
Suspect Invoices Charges

The Scenario

A newly appointed contracting officer requested an audit of a contract when they noted that the contract costs remained constant, despite a reduction in the number of troops and decreasing hostile actions. The audit disclosed the following suspect information:

- The original contract solicitation was for five line items: water, latrines, dumpsters, gray water processing, and shower units.
- Five contractors submitted annual bids for the following amounts: \$0.8 million, \$1.2 million, \$2.4 million, and \$8.8 million. The contract was awarded to the highest bidder, Contractor ABC for \$8.8 million.
- The pre-award file contained one document stating that Contractor ABC was selected because of their availability. Because of the ongoing rotation of service members, contracting personnel were not available to provide first-hand information about the original contract award or reasons for the lack of documentation in the contract file.

The auditor noted that the command received cost reports on a biweekly basis, which were used to develop an average daily cost of operations. The command used this average to calculate daily obligation rates. Interviews disclosed that the Contracting Office generally requested additional cost information from the contractor when there was a spike in costs. However, there was no routine operational cost analysis conducted to evaluate the cost effectiveness of daily operations.

Auditor interviews disclosed that the contracting office was not staffed with a sufficient number of personnel with adequate skills or experience to monitor contractor prepared cost data. For example, Contracting Officer B previously worked as a chief financial officer for about a year, twenty years ago. Until their rotation to the contracting office, they had no recent contract oversight or financial management experience.

The auditor concluded that the contract award process did not comply with Government laws or regulations. Further, the contractor continuously billed the Government for goods and services that were not needed and/or impossible to use. For example, review of monthly water invoices showed that the contractor continued to bill the Government for the same amount of water for the past six months, despite a fifteen percent decrease in the number of troops stationed at the base.

General Comments / Lessons Learned. Auditors should remain alert to contractor bidding and billing schemes when reviewing contingency contracts. A common scheme involves billing for the same amount of supplies or services when a conflict or natural disaster is contained and an emergency or urgent environment no longer exists. Similarly, frequent rotation of service members can result in a lack of first hand

information pertaining to an original contract award. In some situations, contracting personnel may not have the necessary skills or experience to effectively monitor cost information received from contractors.

FRAUD INDICATORS

- **Contractor invoice charges remain constant when an urgent or emergency environment no longer exists.**
- **Contract is awarded to the highest bidder, despite evidence of less costly bids submitted by other contractors.**
- **Contract file documentation is incomplete and does not contain sufficient information on the contract award process (i.e. contract award based upon contractor's availability).**
- **Lack of first hand information regarding the contract award due to frequent rotation of contracting personnel.**
- **Command uses contractor cost reports to determine daily obligation rates and does not conduct routine operational analysis to evaluate the cost effectiveness of daily operations.**
- **Contracting Office staff does not have adequate skills or experience to monitor cost information submitted by the contractor.**