

Department of Justice
U.S. Attorney's Office
Eastern District of Wisconsin

FOR IMMEDIATE RELEASE

Monday, June 15, 2015

New Berlin Contractor Agrees to Plead Guilty to Scheme to Underpay Wages – Will Pay \$1.6 Million in Restitution and Damages

United States Attorney James L. Santelle of the Eastern District of Wisconsin announced today that Scott Watry of New Berlin, Wisconsin, has agreed to plead guilty to conspiring to defraud the United States. Mr. Watry is the president and owner of Watry Homes, LLC, a contractor alleged to have underpaid wages on federally funded housing projects. Mr. Watry and Watry Homes, LLC, have also agreed to settle related civil False Claims Act allegations. In total, Mr. Watry and Watry Homes, LLC, will pay over \$1.6 million in restitution and damages.

Watry Homes, LLC, does roofing, siding, and carpentry work on private residences, commercial projects, and public housing projects in Wisconsin. From 2011 to 2012, Watry Homes performed contracts worth approximately \$4.7 million on the Westlawn public housing project in Milwaukee. Because the federal government contributed funds to the Westlawn project, it was subject to the Davis Bacon Act. The Act requires contractors to pay workers prevailing wages in order to protect local wage rates. The Act further requires contractors to submit weekly certified payroll reports.

According to the plea agreement, Mr. Watry conspired with others to pay workers on the Westlawn project hourly wage rates that were considerably lower than the legally required wage rate. To conceal the scheme, the certified payroll reports consistently understated the number of hours worked to compensate for the overstatement of the wage rate being paid. In some cases, the certified payroll reports falsely listed names of purported employees who did not actually work at the site while crew leaders would pay out lower wages to the actual workers. In mid-2012, the United States Department of Labor (DOL) began investigating Watry Homes. In response, Mr. Watry and co-conspirators provided false information to investigators and encouraged workers likewise to obstruct the investigation.

By an information and plea agreement filed today, Mr. Watry has agreed to plead guilty to conspiring to defraud the United States and obstruct the investigation. He has also agreed to pay \$659,822 in restitution to workers who were underpaid on the Westlawn project. DOL will be responsible for distributing the restitution to individual workers.

In the accompanying civil settlement announced today, Mr. Watry and Watry Homes, LLC, have agreed to pay \$1,000,490 in damages for violations of the False Claims Act. The civil settlement resolves a lawsuit filed under the *qui tam*—or whistleblower—provisions of the False Claims Act, which allows private citizens with knowledge of fraud to bring a civil action on behalf the United States and share in any recovery. The *qui tam* complaint alleges that Watry Homes, LLC, submitted false certified payroll reports to support claims for payment on the Westlawn project as well as public housing projects in Beloit and Waukesha that were also subject to the Davis Bacon Act. As part of the resolution, the whistleblower will receive a share of the settlement.

“The joint criminal and civil resolutions that we are announcing today reflect the seriousness with which the federal government, including the Departments of Labor, Housing and Urban Development, and Justice enforce the rules that govern contracting on public projects, including the payment of all required wages,” said Mr. Santelle. “Contractors should take note that public funds come with strict requirements to pay workers every dollar they are due and to comply with all applicable rules. Under the authority of criminal statutes and the False Claims Act, we will continue to pursue wrongdoing in public contracting vigilantly.”

FBI Special Agent in Charge Robert J. Shields, Jr. added, “This case is an excellent example of how law enforcement agencies, in concert with concerned citizens, can effectively collaborate to combat fraud, waste and abuse in government-funded projects designed to help hardworking Americans.”

James Vanderberg, Special Agent in Charge of the Chicago Office of Labor Racketeering and Fraud Investigations, Office of Inspector General, U.S. Department of Labor, stated, “The U.S. Department of Labor, Office of Inspector General is committed to enforcing the Davis-Bacon Act, which requires that the prevailing wage is paid to workers in government projects. We appreciate the assistance and cooperation of the United States Attorney’s Office, Civil and Criminal Divisions; the Federal Bureau of Investigation; the Department of Housing and Urban Development, Office of Inspector General; and the U.S. Department of Labor’s Wage and Hour Division.”

HUD Office of Inspector General Special Agent in Charge, Brad Geary commented, “This case is an example of how the U. S. Department of Housing and Urban Development, Office of Inspector General for Investigation, working with our law enforcement partners and the U. S. Attorney’s Office will pursue individuals who victimize HUD’s public housing stock and ultimately affect our nation’s neediest families.”

Mr. Santelle especially commended the Federal Bureau of Investigation and the Offices of Inspector General for DOL and the Department of Housing and Urban Development, as well as the Wage & Hour Division of DOL, for the investigative efforts and accomplishments that led to today’s resolutions. The cases were handled by Assistant United States Attorneys Mel S. Johnson and Matthew D. Krueger.