
Missing Documents and Independent Government Estimates

The Scenario

An auditor requested contract files for review and had to wait almost two business days before the files were delivered. The contractor stated that the delay was caused because they did not store Government contract files at a centralized location. When the auditor finally received the files, they noted a repeat pattern of missing required documents or documentation with outdated information. Examples of missing or outdated information included:

- Contracting Officer Representative delegation letters,
- Contracting Officer and Ordering Officer records,
- Contract Action Reports,
- Contract funding increases, and
- Price lists.

During the review, the auditor noted that a file for a multi-year contract for information technology improvements and employee training was missing the documentation for the Independent Government Estimates (IGE) for two consecutive years. The IGE is important because it reflects the fair market price for the contracted items or services determined by the Government. The auditor noted that the contract did not meet any of the requirements under FAR 15.403-1 for an exemption from the documentation of cost and pricing data. The most recent IGE located in the file was prepared for the fiscal year prior to the two years that were not covered.

The auditor was concerned about the missing IGEs and began to review contractor charges to the Government. The auditor began to notice a pattern of inflated prices charged by the contractor during the past two years. Examples of excessive pricing included charges to fly instructors and their families' first class to training locations and evening dinner meetings for instructors that averaged \$500.00 per person.

General Comments / Lessons Learned. Dishonest individuals may attempt to hide evidence of fraudulent activity by omitting certain documents from a contract file or including outdated information. Similarly, corrupt contractors and/or contracting officers may attempt to hide inflated or other fraudulent pricing in the contract by either destroying existing IGEs or preventing the creation of an IGE during pre-solicitation activities. Consequently, auditors should be alert to situations where contract files are incomplete and/or contain outdated documentation.

FRAUD INDICATORS

- **Pattern of missing documents or documentation with outdated information in the contract files.**
- **Pattern of inflated prices charged to the Government.**