

## **Subcontractor/Vendor Kickbacks**

### **FRAUD INDICATORS**

- **None or few contractor policies on ethical business practices including lack of anti-kickback training required for both employees and subcontractor employees.**
- **Poor enforcement of existing contractor policies on conflicts of interest or acceptance of gratuities.**
- **Poor contractor internal controls over key functional areas, such as purchasing, receiving, and storing.**
- **Lack of separation of duties between purchasing and receiving.**
- **Lack of separation of duties in the purchasing department. Buyers should be rotated to prevent familiarity with specific vendors.**
- **Indications of poor or no established contractor procedures for competition of subcontracts such as:**
  - **lack of competitive awards;**
  - **poor documentation supporting award of subcontracts, particularly sole-source awards;**
  - **lack of or inadequate cost/price analysis for subcontract awards; and**
  - **non award of subcontract to lowest bidder.**
- **Instances of buyers or other employees circumventing established contractor procedures for competition of subcontracts.**
- **Purchasing employees maintaining a standard of living obviously exceeding their income.**
- **A one-time payment for services or materials usually bought from another vender(s). The kickback recipient could be using the company to obtain his payoff.**
- **Supporting documents for transactions that indicate potential payments of commissions, entertainment, travel, expensive gifts or un-repaid loans to prime contractor personnel or government officials.**
- **Indications of patterns or relationship between potential irregular payment transactions and contracting/subcontracting actions such as awards, change orders, modifications, or other favorable contracting actions.**
- **Equipment charged to contract that cannot be located.**
- **Services charged to contract that cannot be substantiated as performed.**