank account at Bank of America;

In violation of Title 18, United States Code, Section 1343.

COUNT THREE

The SPECIAL JANUARY 2020 GRAND JURY further charges:

1. Paragraphs 1 through 13 of Count One are incorporated here.
2. On or about May 12, 2015, at Chicago, Illinois, in the Northern District of Illinois, Eastern Division, and elsewhere,

LESTER COLEMAN,

defendant herein, for the purpose of executing the above-described scheme, knowingly caused to be transmitted by means of a wire communication in interstate commerce certain writings, signs, and signals, namely, an interstate wire transfer in the amount of approximately \$101,005.84 from CHA's bank account, through the Federal Reserve System, to CDC's bank account at Bank of America;

In violation of Title 18, United States Code, Section 1343.

A TRUE BILL:

FOREPERSON

UNITED STATES ATTORNEY