Fraud Indicators and Poor Practices in Relation to the Contracting Process

Pre-Award

Requirements

- The Government failing to state requirements functionally to the maximum extent possible. Specifications that are vague make it difficult to reasonably compare estimates.

- The Government defining statements of work and specifications to fit products or capabilities of a single contractor, which effectively excludes competition.

- The Government splitting requirements to use simplified acquisition procedures in order to avoid review and approval.

- The Government modifying the contract shortly after award in order to make material changes in the requirements or statement of work.

Contract Documentation

- A pattern of missing documents or documentation with outdated information in the contract file.

- Contract documents that are altered, backdated, or modified to cover deficiencies.

- Contract awards made without adequate documentation of all pre-award and award actions.

- Invoices that do not have adequate supporting documentation or supporting documentation is incomplete.

Contract Type

- The high risk to the Government in cost-reimbursement contracts may provide an opportunity for fraud to occur.

- The contracting officer extending the duration of a cost-reimbursement or time-and-materials contract after experience provided a basis for firmer or fixed pricing.

- Award/use of an illegal cost-plus-percentage-of-cost contract.

Award

Source Selection

- Improper relationships between Government and contractor personnel.

- The Government's failure to perform market research to determine evaluation factors, contracting method, or whether commercial items or nondevelopmental items would meet the Government's needs.

- The Government restricting procurement to exclude or hamper any qualified contractor.

- The Government revealing information about procurements to one contractor that is not revealed to another.

- The Government accepting late or nonresponsive proposals, or accepting proposals from nonresponsible offerors.

- The Government improperly disqualifying offerors.

- The Government exercising favoritism towards a particular contractor during the evaluation process.

- The Government awarding contracts to contractors with poor records of performance.

- The Government awarding contracts that include items other than those contained in the bid specifications.

- The Government's approval of a justification for less than full and open competition based on improper reasons or inaccurate facts.

Contract Pricing

- The Government not preparing estimates or preparing estimates after solicitations are requested.

- The Government and contractor utilizing unqualified personnel to develop cost or pricing data used in estimates.

- Government estimates and contract award prices are consistently very close.

- The Government approves items that are of lesser value but the contract cost is not reduced.

- The contractor issuing an engineering change proposal soon after the award of a contract.

Contract Administration

Oversight and Surveillance

- Contractors awarding subcontracts to unsuccessful bidders.

- The Government providing materials or services to contractors even though contractors are being paid to provide the materials or services.

- The administrative contracting officer approving modifications.

- Contractors failing to meet terms but no compliance efforts are undertaken.

- The Government certifying receipt of goods without performing inspections.

- The user frequently complaining of poor quality of supplies or services provided under a contract. This may indicate that contractors are delivering something less than what you are paying for.

- The Government failing to appropriately close out the contracts in a timely manner.

Inherently Governmental

- Increased workloads and responsibilities that prohibit ongoing DOD monitoring of each contractor's work.

- Contractors certifying payments for vendor goods, services, or salaries.

Property Accountability

- Inadequate management oversight and physical inventory control.

- Unreliable property inventory data.

- Inventory records disclose unusual patterns when compared to physical inventory reviews that cannot be reasonably explained.

- Inventory items marked with incorrect disposal condition codes, such as repairable or scrap when they should be labeled excellent.

- Failure to return Government-furnished equipment.

Award Fee

- Failure to properly document contractor performance.

- The fee determining official's failure to properly document award fee determinations that differ from Award Fee Review Board recommendations.

- Award fee granted is not reflective of the contract oversight and surveillance assessments.

Financial Management

- The contractor submitting false invoices or claims to the Government.

- Excess profits on either a specific contract, product line, or division may be a billing fraud indicator.

- Later contractor billings showing a downward adjustment in material costs as labor/overhead costs increase.

- The Government paying contractors twice for the same items or services without an attempt to recoup the overpayments.

- The Government not regularly reconciling contract payments, daily transactions, and inventory.

- Contractors' failure to correct known system deficiencies.

- Contractors or suppliers complaining that they are not being paid in a timely manner. This may indicate fraudulent manipulations and diversion of Government resources through supply or finance operations.

- The Government's failure to deobligate funds.