

## The “Science” of Procurement Fraud

Speaker One - Is procurement fraud really a “science”?

Speaker Two -No, but it sounds good.

Speaker One – Procurement fraud has a long history in the United States. (Photo – 77801) For example, the Federal False Claims Act tracks back as far as the Civil War. Fraud is not a new thing – but we hope that you understand from a dollars and sense perspective – why we as accountability professionals need to focus on it.

Speaker Two. Procurement fraud, or contract fraud as it is sometimes called, is believed by many professionals to be one of the most common and costly of all white-collar crimes. It is estimated that six percent of all procurement dollars are lost to fraud nation-wide annually. If you apply that amount to USAspending.gov’s figure of \$700 billion dollars that the Federal Government spent on average each of the past nine years, that would total \$42 billion dollars per year or \$378 billion dollars lost to procurement fraud during the past nine years. Procurement Fraud has become increasingly elaborate, many times being technology driven, and it saddles the public and private sectors with costs to reputations and balance sheets.

Speaker Two – Those numbers make my head spin. Big Bucks.

Photo – 5492 - With today’s technology it is easy to fabricate legitimate-looking source documentation (bidding documents, change orders, invoices, shipping documents). We also have to deal with the 21<sup>st</sup> century ability to electronically authorize and signature.

On any given day, valid fraud indicators are being dismissed as administrative oversights when found in documentation. Unfortunately, program managers have an incentive to minimize the suggestion of and rationalize away fraud potential possibly due to concerns about potential negative impact to their careers or future funding.

Speaker One – (Photos – 324J0221, 5409) Whether auditor, investigator, audigator, or forensic auditor or team member, you have had to deal with an “anonymous” complaint where the person couldn’t touch it, feel it, or put their hands on it – but it sure didn’t smell right.

You as the procurement fraud “scientist” say to yourself ok what do I do with this?

Speaker Two - You start out armed with your professional skepticism and run into Mr. Hearsespeak Noevil, Program Manager who is “too cozy” with the contractor.

The allegation as it turns out could suggest a range of potential fraud schemes such as:

Violations of organizational policies related to impartiality or conflict of interest

Violations of criminal law like receipt of bribes, gratuities, or kickbacks.

This is the world of procurement fraud – For a quick second, you feel like you have left the real world and entered on the movie set of “Ways of Our Lies”.

Speaker One - You again armed with your professional skepticism are not supposed to consider your client unquestionably honest nor unquestionably dishonest so what do you do?

Speaker Two - Add in 21<sup>st</sup> century technology and you could really have a dilemma in the form of an elaborate technology driven fraud scheme.

Speaker One- Maybe you're not an auditor or investigator, maybe you are an acquisition professional or contracting officer – either way the fraud scheme threatens to damage the organizations reputation and undermine confidence in the organizational structure and its management – so again -- What do you do?

Speaker Two - Educate yourself on fraud – and that's what we're here to do?

With all those procurement dollars being spent, it is important that accountability professionals know the where, when, and why of procurement fraud as well as its unique characteristics and the difficulties in detecting it.

What we hope the learner will learn are effective strategies for preventing and detecting fraud in their organization.

Understanding the procurement fraud “animal” or “science” is key in the fight against fraud, waste, and abuse.

Speaker One – (DoD IG Web Page Image) Let's go to our handy-dandy “Fraud Indicators in Procurement and Other Defense Activities” webpage at [www.dodig.mil](http://www.dodig.mil) for a definition:

Paraphrasing Black's Law Dictionary, fraud is described as:

A false representation of a material fact, whether by words or by conduct, by false or misleading allegations, or by concealment of that which should have been disclosed, which deceives another so that he acts, or fails to act to his detriment.

Speaker Two -Fraud has been defined in various ways. Government Auditing Standards promulgated by the Government Accountability Office describes fraud as:

A type of illegal act involving the obtaining of something of value through willful misrepresentation. Whether an act is, in fact, fraud is a determination to be made through the judicial or other adjudicative system and is beyond auditor's professional responsibility.

With procurement fraud, the misrepresentation of the truth in most cases occurs somewhere in the acquisition process.

Speaker One - You know that old saying “If it looks too good to be true it probably is” is definitely true with procurement fraud; however, another old saying -- “It’s not what you know, it’s who you know” may well not be the case with procurement fraud – with procurement fraud, it is a misrepresentation fashioned by a fraudster who has a deep operational knowledge of the organization’s contracting process and is often closely associated with the suspicious contract.

These types of fraudsters can be involved in

- oversight of contractor performance
- contract negotiations or
- the contract bidding process

Fraudsters can operate their fraudulent schemes under the radar by abusing trust relationships in combination with broad authority.

You as an accountability professional need to be careful not to consider fraud isolated when you find it, quite often there are patterns in fraud which is why techniques like data mining and data analysis are often useful in detecting fraud.

Speaker One - What is the cost, boss?

Speaker Two - Well, let me tell you –

We are not just talking financial losses.

We are talking jeopardizing personal safety – fraud schemes can involve defective products, counterfeit parts, and product substitution.

There was \$20.4 million dollars in procurement substitution according to FY 2007 Defense Department DCIS statistics, the 3<sup>rd</sup> largest category of fraud in the Defense Department after Health Care Kickbacks (\$315.3 million) and Property/Equipment/Supply Theft (\$99.2 million).

Speaker One- Procurement fraud is likely to be found in organizations with weaker controls, culture and/or morale. It’s also found in organizations that are geographically remote and in places where ethical “tone at the top” is not effectively communicated.

The best people to identify procurement fraud indicators are auditors, investigators, fraud examiners, and those people working closest to where the indicators can be found in procurement, contracting, purchasing, program management, payroll, accounting, and contractor occupations.

What is needed to prepare the best people is training in identifying fraud indicators and what should be done once they believe they have found one; hence, the reason for the “Fraud Indicators in Procurement and Other Defense Activities” webpage at [www.dodig.mil](http://www.dodig.mil) and this training. (DoD IG Web Page Image)

Speaker Two – What should DoD contracting professionals do if they suspect fraud?

Speaker One – Contracting professionals at all levels are the eyes and ears of DoD. When a contracting professional suspects that fraud has something is wrong, they should make a referral of information to a DoD attorney or investigator. It is better to request the assistance of attorneys and investigators when you see smoke instead of waiting for a three-alarm fire. Contracting professionals should not assume the role of detective; that is the responsibility of trained professionals. The investigators and attorneys will work together and determine if fraud actually occurred.

## Bribery and Kickbacks

Speaker One - Getting started talking about fraud – A Dialogue between accountability professionals –

Speaker Two - Humh -- What can we do to discourage, prevent, and detect fraud?

Speaker One - I figure the first thing we need to do is educate accountability professionals on the various types of fraud and how they can thwart it in their day-to-day activities –  
by keeping an eye open for the indicators of fraud.

Take for example, bribery and kickbacks.

Speaker Two - What is bribery and what are kickbacks?

The plain English definition – please.

Speaker One - Definitions – that's too boring – Let's hit the headlines....

Press Release AUGUST 13, 2008 Department of Justice **U.S. ARMY MAJOR PLEADS GUILTY TO BRIBERY SCHEME RELATED TO DEPARTMENT OF DEFENSE CONTRACTS IN KUWAIT** *Agrees \$5.8 Million in Restitution is Owed to the U.S. Government*

Speaker Two - What did the Major do?

Speaker One – (Photo – ANPBunker2) He was a Contracting Officer in Kuwait who was involved in a criminal conspiracy to accept cash bribes from five Department of Defense (DOD) contracting firms that supplied goods and services to U.S. military bases in Kuwait.

The Major awarded contracts to the contractors and agreed to accept about \$5.8 million from his co-conspirators as payment for his actions.

The major faces up to five years in prison for the conspiracy count and up to 15 years in prison for each bribery count, as well as fines of \$250,000 for each count.

The Major kept it in the family too – got the wife and sister involved.

As stated by Sharon E. Woods, Director, DOD Criminal Investigative Service, “Corruption of this nature strikes at the core of what Americans expect from our men and women in uniform”. “The Defense Criminal Investigative Service remains steadfastly committed to ensuring that service members who abuse their positions for the sake of personal gain are held responsible.”

A plea agreement was reached in this case which according to Stuart Bowen, Special Inspector General for Iraq Reconstruction, represents an example of SIGIR’s efforts in conjunction with other “law enforcement agency partners to hold accountable all who seek to undermine the U.S. reconstruction effort in Iraq by abusing the contracting process.” SIGIR and others will continue to root out individuals engaging in misconduct “no one is immune to the consequences of such egregious behavior”

Speaker Two - Wow!

Speaker One - Back to the boring stuff.

The Answers.com Dictionary definition of bribery is:

**Bribery** (Photo – KS85289)

(brī'bə-rē) 

The act or practice of offering, giving, or taking a bribe.

Speaker Two - Duh!

Speaker One - But seriously though – Answers.com provides more information about bribery. It’s detailed definition of bribery has additional information. It reads:

Crime of giving a benefit (e.g., money) in order to influence the judgment or conduct of a person in a position of trust (e.g., an official or witness). Accepting a bribe also constitutes a crime. Bribery is typically punishable as a felony. In any charge of bribery, some element of "corrupt purpose" must be implied or proved. Thus, in the absence of a complete statutory prohibition on

the granting of favors to a public official, a gift is not a bribe unless it is given with some intent to influence the recipient's official behavior.

Speaker Two - The offering, giving, receiving, or soliciting of something of value for the purpose of influencing the action of an official in the discharge of his or her public or legal duties.

A bribe can consist of immediate cash or of personal favors, a promise of later payment, or anything else the recipient views as valuable.

No written agreement is necessary to prove the crime of bribery, but usually a prosecutor must show corrupt intent.

Even when public officials are involved, a bribe does not need to be harmful to the public interest in order to be illegal.

Speaker One - When a public official accepts a bribe, he or she creates a conflict of interest. That is, the official cannot accommodate the interests of another party without compromising the responsibilities of her or his position.

Bribery around the world is estimated at about \$1 trillion. (Photo – KS10952)

Speaker Two - Well -- Kickbacks – What’s that? (Photo – KS85365)

Speaker One - You pay it and I kick it back.

Speaker Two - That’s it in a nutshell.

According to The 'Lectric Law Library's Lexicon a Kickback is used to refer to generically in non-contract context to any under-the-table payment for help or influence in getting something of value.

Back to the headlines again...

Speaker One - Subcontractor Pays U.S. to Resolve False Claims & Kickback Allegations Related to Overseas Shipments for the Military – Various meals, sporting event tickets and other gifts to Prime Contractor employees responsible for administering the subcontract.

Speaker Two - Previously, the Subcontractor paid the United States \$4 million to settle False Claims Act allegations that the company inflated invoices for military cargo shipments to Iraq. The Subcontractor also paid the government \$300,000 to settle allegations that the company's local agent in Kuwait overcharged the military for rental charges on shipping containers to Iraq for the period from January through June of 2006. The suit against the Subcontractor was filed under the qui tam provisions of the False Claims Act. Under the act, private persons may bring a suit on behalf of the United States alleging the submission of false claims to the government and may receive a portion of the proceeds of any recovery.

Speaker One: There's a nice twist – an interesting and positive way to make crime pay.

## Collusive Bidding

Speaker One - Collusive bidding – What's that?

Speaker Two - Don't know but I hear there are a lot of fraud indicators for collusive bidding schemes.

Speaker One - I guess collusive bidding is bidding that's collusive.

Speaker Two - Remember you're not supposed to define a term with the same terms.

Speaker One - Stupid rule – but I'll work with it.

Speaker Two - Webster's Dictionary defines collusive as a secret agreement or cooperation especially for an illegal or deceitful purpose.

Speaker One - Sounds sinister.

Speaker Two - Webster's Dictionary says that bidding is to offer a price whether for payment or acceptance

Speaker One - Put it all together now and collusive bidding is making an offer of price payment or acceptance based on a secret agreement or cooperation for an illegal or deceitful purpose.

Speaker Two - What's the theory behind Collusive Bidding?

Speaker One – According to a US Department of Justice AntiTrust Primer, price fixing, bid rigging, and other collusive agreements can be established either by direct evidence (participant testimony) or circumstantial evidence (suspicious bid patterns).

Price-fixing and bid-rigging schemes are per se violations of the Sherman Act. A collusive scheme cannot be justified by arguments or evidence that the prices were reasonable, the agreement was necessary to prevent/eliminate price cutting or ruinous competition, or conspirators were trying to make sure that each got a fair share of the market.

Bid rigging occurs when conspiring competitors effectively raise prices where purchasers acquire goods or services by soliciting competing bids.

In bid suppression schemes, one or more competitors who otherwise would be expected to bid, or who have previously bid, agree to refrain from bidding or withdraw a previously submitted bid so that the designated winning competitor's bid will be accepted.

Speaker Two - Complementary Bidding defrauds purchasers by creating the appearance of competition to conceal secretly inflated prices.

In bid rotation schemes, all conspirators submit bids but take turns being the low bidder.

Bid rotation is very difficult to detect. Only the participants have knowledge of the scheme. Suspicions may be aroused by unusual bidding or pricing patterns or by something a vendor says or does.

Slips or carelessness by colluding vendors may be a tip-off to collusion. (Photo – TP0001067)

Contracting professionals should be alert to patterns of conduct or statements by bidders or their employees that may suggest the possibility of collusion.

However, caution is recommended : Fraud indicators may arouse suspicion of collusion, but are not by themselves proof of collusion and merely call for further investigation.

Speaker One - Let's forget about the theorizing for a minute and discuss a real-life collusive bidding scheme.

Speaker Two – the headliner of the day is:

#### DEFENSE FIRM PLEADS GUILTY TO BID RIGGING ON DEPARTMENT OF DEFENSE CONTRACTS

(Photos – BXP45936h, BXP45925h, BXP45883h) A Defense firm pleaded guilty and has agreed to pay a \$275,000 criminal fine for its role in a conspiracy to rig bids on U.S. Department of Defense (DOD) contracts for military tiedown equipment and cargo securing systems. The Defense Firm was charged with carrying out a two-count felony charge of bid-rigging conspiracies with co-conspirators by:

- Attending meetings and engaging in discussions regarding the sale of military tiedown equipment and cargo securing systems and agreeing not to compete on certain contracts with the DoD either by not submitting prices or bids on those contracts, by alternating winning bids on those contracts, or by submitting intentionally high prices or bids on those contracts;
- Discussing and exchanging prices on certain contracts so as not to undercut one another's prices;
- Submitting bids in accordance with the agreements reached;
- Selling military tiedown equipment and cargo securing systems to the DoD pursuant to those agreements at collusive and non-competitive prices; and
- Accepting payment for military tiedown equipment and cargo securing systems sold at the collusive and non-competitive prices.

Speaker One - The two counts of bid rigging in violation of the Sherman Act carries a maximum fine of \$10 million for corporations for violations occurring before June 22, 2004, and \$100 million for corporations for violations after that date. The maximum fine may be increased to twice the gain derived from the crime or twice the loss suffered by the victims of the crime, if either of those amounts is greater than the statutory maximum fine.

Speaker Two – (Photo – BXP45641) There's a nice twist – an interesting and positive way to make crime.

### **Leaking Bid Data**

Speaker One - Leaking bid data occurs when an insider, usually a Government employee, leaks bid proposal information from other competitors, or leaks confidential pre-bid procurement information to a favored bidder to give them an unfair advantage in the bidding process.

Speaker Two – Interesting. Has leaking bid data ever occurred within the Federal Government.?

Speaker One – Unfortunately it has. Let's discuss an actual leaking bid data fraud scheme. The Business Section of the New York Times reads:

#### **COMPANY NEWS; Centel Says G.S.A. Staff Leaked Data**

The Centel Corporation has accused the General Services Administration of divulging its secret bid prices to competitors for a Government telephone contract, G.S.A. officials said yesterday. (Photo – C0401689)

G.S.A. officials said Centel, a Chicago-based telecommunications company, filed the protest last month, after published reports that bidders for the contract knew the exact price of Centel's bid - \$23 million - and that G.S.A. staff members were instructed to evaluate the bids in such a way as to favor certain competitors.

In response, the G.S.A. suspended the bidding process and said it was investigating the complaint.

Last month, the G.S.A. Board of Contract Appeals found that agency employees had discriminated against the American Telephone and Telegraph Company in awarding telephone-switch contracts and that an agency official had disclosed A.T.&T.'s bid prices to rivals. In response, the appeals board ordered the agency to cancel four of the contracts and turn them over to A.T.&T.

Centel has two competitors for the disputed contract, worth \$40 million over five years, to supervise contractors that will build the Government a new \$25 billion telephone system. They are the C-TEC Corporation, which has teamed with Booz, Allen & Hamilton Inc., and the Federal systems division of the Centel Corporation.

Speaker 2 – Centel declined to comment on the protest, which the company filed with the G.S.A.'s administrators instead of with the agency's Board of Contract Appeals, an independent arm of the G.S.A. that resolves contract disputes.

A spokesman for C-TEC, said that the company did not receive any proprietary information and that it was cooperating with the G.S.A. investigation. A spokesman for Centel said the company had no comment.

G.S.A.'s deputy administrator for policy, said that it was not uncommon for Government contractors to file administrative protests, which are resolved by the agency's top officials. G.S.A. was negotiating with Centel to resolve the matter and put the contract back on schedule. An agency representative stated that Centel could file a protest with the appeals board.

G.S.A. contracting officials said the agency had persuaded Centel not to file a protest with the appeals board to avoid further attacks on the agency's management and bidding procedures.

Speaker One – That's a good example of a leaked bid scheme that actually happened. What about the Federal employees that were involved? Could they be in hot water? (Photo – BXP45938h)

Speaker Two – Yes, very hot water. They are potentially subject to at least two criminal statutes based on the information in this news article. (Photo – B0310123) The statutes are 18 USC 1905, Trade Secret Act, which has a maximum sentence of 1 year plus termination from Government employment and 41 USC 423, Procurement Integrity Act, which has a maximum sentence of five years and a civil fine up to \$50,000 dollars.

Speaker One – Wow...Leaking bid data can certainly cause a very bad day at the office. It is defiantly recommended that contracting professionals keep all contractor bids under lock and key. Loose lips can sink a lot of ships.

## **Manipulation of Bids**

Speaker One - Manipulation of bids occurs when an insider, usually a Government employee, manipulates the bidding process to benefit a favored contractor or supplier. Indicators of bid manipulation can include accepting late bids, changing bids, or re-bidding a contract.

Speaker Two- I have good example of a bid manipulation scheme. One of my friends told me about it during lunch.

Speaker One – Ok. Tell me about it.

Speaker Two - After all the contract bids were received, one of the competing companies calls the Contracting Officer and offers to send their entire family on a vacation, of their choice, in exchange for winning the contract. The Contracting Officer has not taken a real vacation in two years, is overloaded with work, and enrolled in a evening MBA program.

Speaker One – What happens next? I hope you aren't going to tell me about a trip to Disney World.

Speaker Two – Unfortunately, the Contracting Officer informed the contractor that he would do his best to ensure his company wins the bid. The Contracting Officer then altered the competition's bid documentation to make their bids appear higher. As a result, the favorite contractor was the winning bidder and the Contracting Officer was off to sunny Florida with their family. (Photo – C0319641) I was told he looked really rested after his trip. That is, before Federal Investigators found about what he had done.

Speaker One – I have an even better example of bid manipulation that occurred at the DoD. This example scheme involves contractors that conspired with another Contracting Officer to manipulated the bidding process. Major news story. It reads:

Defense Contractors and DoD Official Charged with Bid Rigging.

During an 18-month span in 2005 and 2006, a pair of aircraft ground support contractors had a run of good luck, winning three successive Defense Department contracts to supply fuel for military and civilian planes stationed across the globe. (BXP45881h) But according to the Justice Department, the firms may have gained an inside track on the contracts by conspiring with the DoD Contracting Officer to manipulate bid data submitted by their biggest competitor.

Last Sunday, the heads of two Defense contractors and a DoD Contracting Officer were arrested in New York City and charged with a range of charges that included manipulation of bid data.

(Photos – 5409, 5476) According to the indictment, between February 2005 and July 2006, Company A, and Company B were bidding against Company C for fuel supply contracts at more than 50 airports in Europe and Asia. At the time, the recently arrested DoD Contracting Officer served as a senior manager and was responsible for reviewing all incoming bid packages.

The Contracting Officer agreed to supply his co-defendants with confidential bid data and other proprietary information about Company C's bids and the airports at which they were competing for contracts. The competing firms would use that data --which included a spreadsheet comparing Company C's price margins with those of Company A and Company B to undercut Company C's price and bid non-competitively at those sites, according to the indictment.

In return for his assistance, the Contracting Officer would receive a flat fee, a percentage of the fuel sales, and 10 percent of the profits at each location where his conspirators were the winning bidder, officials said.

Ultimately, Company C lost each competition in which it was bidding head-to-head with Company A or Company B and the rest is history. (Photo – 77816)

Speaker Two – Some people just don't get it. Manipulation of bid data is illegal, and yes, you will eventually get caught. The DoD is very vigilant in its efforts to combat fraud, waste, and abuse in the procurement process.

Speaker One- That's right. I'm sure Company A, Company B, the DoD Contracting Officer would agree with you.

## **Product Substitution**

Speaker One: Man (exaggerated)...I never knew how serious product substitution was until I recently attended a lecture on the subject.

Speaker Two: What are you talking about?

Speaker One: Product Substitution.

Speaker Two: Oh,...isn't that when we don't get what we paid for.

Speaker One: Yeah. It involves the contractor not delivering the service or product that the Government ordered. (Photo – KS85329) During the DoD presentation I heard last week, the Instructor said that product substitution cases encompass everything from a product that is technically deficient and will not fulfill its intended purpose, like an aircraft that will not fly or a personal service contract that was never fulfilled. Another good example of product substitution would be the Government ordering a pick-up truck with a V-8 engine, but receiving one with a V-6 engine.

Speaker Two: I don't understand how the Government eventually finds out it isn't getting what it paid for.

Speaker One: Well...the Instructor told us about some fraud indicators related to product substitution that can include contractors providing false certifications pertaining to inspections and testing of material; or equipment failure (Photo – BXP45911h) which eventually becomes a safety issue. Another indicator can be the intentional omission of tests that that are required under the contract.

Speaker Two: I can see how those examples would be considered as red flags for possible product substitution fraud.

Speaker One: Product substitution continues to be DCIS's highest priority for fraud deterrence, investigation, and prosecution. Which reminds me of a recent DCIS Fraud Alert that I read.

Speaker Two: Was it the one about schemes to falsely certify aircraft parts?

Speaker One: Yes it is. (Photo – BXP4588, BXP613292h) It was revealed that a subcontractor for several DoD prime contractors was not properly heat treating aircraft parts during the

manufacturing process. He was doing a lot of funky things so he could increase his profit. He was falsely certifying parts as meeting contract specifications even though they weren't. You know how DCIS learned about the contractor's fraud scheme?

Speaker Two: How?

Speaker One: A former employee of the company came forward with the allegation.

Speaker Two: Wow!

Speaker One: Yup...he reported it to DCIS. The investigation resulted in convictions of the corporation and two of its principal officers.

Speaker Two: I guess product substitution can get Government contractors into lots of trouble.

Speaker One: That's right. It is serious business and the DoD aggressively prosecutes contractors involved with this kind of fraudulent activity.

## False Statements & False Claims

Speaker One - Good Morning.

Speaker Two - Good Morning. When you get settled I have a few news articles I want to show you.

Speaker One - What are they about?

Speaker Two – Well, remember when we were discussing False Statements and False Claims and you were getting them confused? I came across a few news stories that will help you understand what they actually mean.

Speaker One – Ok. But, I still don't understand how people think they can make a false claim against the United States Government, or knowingly and willingly make a false statement. You know one word comes to mind when I think of people that are involved with this kind of fraud?

Speaker Two - What's that?

Speaker One - GREED! (Photo – BXP45633)

Speaker Two - Yeah I agreed, but hey if they didn't do what they do we couldn't do what we do.

Speaker One - Yeah...I agree with you.

Speaker Two - Look at this article. I know by now you are familiar with the American Recovery and Reinvestment Tax Act of 2009. (Photo – BXP61339h)

Speaker One - Is that the Stimulus Bill?

Speaker Two - As a matter of fact it is. Well...the US Government will disburse these funds through a number of different vehicles- namely government contracts.

Speaker One - Ok and...

Speaker Two - Well section 1512 of this Stimulus Bill requires companies that receive Stimulus dollars directly from the Government to provide detailed quarterly reports about how the money was spent.

Speaker One - I see where you're going with this. There might be some people, contractors included, who will provide false statements and false claims before or after they receive a Federal contract award.

Speaker Two - BINGO! That's right. I also want to show you another article I found titled "Department of Defense Contractors Arrested and Charged with Conspiring to Steal Information."

(Speaker reading from paper) It says that two Department of Defense contractors were arrested in New York City and charged with conspiring to steal information relating to U.S. Department of Defense (DOD) contracts to supply fuel to DOD aircraft worldwide, the Department of Justice announced today. Two contracting firms and a third individual are also charged with participating in the conspiracies. (Photo – BXP45617)

The article goes on to say that "Investigating corruption within the Defense Department and fraudulent contracting practices directed at the DOD is a priority for the Defense Criminal Investigative Service, also known as DCIS, and this case demonstrates that DCIS will expand their resources to investigate these sorts of allegations, no matter if the subjects are in the United States or abroad."

Here's another article, "Woman Indicted for Department of Defense Contracting Fraud," which includes 13 counts of wire fraud. According to the indictment, the fraudster falsely represented that she would comply with the technical specifications of the DoD contracts. As a result of the alleged fraudulent statements made by the fraudster to secure the contracts, the United States paid over \$100,000 to Company XYZ while the fraudster received higher commissions as a portion of their pay, which must be paid back to Uncle Sam.

Speaker One - Man I love my job...I think I now understand false statements and false claims. Thanks for all your help!

Speaker Two - Sure thing!

## Conflicts of Interest

Speaker One - Let's Talk Conflicts of Interest

Speaker Two - You mean Government personnel pursuing their authority using the WIIFM philosophy?

Speaker One – What is WIIFM?

Speaker Two - “What’s In It for Me?”

Speaker One - Kinda Sorta

Speaker Two - With Conflicts of Interest, WIIFM interprets into Government personnel performing their official duties in a way that impacts their personal financial or economic interests, or those of immediate family members.

Speaker One - Is this where you tell me a WIFFM story?

Speaker Two - There are several WIFFM stories I could tell.

Speaker One - Oh Yeah

Speaker Two - Yes for example can you see the headlines

-- Ethical and Conflict of Interest Violations. **(KS85289)**

--High ranking DoD officials using their official positions to obtain bribes, extortion payments, and gratuities --

--obtaining jobs with Top 10 Defense contractors for themselves and family members while negotiating related contracts, sorta like the DoD case on Darlene Druyun that use to work for the Air Force.

--Once the conflicts were uncovered the parting gifts turned out to be guilty pleas and convictions, significant fines, restitution, and civil settlements -- not quite what they expected.

The PAWN (No pun intended) Procurement Acquisition With Negotiation -- a tough negotiating procurement official who oversees billions of dollars of Military Department contracts, becomes involved in discussions with a Top 10 Defense Contractor for a job paying a quarter of a million dollars annually. Sentenced, fined, with subsequent supervised release and community service.

Speaker One - Wow – High price to pay.

Speaker Two - Let me take you through this scenario of “Ways of Our Lies”.

The PAWN pleads guilty to conspiracy to violate federal conflict-of-interest regulations on a technical basis and too knowingly violating regulations, but not to using the PAWN's DoD position to give advantages to the Top 10 Defense Contractor.

Speaker One - What happens next?

Speaker Two - Oh what tangled web we weave when first we practice to deceive.

The PAWN fails a lie detector test. (Photo – IMG5454)

Maybe the PAWN thought he or she was just embellishing on the truth. Maybe just maybe the PAWN admits I may have shown a little favoritism in negotiations as I was negotiating for jobs and other tokens from the Contractor. The PAWN helped the Contractor obtain a offensively puffed up negotiated contract costing taxpayers tens of billions of dollars for leasing as opposed to buying equipment. (KS85365)

Speaker One - I'm confused who was the PAWN working for?

Speaker Two - Therein lies the point – back to WIIFM – the PAWN was working for the Contractor, themselves and their family rather than working in the best interest of the Government and the taxpaying public as their government position required.

But remember the PAWN's ultimate parting gifts -- sentence, fines, supervised release and community service.

In addition, a Vice President of the Top 10 Contractor also pled guilty to aiding and abetting illegal employment negotiations.

Another interesting way to make crime pay.