



December 21, 2018

**MADIGAN ANNOUNCES SETTLEMENT OVER MINORITY-OWNED BUSINESS FRAUD*****Attorney General's Investigation into F.H. Paschen, S.N. Nielsen & Associates' Contracts with MWRD Reveals Minority-Owned Business Fraud***

**Chicago** — Attorney General Lisa Madigan today announced a \$2 million settlement with F.H. Paschen, S.N. Nielsen & Associates LLC (FHP), a multiregional construction company, over allegations it used a minority-owned business to fraudulently secure two publicly funded projects awarded by the Metropolitan Water Reclamation District of Greater Chicago (MWRD). Independent Mechanical Industries Inc. (IMI), a Chicago-based construction company, will also pay \$150,000 over allegations it caused the submission of false claims to MWRD.

The settlements concern two public contracts awarded to FHP between 2011 and 2013. Both contracts required the participation of small-, minority-, and women-owned business enterprises (SBEs, MBEs, and WBEs).

Madigan's investigation revealed FHP falsely represented that its subcontracting company Vargas Mechanical Inc. (Vargas) – a certified minority-owned business – would meet the participation requirements on two water reclamation projects. Each of these two projects required substantial MBE participation of 20 percent that was not fulfilled. The investigation found FHP falsely represented to MWRD that Vargas satisfied the MBE requirements, and that IMI, a non-minority subcontractor to FHP, regularly performed, managed, and supervised Vargas' workforce.

"Instead of following the rules and hiring a minority-owned business to perform significant work as part of the MWRD contract, these two construction companies skirted the rules to unlawfully secure publicly funded contracts," Madigan said.

The settlements are a result of an investigation initiated by Madigan's office under the Illinois False Claims Act, which empowers whistleblowers and prosecutors to take legal action against companies and individuals who defraud the government.

Assistant Attorneys General Christopher J. Kim and Leigh Richie handled the case for Madigan's Special Litigation Bureau.

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