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## Overbilling

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### The Scenario

An anonymous complainant alleged that their agency was being overbilled because the agency was not effectively monitoring its contractors to ensure that they consistently provided the products/services expected of them. The complaint further stated that supervisors approved purchase orders and invoices without examining whether the costs were competitive or the technical specifications were appropriate. As a result of the allegations, a team of auditors were called upon to determine whether overbilling had occurred.

For their review, the auditors examined the contract, purchase orders, invoices, and the quantity of products the contractor provided to the agency during a specific timeframe. Also, they interviewed supervisors and accounting personnel to gain an understanding of the proper authorizations required on purchases and the supporting documentation that was reviewed before issuing the payment.

During their review, the auditors did discover that there was an increase in billing, but no increase in the products delivered. They also discovered that the contractor submitted copies of the same invoice for payment and submitted more than one original invoice for the same goods and services. Specifically, the contractor:

- Submitted the fraudulent invoices to the agency during a 2-year period,
- Changed the date on legitimate invoices and re-billed the agency, thus collecting two or more times for the same goods and services, and
- Raised the price of their products above the contractual level, which the agency did not recognize.

In addition, the auditors determined that the accounting personnel were not trained to detect duplicate or fraudulent documents. The auditors recommended that the personnel receive appropriate training, and in cases where a document looks suspicious, the payment file should be searched for an identical document previously paid. The auditors also recommended that the agency implement a more vigorous contract-monitoring program. The auditors determined that this type of fraud was easy to commit because the contracts were monitored infrequently or not at all.

**General Comments / Lessons Learned:** In overbilling schemes, it is common for contractors to bill for more products/services than what is actually delivered, or to change the date on a legitimate invoice and send the bill again. Success of this type of scheme depends entirely upon weaknesses in an agency's internal control structure. Also, approvals for purchases orders should be based on the terms stated in the contract and a review of supporting documentation before issuing payment will prevent most overbilling schemes.

## **FRAUD INDICATORS**

- **Increase in billing, but no increase in services or products delivered.**
- **Contractor submits copies of the same invoice for payment.**
- **Contractor submits more than one original invoice for the same goods or services.**
- **Contractor raises the price of goods and services above the contractual level.**