

Forward Pricing Proposal – Labor Categories

FRAUD INDICATORS

- **Significant differences between proposed and actual labor rates or number of hours with no corresponding changes in work scope or job requirements.**
- **Task-by-task billings consistently at the ceiling level established in the contract. An exception would be if the contract/work order specifies how many hours to bill.**
- **Individuals proposed as "key employees" not working on the contract.**
- **Proposed labor not based on existing work force. Massive new hires needed. New hire labor rates significantly lower than proposed.**
- **Employees' skills do not match the skill requirements as specified for their labor category or the contract requirements.**
- **Employees typically charged indirect by the company being charged direct to the contract.**
- **Partners', officers', supervisors' and other high level employees' time being charged in noncompliance with the contract terms or with the company's established accounting policies and procedures.**
- **Changes in the company's labor charging policies and procedures depending on the type of contract [fixed-price, cost-type, time and material (T&M) or commercial].**
- **Repeated noncompliance with Cost Accounting Standards 402, "Consistency in Allocating Cost Incurred for the Same Purpose," for labor. An example involving labor would be repeatedly charging administrative labor direct sometimes and indirect other times when the employees are essentially performing the same function under like circumstances.**