

More Procurement Fraud Resources

- <http://www.dodig.mil/resources/fraud/index.html>
- Fraud Overview Video
- Glossary of Fraud Schemes and Terms
- Test Your Fraud IQ Quizzes
- Fraud Guidance
- Report on Approaches for Conducting Effective Fraud Risk Assessment within DoD
- Fraud Red Flags and Indicators
- And More...



More Contract Audit Resources to Come – Check Back for Updates

We Encourage Constructive Feedback on the Website Resources

Email your questions and comments:

CAPOFraudResourcesFeedback@dodig.mil

Or

Complete and Submit an Electronic Feedback Form

http://www.dodig.mil/resources/fraud/AP_FraudSurvey.cfm



Contract Audit Fraud Scenarios and Resources

www.dodig.mil/resources/fraud/resources.html

This website is the central location for resources to promote and increase fraud awareness in performing contract audits.



Auditor

The resources are designed by auditors for auditors.

- Fraud Indicators
- Internal Control Weaknesses
- Realistic Contract Audit Situations



Contract Audit Scenarios and Indicators

Fraud scenarios use real world contract audit situations to illustrate relationship between fraud Indicators and audit procedures.

- Covers complete audit process from risk assessment through transaction testing
- Scenarios for variety of contract audit types and potential fraud schemes



Resources for considering fraud in design and performance of contract audits including:

- Examples of analytical procedures
- Suggested management inquiry questions
- Expanded audit procedures to address potential indicators found
- General information on scenario subject matter
- Listings of fraud indicators relevant to each scenario

Comprehensive List of Fraud Indicators

A “one stop shop” document to access all available contract audit scenario resources.

- Management and general fraud indicators
- Indicator listings by scenario
- Links to all full scenarios
- Grouped by contract audit type
- Identifies primary cost elements related to each scenario

Comprehensive List of Fraud Indicators

This document provides links to our contract audit scenario resources. The scenarios are grouped by audit type, but the issues presented could be applicable to other audits as well.

[Column Descriptions](#)
 Indicators: Links to a listing of fraud indicators related to the listed scenario
 Full Scenario: Links to the full scenario presentation.
 Cost Type: Identifies the major cost element related to the listed scenario as indicated in legend.

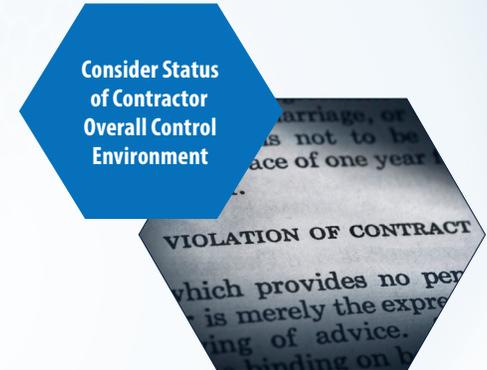
Indicators	Full Scenario	Cost Type
General Fraud Indicators--- <i>(Link to Site)</i>		
Management Related Fraud Indicators-- <i>(Link to Site)</i>		
Incurring Cost Audits		
Review of Consultant/Professional Services	Full Scenario	I
Subcontractor/Vendor Kickbacks	Full Scenario	I
Adjusting Journal Entries-Labor Transfers	Full Scenario	L
Direct and Indirect Labor	Full Scenario	L
Expressly Unallowable Costs	Full Scenario	I
Uncompensated Overtime	Full Scenario	L
Business System Audits		
Material Transfers	Full Scenario	M
Forward Pricing Proposal Audits		
Forward Pricing Proposal-- Labor Categories	Full Scenario	L
Falsification of Documents	Full Scenario	O
Repetitive Bidding of Duplicative Material Costs	Full Scenario	M
Excess/Residual Inventory in a Proposal Audit	Full Scenario	M
Make or Buy Decisions in a Proposal Audit	Full Scenario	M
Billing Audits		
Improper Billing of Costs on Progress Payments	Full Scenario	A
Postaward Audits		
Material Pricing Deficiencies	Full Scenario	M
Defective Pricing Selective Disclosure	Full Scenario	M
Subcontract Pricing Deficiencies	Full Scenario	M

Legend

L = Labor M = Material/Subcontracts I = Indirect costs
 O = Other Direct Costs A = All Cost Elements

Scenarios Emphasizing Internal Controls

Additional scenarios demonstrate relationship between fraud indicators and internal control weaknesses.



Topics Covered in Scenarios:

- Pricing module not adjusted for changes in estimating system
- Related third party transactions in incurred cost audit
- Circumventing purchasing system internal controls
- Subcontract pricing weaknesses
- Labor mischarging
- Employee existence and verification of labor charging practices
- Government used to fund terrorist activity