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By Michael Bastasch

The director of the Washington State Office of Minority and Women's Business Enterprises resigned after a KING 5 investigation exposed fraud in the minority and women-owned contracting program.

Millions of taxpayers dollars were being deceptively obtained by contractors. State officials knew about the fraud and did nothing to stop it, allowing the program to continue, bypassing federal laws to do so.

The minority contracting program is a federal program that is designed to help small minority and women-owned businesses get access to government contracts. Any project being funded by federal dollars must use a certain percentage of small minority and women-owned contractors who are certified as a Disadvantaged Business Enterprise (DBE).

The Washington State Department of Transportation (WSDOT) contracts this responsibility out to the Office of Minority and Women's Business Enterprises (OMWBE).

The KING 5 investigation found that some DBEs should have never been allowed to receive government contracts. Contractors were gaming the system by using their minority status to gain contracts, then having larger companies do the work for them. The state knew about this and let the abuse continue.

"Schemes to defraud the Dept. of Transportation's DBE program cheat not only the government and taxpayers, but also cheat those small, minority owned businesses that the program is intended to help," said Special Agent George C. Venizelos of the FBI.

The investigation, prompted Washington Gov. Chris Gregoire, in April, to ask the Washington State Patrol if the documented OMWBE abuses violated criminal law. Gregoire also ordered a complete top-to-bottom review of OMWBE by an outside investigator.

The scandal eventually forced the OMWBE Director Cathy Canorro to tender her resignation, which will be effective June 1.

“While this work is commendable, there is much work within the OMWBE that remains to be done. ... Now is the time to pass the reigns to a new leader who can continue to turn around the agency,” Canorro said in her resignation letter.

KING 5 investigators shined light on unusual steps taken by Canorro and other state officials to keep one company in particular, Leajak Concrete Construction, in the program.

Leajak, a minority-owned contracting company, was allegedly pocketing money from state contracts, but not actually doing the work. OMWBE investigator Melissa Hopkins was assigned to look into the issue. Leajak had been investigated for the same types of behavior before when, two years earlier, the WSDOT determined the company had done none of the work it was contracted to do on a street pumping contract.

After OMWBE obtaining the proper documents from Leajak, who was two months in late in complying, Hopkins should have completed the investigation and determined if there was a pattern of gaming the system.

The case, however, was taken away from Hopkins at director Canorro’s orders, a charge Canorro denies. Instead, the case went to the chair of OMWBE’s appeals division, Vicky Schiantarelli, who reversed the decision made by Hopkins to decertify them.

“My guess is they didn’t like where I was going with it because I wasn’t going to let him get out of it. I had the enough proof to show that on more than one project he was acting like a front company,” said Hopkins.

According to KING 5: “Both Canorro and Schiantarelli wrote to KING 5 to say their hands were

tied. They couldn't rule on any other issues, including whether or not Leajak was defrauding taxpayers and the government because Hopkins's first letter to Leajak only mentioned the company's failure to cooperate."

"At that point, the process has to move forward and is referred to the Certification Committee. Because the Certification Committee can only use the information provided in the intent to remove letter, it is critical that analysts include all of the reasons why OMWBE has sufficient grounds to remove DBE certification status," wrote Canorro.

Hopkins was fired by Canorro within weeks of being pulled off of the investigation. And there is evidence that Hopkins was pressured to sign off on a letter congratulating Leajak for not being decertified. She refused to sign off on the letter twice.

"I have ethics. I couldn't do something that I knew was wrong. It was mind-boggling to do work on this investigation only to have it removed when it wasn't going the way they wanted it to go. I was so mad I went to my manager and said 'I will not sign this. I will not help this firm to commit contracting fraud,'" said Hopkins.