

Government Procurement Fraud

Berg & Androphy

Overview of Government Procurement Fraud

- ❑ Government procurement fraud involves fraud related to Government contracts for goods or services
- ❑ Government procurement fraud often involves contracts with the Department of Defense (DoD) but may also involve contracts with other agencies (e.g., Department of State)

Types of Government Procurement Fraud

□ Progress payment fraud

- False certifications that eligible costs have been incurred or no encumbrances exist to payment
- Fraudulent representations that contractual milestones have been achieved
- Fraudulent representations that quality of performance merits progress payments (e.g., contractor is performing adequate quality control)

Types of Government Procurement Fraud (cont'd)

- Fraud regarding nonconforming materials
 - False certifications that materials meet contract specifications
 - Certifications may be express (e.g., signing an invoice with specific attestations in it)
 - Certifications may also be implied (e.g., delivery of product to the Government may impliedly certify that the product meets contract specifications)

Types of Government Procurement Fraud (cont'd)

□ Cost mischarging

- Charging for costs that are unallowable (e.g., contract did not include the costs)
- Charging for costs attributable to a separate contract (e.g., charging as if work was performed in support of contract A when it was actually performed in relation to contract B)
- Charging for services that were not performed

Types of Government Procurement Fraud (cont'd)

□ Cost overcharging

- Overcharging Government for cost of supplies or services rendered
- For example, the contractor charges the Government for materials that meet the quality standards specified in the contract when the contractor actually used materials of an inferior quality that were less expensive

Types of Government Procurement Fraud (cont'd)

□ Defective pricing

- False certifications regarding cost or pricing information
- Submission of inaccurate cost or pricing information

Types of Government Procurement Fraud (cont'd)

❑ False product information

- Provision of false information regarding product specifications in violation of statute, regulation, or contract terms
- For example, falsely certifying that the product used originated in one country when the product actually originated in a different country

Types of Government Procurement Fraud (cont'd)

□ Antitrust Misconduct in Government Procurement

- Collusion during contract bidding process
- For example, two competing proposals were actually created by one vendor
- More likely when price is the determining factor for the award and a small number of companies control the market for that good or service