

Fraud Indicators and Poor Practices in Relation to the Contracting Process

Taken from DOD IG Report No. D-2010-059, "Contingency Contracting: A Framework for Reform," at <http://www.dodig.mil/Audit/reports/fy10/10-059.pdf>.

Pre-Award

Requirements	Contract Documentation	Contract Type
<ul style="list-style-type: none"> - 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. 	<ul style="list-style-type: none"> - A pattern of missing documents or documentation with outdated information in the contract file.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. 	<ul style="list-style-type: none"> - 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

Source Selection	Contract Pricing
<ul style="list-style-type: none"> - 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. 	<ul style="list-style-type: none"> - 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	Inherently Governmental	Property Accountability	Award Fee	Financial Management
<ul style="list-style-type: none"> - 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. 	<ul style="list-style-type: none"> - Increased workloads and responsibilities that prohibit ongoing DOD monitoring of each contractor's work. - Contractors certifying payments for vendor goods, services, or salaries. 	<ul style="list-style-type: none"> - 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. 	<ul style="list-style-type: none"> - 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. 	<ul style="list-style-type: none"> - 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.