



RECOVERY OVERSIGHT OFFICE (ROO)



Protecting Your Procurement Dollars from Fraud, Waste, and Abuse

OFFICE OF INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

WELCOME!

- Introductions
- Agenda
 - Daily schedule
 - Topics
- Administrative announcements

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FRAUD

WHAT IS IT?

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WHAT IS FRAUD?

An intentional misrepresentation which causes the suffering of damages and usually monetary losses.

- Fraud is cheating for profit
- Fraud is characterized by acts of guile, trickery, concealment, or breach of confidence, which are used to gain some unfair or dishonest advantage involving money, property, or services

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COMMON LAW FRAUD

Five Elements

1. False representation/concealment
2. Knowledge
3. Intent to deceive
4. Reliance
5. Damage

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**“THERE IS NO KIND OF DISHONESTY
INTO WHICH OTHERWISE GOOD
PEOPLE MORE EASILY AND
FREQUENTLY FALL THAN THAT OF
DEFRAUDING THE GOVERNMENT”**

Author: Benjamin Franklin

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WHAT IS PROCUREMENT FRAUD?

- May occur during any phase in the procurement process:
 - Identification of need
 - Requirements definition
 - Solicitation
 - Evaluation
 - Source selection
 - Award
 - Administration and performance
 - Close out or termination

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WHO COMMITS THESE FRAUDS?

- Contractors
- Subcontractors
- Contracting officers
- Contracting officer's technical representatives
- Procurement staff
- Grantees
- Sub grantees
- Source selection committee members
- Others?

So who are the good guys?

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WHITEHOUSE.GOV BLOG

The White House - Blog Post - Priorities -- Not lining the pockets of contractors - Windows Internet Explorer

http://www.whitehouse.gov/blog/09/03/04/priorities_not-lining-the-Pockets-of-Contractors/

Google

Last year, the Government Accountability Office, GAO, looked into 95 major defense projects and found cost overruns that totaled \$295 billion. Let me repeat: That's \$295 billion in wasteful spending. And this wasteful spending has many sources. It comes from investments and unproven technologies. It comes from a lack of oversight. It comes from influence peddling and indefensible no-bid contracts that have cost American taxpayers billions of dollars.

a [Presidential Memorandum](#) that will reform government contracting by strengthening oversight and management of taxpayer dollars, ending unnecessary no-bid and cost-plus contracts and maximizing the use of competitive procurement processes, and clarifying rules prescribing when outsourcing is and is not appropriate. The OMO will be tasked with citing evidence to every agency making such

YOUR MONEY *at* WORK

Internet

100%

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MOTIVATION FOR FRAUD

CRESSEY'S HYPOTHESIS

Opportunity

The Fraud
Triangle

Pressure

Rationalization

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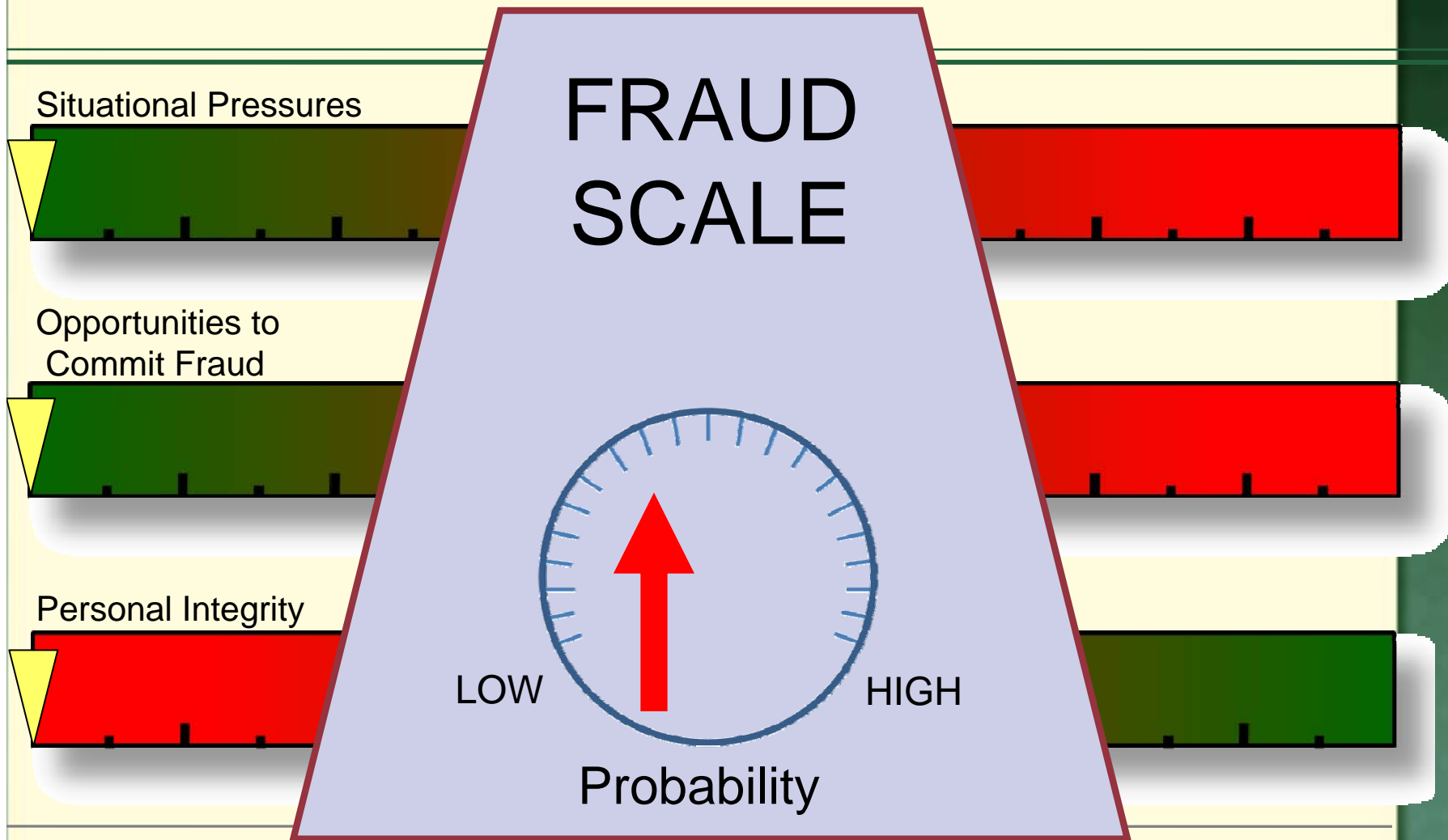
MOTIVATION FOR FRAUD (CONT.)

- Pressure
 - Dissatisfaction increases likelihood of fraud
- Opportunity
 - Inadequate internal controls
- Rationalization
 - Fraudulent act is viewed as non-criminal

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FRAUD PROBABILITY

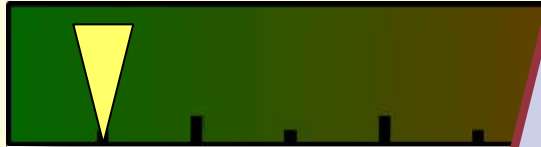


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FRAUD PROBABILITY

Situational Pressures



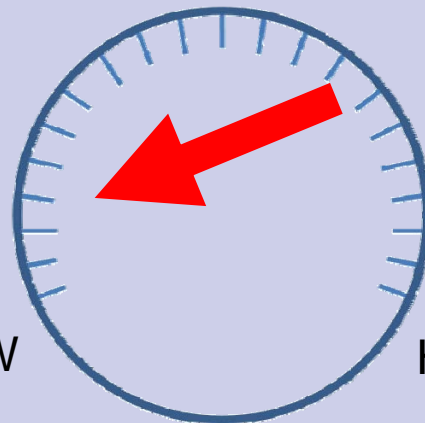
Opportunities to Commit Fraud



Personal Integrity



FRAUD SCALE



LOW

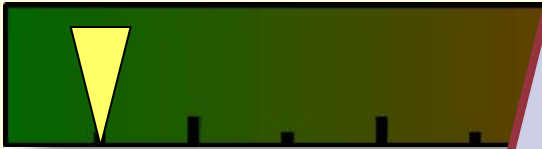
HIGH

Probability

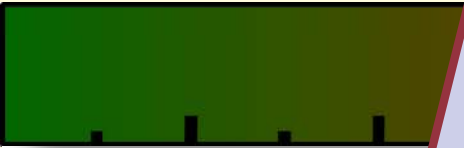


FRAUD PROBABILITY

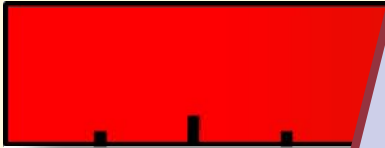
Situational Pressures



Opportunities to Commit Fraud



Personal Integrity

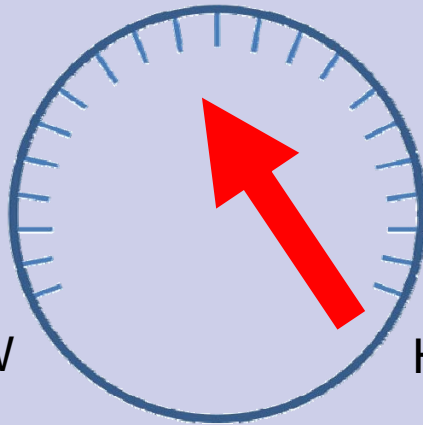


FRAUD SCALE

LOW

HIGH

Probability



FRAUD PROBABILITY

Situational Pressures



Opportunities to Commit Fraud

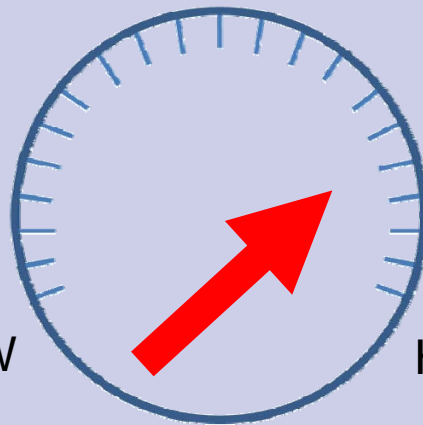


Personal Integrity



FRAUD SCALE

LOW



HIGH

Probability



“SMALL CRIMES ALWAYS PRECEDE GREAT ONES”

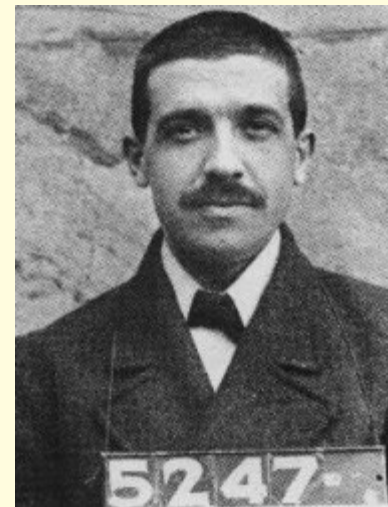
Author: Jean Baptiste Racine

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CHARLES PONZI

- In 1920 Ponzi defrauded 40,000 “investors” of \$15 million (\$150 million today)
- Promised 50% of investment in 45 days or double in 90 days
- Ponzi went from unknown to Boston millionaire



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BERNARD MADOFF

- The scheme: instead investing client's money, paying off old investors with money collected from new ones
- Affinity fraud: preying on people who trust you because you share the same background
- Motivation: greed, desire to be known as “Wall Street Player”
- Conditions that made it possible:
 - Lax investigation by SEC
 - Long term existence in market
 - Willingness of otherwise savvy investors to believe that an annual return of 8 – 12% was possible in volatile financial markets

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BERNARD MADOFF-THE IMPACT

- \$65 million dollars said to have been lost by individuals, institutional investors and charities
 - Celebrities
 - Investors
 - Working class citizens
- Madoff sentenced to 150 years in prison
 - A “new adventure”
- Two suicides linked to scheme

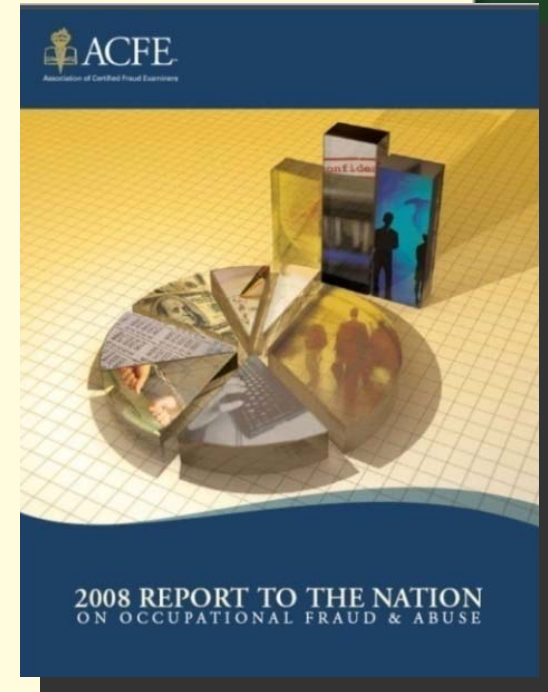
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IMPACT OF FRAUD

The Association of Certified Fraud Examiners estimates that the typical organization loses **7%** of its annual revenues to fraud.*

This would mean that **\$31M** of the **\$443M** of the DOI budget for the Insular Areas may be vulnerable to fraudulent activity.



* Derived from 2008 ACFE Report to the Nation on Occupational Fraud and Abuse

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THE IMPACT OF FRAUD

- Squanders government funds
- Denies the government and its people the benefit of necessary goods and services
- Diminishes trust and faith in Government and its leaders
- Threatens our safety and national defense
- Cheats taxpayers

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WHY IS FRAUD DIFFERENT?

General Crimes: Normally a criminal offense that is readily apparent, such as crimes against a person or property.



Fraud Crimes: Often difficult to detect, involves complicated processes, sophisticated subject(s), and prolonged investigative effort.



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CHALLENGES WITH FRAUD

- Not every instance of non-compliance is a fraud - specific intent
- Often involves processes we are unfamiliar with
- Demonstrating damage may be difficult
- Sophisticated/corporate subject(s)
- Extended time of investigations

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United States Department of the Interior

OFFICE OF INSPECTOR GENERAL
Washington, D.C. 20240

SEP - 9 2008

Memorandum

To: Secretary Kempthorne

From: Earl E. Devaney
Inspector General

Subject: OIG Investigations of MMS Employees

This memorandum conveys the final results of three separate Office of Inspector General (OIG) investigations into allegations against more than a dozen current and former Minerals Management Service (MMS) employees. In the case of one former employee, Jimmy Mayberry, he has already pled guilty to a criminal charge. The cases against former employees, Greg Smith and Lucy Querques Denmet, were referred to the Public Integrity Section of the Department of Justice (DOJ). However, that office declined to prosecute. The remaining current employees await your discretion in imposing corrective administrative action. Others have escaped potential administrative action by departing from federal service, with the usual celebratory send-offs that allege that they are going to the private sector to continue their service to the Federal Government.

Collectively, OIG human resources thirty-three witnesses 470,000 pages of documents and e-mails were obtained and reviewed as part of these investigations.

I know you taken, primarily due with DOJ and the investigation. Since you have already taken assertive steps to replace key leadership and staff in the affected components of MMS, I am confident that you will now act quickly to take the appropriate administrative action to bring this disturbing chapter of MMS history to a close.

A Culture of Ethical Failure

The single-most serious problem our investigations revealed is a pervasive culture of exclusivity, exempt from the rules that govern all other employees of the Federal Government.

Sustained Commitment...

Collectively, our recent work in MMS has taken well over two years, involved countless OIG human resources and an expenditure of nearly \$5.3 million of OIG funds. Two hundred thirty-three witnesses and subjects were interviewed, many of them multiple times, and roughly 470,000 pages of documents and e-mails were obtained and reviewed as part of these investigations.

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SEPARATING MISTAKES FROM FRAUD



- **Mistake** – Not amounting to gross negligence or criminal act
- **Gross Negligence** – Failure to perform or act appropriately
- **Criminal Act** – Intentional commission of a crime

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WHERE RISKS EXIST

- Procurement Procedures
 - Federal Acquisition Procedures
 - Model Procurement Code
 - Federal “Common Rule” procedures (2 CFR)
 - Local procurement procedures

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COMMON PROCESSES

- Determination of need
- Requirements development
- Solicitation of sources
- Evaluation
- Negotiations or discussions
- Contract type
- Award
- Administration and performance
- Contract closeout

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“FEW MEN HAVE VIRTUE TO WITHSTAND THE HIGHEST BIDDER”

Author: George Washington

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WHAT IS A CONTRACT?

Contract:

An agreement, enforceable by law, between two or more competent parties, to do or not to do something not prohibited by law for legal consideration

Business Objective:

Developing and maintaining a business relationship between the buyer and the seller

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WHAT IS FINANCIAL ASSISTANCE?

Grant

- Relationship between the Federal Government and a State, local government, or other recipient
- To transfer a thing of value to the recipient in order to carry out a public purpose of support
- Substantial involvement **is not** expected between the Government and the State, local government or other recipient

Cooperative Agreement

- Relationship between the Federal Government and a State, local government, or other recipient
- To transfer a thing of value to the recipient in order to carry out a public purpose of support
- Substantial involvement **is** expected between the Government and the State, local government or other recipient

Contracts carry out a Government purpose

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ELEMENTS OF A CONTRACT

- Offer
- Acceptance
- Consideration
- Competent parties
- Legal purpose

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WHO HAS AUTHORITY TO AWARD CONTRACTS?

THE CONTRACTING OFFICER

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CONTRACTING OFFICERS

Contracting officers are responsible for:

- Ensuring performance of all necessary actions for effective contracting
- Ensuring compliance with the terms of the contract
- Safeguarding the interests of the United States/Government in its contractual relationships
- Ensuring that contractors receive impartial, fair, and equitable treatment
- Considering the input of colleagues – agency lawyers, auditors/accountants, supervisors, and experts

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WHAT DOES A CO DO?

- Purchase goods and services
 - Requirements determined by agency
 - Bona fide needs
- Ensure funds available
 - No assigned budget for purchases
- Adhere to time limitations or use of funds
- Purchase in accordance with law/policy

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CONTRACTING OFFICER DECISIONS

- “Fair and Reasonable” vs. “Arbitrary and Capricious”
 - Contracting officer decisions should be measured against this test
 - Decision was in writing
 - The CO actually thought about the decision – not a thought-less, knee-jerk decision
 - Written decision follows the rules

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ACTUAL AUTHORITY

- The authority of a contracting officer to commit the Government to terms and conditions of a contract
 - Limited or unlimited
 - Authority (warrant) appointed by the Head of the Contracting Agency (HCA)

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IMPLIED AUTHORITY

Implied authority: Contracting officer authority that is implied from the facts of the transaction rather than delegated in writing in accordance with policy

- Courts sometimes find an agency employee without formal CO authority bound the government through deeds
- CO was, or should have been aware

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APPARENT AUTHORITY

Apparent authority: Obvious, evident, or manifest authority that a reasonably prudent person, using diligence and discretion, would, in view of a principal's conduct, naturally suppose the principal's agent to possess

- Government is not bound by unauthorized agents with apparent authority – only CO authority

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DETERMINATION OF NEED

- Agency need for goods or services
- Bona fide need at time
- Funds availability and certification
- Clearly stated requirement
 - Most difficult challenge in procurement planning
 - Buyer must understand its own requirement

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REQUIREMENTS DEFINITION

- Statement of work & Performance work statement
- Functional description
- Specifications
 - Design
 - Exactly how the item will be
 - Performance
 - Exactly how the item will perform

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FUNCTION OF SPECIFICATIONS

- Allocate performance risk
- Facilitate competition
- Provide level playing field
- Restrictive only when necessary
- State minimum needs

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COMMON PROBLEMS

- Brand name or equal
- Ambiguous specifications
 - Fail to clarify requirements
 - Provide too much room for interpretation
- Unduly restrictive specifications
 - Gold plating
 - Defacto brand name
 - Require new tooling/ignore commercial items
 - Telling the contractor how to do it

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FRAUD INDICATORS

- Requirements Definition
 - Restrictive specifications in SOW which excludes otherwise qualified vendors or their products
 - Identifying requirement by brand name
 - Unique product when similar item commercially available
 - Allowing vendor to influence requirements

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Government Estimate

- Independent Government Cost Estimate
 - COR's best estimate of the reasonable cost of performing the tasks associated with the SOW
 - Provides basis for comparison of contractor's proposed cost
 - Required element in procurement planning
 - Should include:
 - Estimate of the hours
 - Labor mix
 - Indirect costs
 - Other direct costs
 - Reasonable profit

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COMPACT ROAD PROJECT - PALAU

- Underbid with the intent to increase contract costs through modifications to the contract (buy-in scheme)
 - Amount bid was \$88M vs. IGCE of \$100 - \$200M
 - Submitted claims for contract adjustment
- Motivation was simply greed
- Conditions that made it possible
 - Poor proposal preparation
 - Poor pre-award process by Corps of Engineers
- Failure to validate cost & pricing

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COMPACT ROAD PROJECT - PALAU

Impact:

- Extension of time before completion of road
- Public deprived use of the road
- Continued litigation regarding responsibility to repair/maintain road
- US Court of Federal Claims denied \$50.6 million of Dawoo's claim of \$64 million indicating it was fraudulent - \$10,000 penalty incurred

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SEEKING INTERESTED PARTIES?

- Public posting
- Newspapers/journals
- Mailing lists - bidders list
- “FedBizOpps” – Federal standard
- Other methods... How do you do it?

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SOLICITATIONS

What is a solicitation?

- Request for proposals
- Request for quotations
- Request for tenders
- Invitation for bids
- Invitation to bid
- Invitation for negotiation

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FRAUD INDICATORS

- Solicitations
 - Limit the time for submission or responses so that only those vendors with advance information can compete
 - Disclosure of proprietary / procurement sensitive information to select contractors only
 - Special assistance to any contractor in the preparation of their respective bid, proposal, or quote
 - Improper acceptance of a late bid
 - False certifications by vendors

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COMPETITION

- Competition requirements
 - FAR
 - Financial assistance
 - Local governments
- Sole Source Justifications (J&A)
 - Safety
 - National security
 - Urgency
 - Others

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THERE IS ALWAYS AN EXCEPTION

Seven exceptions (FAR):

1. One or limited responsible sources
2. Unusual and compelling urgency
3. National emergency or industrial mobilization
4. International agreement or treaty
5. Statute authority or requirement
6. National security
7. Not in public interest

All require CO justification and approval document

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WHY DOES THIS MATTER?

- Full & open
- Other than full and open
 - Usually requires some authority
 - Limited competition
 - Sole source
 - Single source
- What are your agency policies?

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LABOR STANDARDS

- Laws to ensure the fair treatment of labor
 - Fair Labor Standards Act
 - Service Contract Act
 - Services over \$2,500
 - Prevailing wage determinations
 - Davis-Bacon Act
 - Construction over \$2,000
 - Prevailing wage determinations
 - Weekly certified payroll

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FRAUD INDICATORS

- Labor Schemes
 - False certified payroll
 - Employees report underpayment (prevailing wages)
 - More employees on work site than reported
 - Mischaracterization of job categories
 - Labor category
 - Management
 - Kickback schemes

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PROCUREMENT AND SOCIAL POLICY

- Small business preference (23%)
- Small disadvantaged business (N/A)
 - 8(a) program
- Women owned business (5%)
- Service disable, veteran owned business (3%)
- HUBzone business (3%)

Does your Government have similar programs?

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CONTRACT TYPES

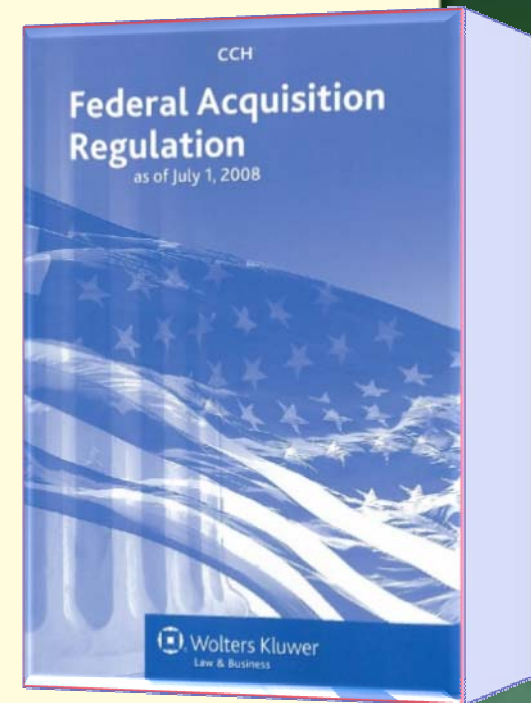
- Basic pricing arrangements in Government contracting:
 - Fixed price
 - Cost reimbursement
- Contracting methods
 - Sealed bidding
 - Negotiation
- Other types alter risk distribution and blur distinctions:
 - Incentive contracts
 - Economic price adjustments, LOE and T&M

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BASIC POLICIES

- Sealed bidding: Firm Fixed Price (FFP) contracts or FFP with Economic Price Adjustment
- Negotiation: Any contract type may be used
- Selection of contract type is generally a matter for negotiation
- Prohibition on use of Cost Plus Percentage of Cost contracts



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RISK IN CONTRACT CHOICE

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- CPFF Level of Effort
- Time and Materials
- Cost Plus Fixed Fee
- Cost Plus Award Fee
- Cost Plus Incentive Fee
- Cost No Fee
- Cost Sharing
- Fixed Price Award Fee
- Fixed Price Incentive
- Firm Fixed Price w/EPA
- Firm Fixed Price

Government
Risk



-CPFF LOE
-T&M
-CPFF
-CPAF
-CPIF
-CNF
-CS
-FPAF
-FPI
-FFP w/EPA
-FFP

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EVALUATION: RESPONSIVENESS

- An objective, nondiscretionary determination by the Contracting Officer, at the time of the opening of sealed bids that a bid conforms to the Invitation for Bids (IFB)
 - Bids must conform with all material respects to IFB – terms and conditions
 - Bids that fail to conform must be rejected
 - Minor informalities that can be corrected or waived may be allowed
 - Concept of responsiveness does not apply to negotiated acquisitions

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EVALUATION: RESPONSIBILITY

- Ability to perform
- Willingness to perform
- Adequate financial resources
- Satisfactory performance record
- Can meet delivery date
- Experienced organization and personnel
- Manufacturing capacity
- Laws & regulations
- Satisfactory integrity and business ethics

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AWARD

- Mechanical decision-making process
 - Evaluate scores critically to ensure trade-off is reasonable
- Documentation
 - If award was “best value” the documentation by the CO must explain why
- Unreasonable trade-offs
 - Paying excessive price as trade-off
- Choosing the right contract type

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FRAUD INDICATORS

- Award
 - Disqualification of any qualified bidder
 - Award of a contract to a vendor that is not the lowest responsible and responsive bidder
 - Material changes in the contract shortly after award
 - Awards made to contractors with an apparent history of poor performance
 - Allowing a low bidder to withdraw without justification

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ADMINISTRATION: CONTRACT COSTS

- A cost is **reasonable** if, in its nature and amount, it does not exceed that which would be incurred by a prudent person in the conduct of competitive business
- No presumption of reasonableness
- Generally recognized as ordinary and necessary for the conduct of the business
- Generally accepted sound business practices?

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ADMINISTRATION: CONTRACT COSTS

- **Allowable** costs include both direct and indirect costs
- Allowable costs are determined by various cost principles, which often define which costs are expressly **unallowable**
- Procurement policy may determine cost principles for contracts with commercial businesses
- OMB Circulars contain cost principles for financial assistance

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ADMINISTRATION: CONTRACT COSTS

A cost is **allocable** to a contract if it:

- Is incurred specifically for the contract
- Benefits both the contract and other work, and can be distributed to them in reasonable proportion to the benefits received
- Is necessary to the overall operation of the business, although a direct relationship to any particular cost objective cannot be shown

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ADMINISTRATION: PAYMENTS

- Receiving invoices
- Examining costs
- Reviewing performance
- Approving and processing invoices
- Final withholds

Mobilization Payments?

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FRAUD INDICATORS

- Administration
 - Work performed outside of the scope of the contract (scope creep)
 - Significant change of the contract requirements through a modification (cardinal change)
 - Contractor fails to perform, but no action taken
 - Extension of term of contract without funding
 - Advance payments
 - Invoice approval for payment before receipt of deliverables

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CONTRACT MODIFICATION

- Made by the contracting officer
- Bilateral modifications
 - With consent of both parties
 - Changes
 - Exercising option years
- Unilateral modifications
 - Performed by Government without contractor consent
 - Administrative
 - Terminations
- Equitable adjustments

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DIFFERING SITE CONDITIONS

- Construction contracts
 - Contract indicates a site condition
 - Contractor relied on the Government representations
 - Contractor encounters latent/subsurface conditions differing materially from contract representation
- Site differs from what is usually found in area

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SCOPE OF THE CHANGE

- Is the contract as changed essentially for the same work for which the parties originally bargained?
- Look for:
 - Function changes
 - Number of changes
 - Quantity of changes (major vs. minor items)
 - Cost of changes

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SCOPE OF THE CHANGE

- Changes outside the scope (cardinal changes)
 - Contractor not required to perform
 - Breach of contract
 - NEVER PROPER
- If contractor agrees to perform:
 - Modify contract
 - Contractor performs IAW change
 - Limited to equitable adjustment

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EXAMPLE: TELEPHONE SERVICE

- Original Award

- \$65,000 per year
- Business hours:
Monday – Friday
- Staff
- 1 building
- Awarded to small
business

- Changes

- \$5.5 million per year
- 24 hrs x 365 days
- Extensive staff
- Equipment CLIN
- Construction of LANs,
WANs and switches

In or Out of Scope?

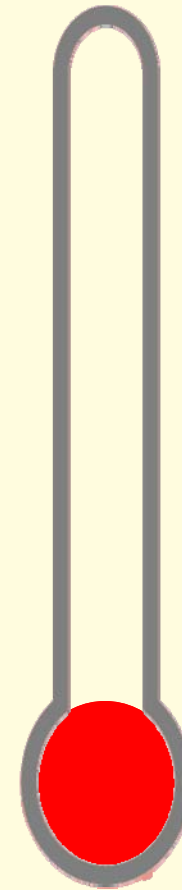
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SELECTED CONTRACT FRAUD RISKS

- Anti-trust violations
- Labor schemes
- Changes
- Product substitution

Government
Risk



-CPFF LOE
-T&M
-CPFF
-CPAF
-CPIF
-CNF
-CS
-FPAF
-FPI
-FFP w/EPA
-FFP

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BID RIGGING SCHEMES

- Sometimes difficult to detect because successful schemes create the appearance of competition. Common schemes include:
 - Rotating bids
 - Complementary bidding
 - Market division
 - Limited bidding

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ROTATING BIDS

Contractors involved in the scheme submit bids, but take turns being the lowest bidder

- Results in a cyclical pattern of contractors submitting the lowest bid

	<u>Contractor/Bid Ranking</u>		
	<u>A</u>	<u>B</u>	<u>C</u>
<u>FY 07</u>	1	2	3
<u>FY 08</u>	2	3	1
<u>FY 09</u>	3	1	2

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COMPLEMENTARY BIDDING

- Contractors submit token bids that are too high or contain unacceptable terms. Contractors have no intention of winning
 - High percent of non-responsive bids
 - Previously competitive contractors submit noncompetitive bids
 - Wide variance between low and other bids
 - Losing bidders get subcontract from low bidder

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LIMITED BIDDING

- Competitors who would be expected to bid and don't bid, or they withdraw bids
- Large number of contractors capable and solicited, but only a small number submit bids

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MARKET DIVISION

- Contractors agree to refrain from competing in specific portions of a market
- Each contractor is assigned a portion of market and wins all contracts in that market. Markets are divided by:
 - Geographical area
 - Type of product/service
 - Customer
 - Size of contract

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PRODUCT SUBSTITUTION EXAMPLES

- Delivery of goods that have been made from lower quality materials
- Manufacturing processes skipped or changed
- Materials lack testing as required under contract specifications
- Foreign products provided when domestic products were required
- Unskilled workers used when skilled workers were required
- Inspection processes not properly followed

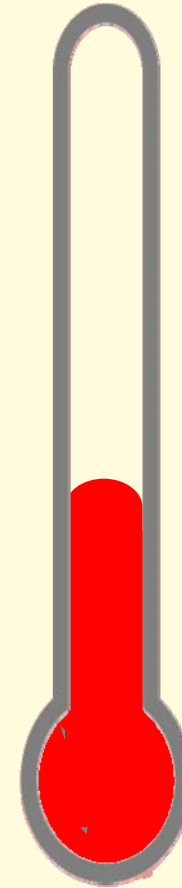
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SELECTED CONTACT RISKS

- Defective pricing
- Cost mischarging
- Collusion
- Kickbacks

Government
Risk



-CPFF LOE
-T&M
-CPFF
-CPAF
-CPIF
-CNF
-CS
-FPAF
-FPI
-FFP w/EPA
-FFP

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DEFECTIVE PRICING

- Inflating costs to increase price
- Knowledge of actual costs at time of negotiation
- Intentional false certification
- Use of historical information
- Use of material supplier information

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COST MICHARGING

- Labor mischarging
 - Unallocable labor charged
 - Time cards manipulation
- Material mischarging
 - Unallocable costs detected
- Misuse of government furnished equipment or material

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TYPES OF COST MISCHARGING

- Costs transferred between contracts
- Time/Charges do not agree with billings to the Government
- Original time cards destroyed, hidden, or altered
- Mischarging costs between accounts to avoid hitting contract ceilings

RECOVERY OVERSIGHT OFFICE



MISCHARGING EXAMPLE: ABC SERVICES COMPANY

Government Contract

Conditions:

- Cost Type
- Varying labor categories
- ABC moves fixed costs to cost contract to maintain profit objective

Commercial Contract

Conditions:

- Firm Fixed Price
- Fixed profit objectives
- Government must “find” mischarged costs by applying rules of **allocability**

RECOVERY OVERSIGHT OFFICE



COSTS - DIRECT VS. INDIRECT

- Direct Costs
 - Attributable to a single contract
 - No sharing of service with other contracts
 - Personnel, material, facilities, utilities, etc...
- Indirect Cost
 - Costs that remain after all direct costs are charged to a contract
 - Two or more cost objectives
 - Pooled and expressed as a percentage
 - Percentage applied as overhead/burden

RECOVERY OVERSIGHT OFFICE



ACCEPTANCE

- A “rite of passage”
- Conclusive, except for the “Big 4”:
 - Latent defect
 - Fraud
 - Gross mistake amounting to fraud
 - Other contract provision-e.g.: warranty
- May be express or implied

RECOVERY OVERSIGHT OFFICE



CONTRACT TERMINATIONS

- Termination for convenience (T4C)
- Termination for default (T4D)
- Termination for cause

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TERMINATIONS: (T4C)

- Inherent authority
 - Developed after Civil War
 - Don't buy if need is gone
 - Limits contractor recovery
- Contractor costs:
 - Costs incurred to point of termination
 - Profit on those incurred costs
 - Proposal preparation costs/attorney fee
 - Fairness principle on costs

RECOVERY OVERSIGHT OFFICE



TERMINATIONS: (T4D)

Basis for termination for default:

A contractor's **unexcused** present or prospective **failure to perform** in accordance with the contract's terms, specifications, or delivery schedule.

RECOVERY OVERSIGHT OFFICE



CONTRACT CLOSE OUT

- Contract files
- Final delivery & payment
- Disposition of property
- Release of claims
- De-obligation

RECOVERY OVERSIGHT OFFICE



FRAUD INDICATORS

- Closeout
 - Missing Documentation
 - Failure to submit final invoices to government
 - Failure on the part of the government to initiate timely closeout requirements
 - Failure to de-obligate funds associated with the contract
 - Failure to recoup overpayments to contractors
 - Failure to obtain a “Release of Claims” from the contractor

RECOVERY OVERSIGHT OFFICE



QUESTIONS?



RECOVERY OVERSIGHT OFFICE





RECOVERY OVERSIGHT OFFICE (ROO)



ARRA and Recovery Oversight

OFFICE OF INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) of 2009

- Congress appropriated approximately \$787 billion
- DOI received approximately \$3 billion
- The Act requires obligation of these dollars at an unprecedented speed

RECOVERY OVERSIGHT OFFICE



PRESIDENT OBAMA'S MESSAGE



RECOVERY OVERSIGHT OFFICE



ARRA GOALS

- To preserve and create jobs and promote economic recovery
- To assist those most impacted by the recession
- To provide investments needed to increase economic efficiency by spurring technological advances in science and health
- To invest in transportation, environmental protection, and other infrastructure that will provide long term economic benefits
- To stabilize state and local government budgets

RECOVERY OVERSIGHT OFFICE



ACCOUNTABILITY AND TRANSPARENCY IN ARRA

- Accountability and transparency emphasized
- 29 inspectors general received funding to oversee stimulus oversight activities
- DOI OIG received \$15 million; expires September 30, 2012
- Establishment of the Recovery, Accountability and Transparency Board

RECOVERY OVERSIGHT OFFICE



RECOVERY.GOV

Recovery.gov - Windows Internet Explorer

http://www.recovery.gov/

Recovery.gov

Recovery.org - Home

FRIDAY, JULY 10, 2009

RECOVERY.GOV

Sign up for updates: Enter Email ZIP SIGN UP

HOME ABOUT BOARD INVESTMENTS OPPORTUNITIES IMPACT NEWS FAQ CONTACT US SEARCH

MAKING WORK PAY

To help middle-class families get back on their feet and restore some fairness to the tax code, President Obama in February signed one of his signature issues into law – the Making Work Pay tax credit. As a result, families across the country are seeing more money in their paychecks.

LEARN MORE ▶

MORE FEATURES 1 2 3 4 5

Relief For America's Working Families

Families Affected: 112 Million | Total Benefit: \$55.5 Billion | Individual Tax Credit: \$400 | Married Joint Filer Tax Credit: \$800

Total Stimulus Plan \$787 Billion

Total Tax Benefits \$288 Billion

Making Work Pay Tax Credit \$55.5 Billion

Tax Benefits \$288 Billion

Source: Office of Management and Budget

Featured News

What's New at Recovery.gov

Accountability and

Internet 100%

RECOVERY OVERSIGHT OFFICE



RECOVERY.ORG

Recovery.org - Home - Windows Internet Explorer

http://www.recovery.org/

Recovery.gov

ONVIA Tracking Recovery™
BETA

Home For Businesses For Government For Taxpayers About Recovery.org

SHARE

Total Active Recovery Projects for United States 29,223 Projects Valued at \$72.92 Billion



Recovery.gov

If you are looking for the Federal Government's Recovery website, click here.

Your Business

Don't Miss Out on Economic Recovery Projects.

Join Onvia's Economic Recovery Registry and get notified of all upcoming economic recovery projects - **FREE!**

Featured Projects

Recent Projects Most Expensive

RECOVERY Modernize Generator and Transformer Protective Relaying

What America is Saying

Most Discussed Most Worthwhile Most Unnecessary

Install Guidance Signs

Location: California, United States, SAN DIEGO (CA), SAN

Recent News

Friday, 10 Jul 2009 08:24:48 PST
Redesigning Recovery.gov: What's in the contract? - FederalNewsRadio.com

RECOVERY OVERSIGHT OFFICE



UNIQUE CHALLENGES

- Speed of spending – majority must be *obligated* by September 30, 2010
- Levels of spending – \$787 billion
 - Majority of funds through contracts and grants, two vulnerable areas government-wide
- Increased transparency and accountability
 - New reporting requirements
- Past experience – there is increased risk of fraud and waste when large dollars are coupled with quick spending and new requirements

RECOVERY OVERSIGHT OFFICE



UNIQUE REQUIREMENTS

- Fixed-price, competitive awards
- Buy American
- Davis-Bacon/ prevailing wages
- No casinos, aquariums, zoos, golf courses, swimming pools
- Expanded whistleblower protection
- Publicizing all contract actions
- Certifications
- Reports on use of funds

RECOVERY OVERSIGHT OFFICE



TRANSPARENCY AND OVERSIGHT

- Inspector General Reviews
 - Required to appropriately review concerns raised by the public
 - Findings of such reviews and any other reviews of ARRA spending must be posted to the respective IG website and Recovery.gov
 - Ongoing criminal investigations are exempt from disclosure
 - IG's have authority to access records and conduct interviews with employees of all tiers of contractors and grantees receiving ARRA funds

RECOVERY OVERSIGHT OFFICE



RECOVERY MONEY

- Virgin Islands - \$65,362,498
- Guam - \$52,023,946
- American Samoa - \$43,487,718
- Northern Mariana Islands - \$32,473,926
- Palau - \$494,129
- Marshall Islands - \$413,400
- Federated States of Micronesia - \$347,281

RECOVERY OVERSIGHT OFFICE



FUNDING AGENCIES

- Department of Energy - \$81,026,443
- Department of Education - \$33,908,346
- Department of Housing and Urban Development - \$22,863,068
- Department of Health and Human Services - \$16,727,938
- Environmental Protection Agency - \$16,526,900
- Department of Justice - \$13,651,629
- Department of Labor - \$8,258,484
- Department of Agriculture - \$1,640,090

RECOVERY OVERSIGHT OFFICE



RECOVERY ACCOUNTABILITY & TRANSPARENCY (RAT) BOARD

Established by Title XV, Subtitle B, Section 1521 of ARRA

Mission Statement: “To promote accountability by coordinating and conducting oversight of Recovery funds to prevent fraud, waste, and abuse and to foster transparency on Recovery spending by providing the public with accurate, user-friendly information.”

RECOVERY OVERSIGHT OFFICE



RAT BOARD STAFF

- Comprised of 13 Inspectors General from various government agencies
- Honorable Earl E. Devaney serves as Board Chairman and was appointed by President Obama



RECOVERY OVERSIGHT OFFICE



RAT BOARD GOALS

- The Board has two principal goals:
 - To prevent and detect waste, fraud, and mismanagement
 - To provide the American people with extraordinary transparency on how Recovery Act funds are being used by states, local governments and private recipients

RECOVERY OVERSIGHT OFFICE



RECOVERY OVERSIGHT OFFICE (ROO)

The DOI-OIG created the ROO to ensure accountability of funds received by DOI under American Recovery and Reinvestment Act (ARRA) of 2009.

Mission: Prevent fraud, waste, and abuse of recovery and reinvestment dollars; reduce the impact of misuse when it does occur; and ensure transparency in our oversight efforts.

RECOVERY OVERSIGHT OFFICE



DOI ARRA DISTRIBUTION ~ \$3 BILLION



Bureau of Reclamation-----\$1 billion



National Park Service-----\$750



million
Bureau of Indian Affairs-----\$500



million
Bureau of Land Management-----\$320



million
U.S. Fish and Wildlife Service-----\$280



million
U.S. Geological Survey-----\$140



million
Office of Inspector General-----\$15 million

RECOVERY OVERSIGHT OFFICE



ROO STAFF

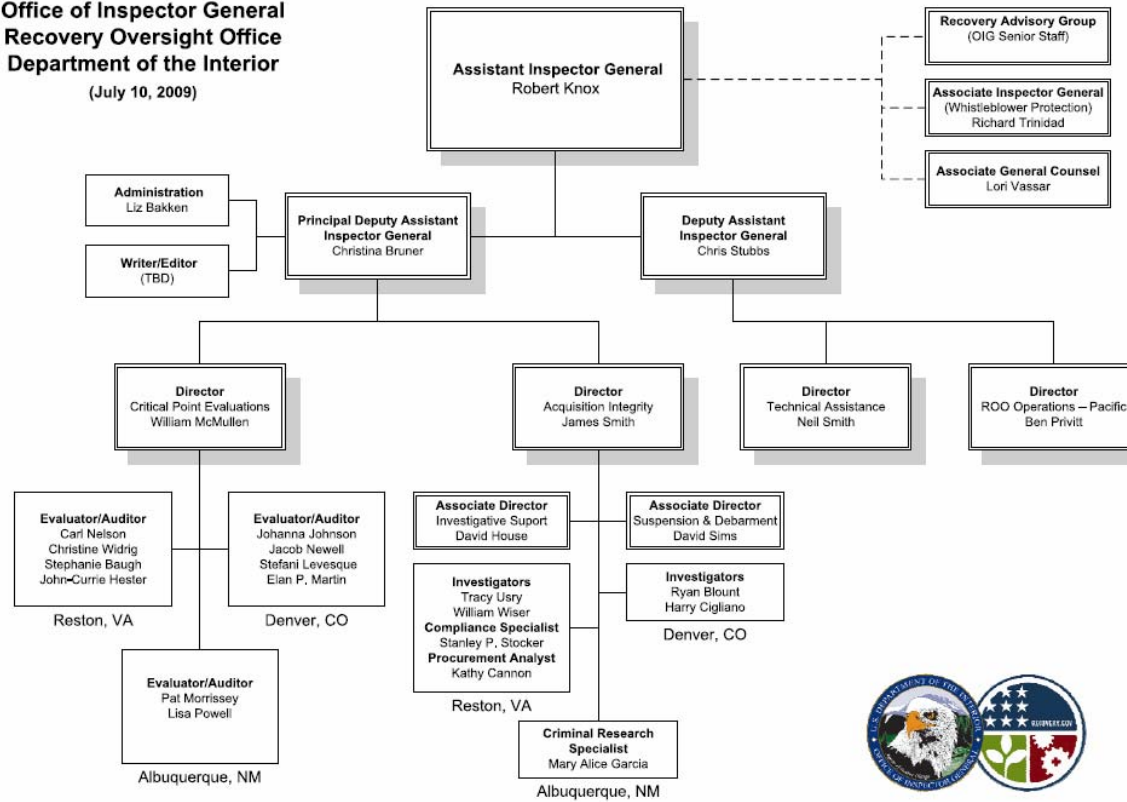
- Comprised of a diverse staff
 - Auditors
 - Evaluators
 - Investigators
 - Attorney
 - Analysts
- Leverage diverse skills

RECOVERY OVERSIGHT OFFICE



ROO ORGANIZATIONAL CHART

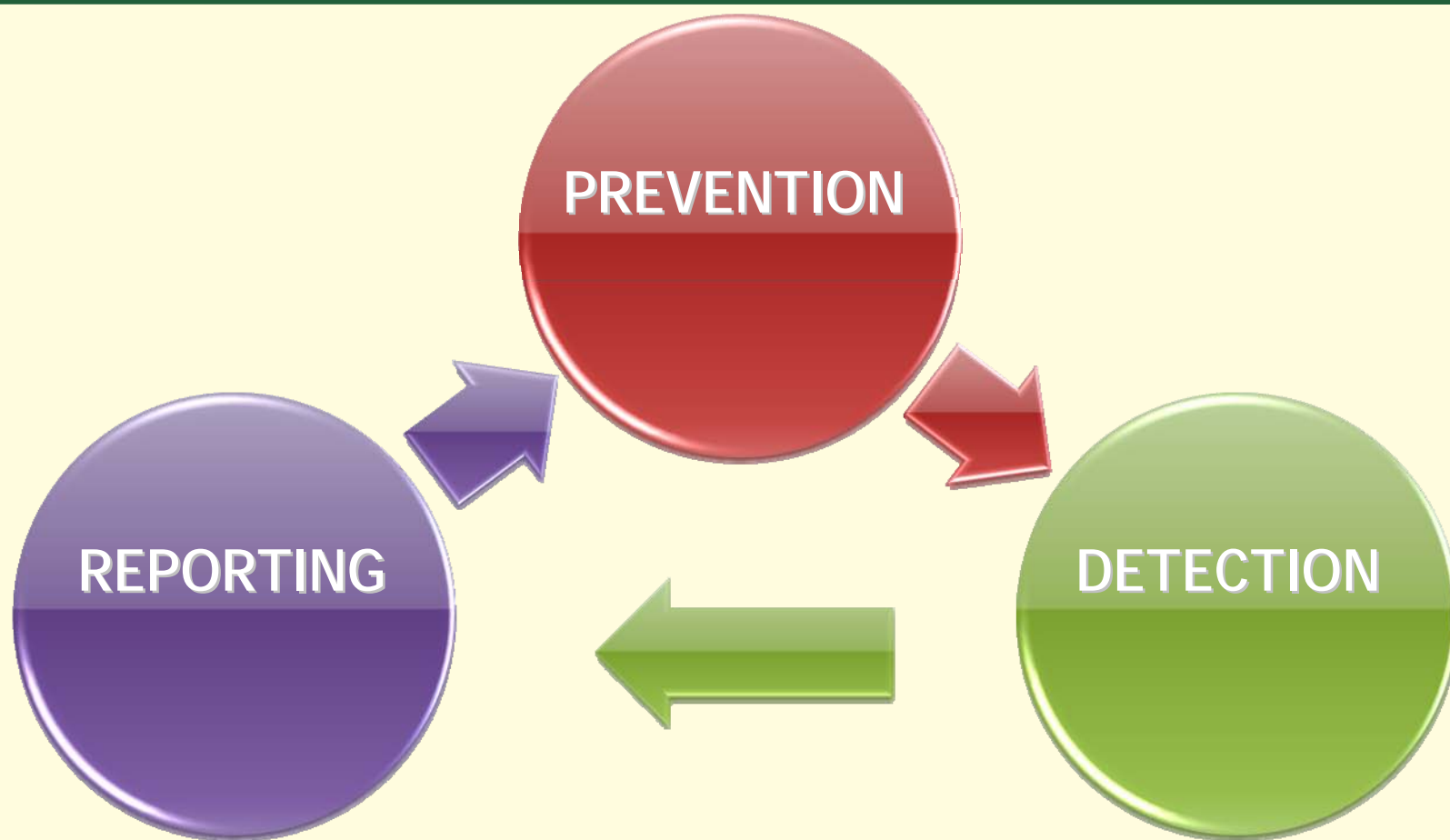
**Office of Inspector General
Recovery Oversight Office
Department of the Interior**
(July 10, 2009)



RECOVERY OVERSIGHT OFFICE



OVERSIGHT STRATEGY



RECOVERY OVERSIGHT OFFICE



PREVENTION

- Technical assistance
 - Fraud awareness briefings
 - Education and deterrence
 - Davis-Bacon Act compliance
 - Single audit and CPA firm education
 - Suspension and debarment program enhancement and training
 - Whistleblower protection
- Liaison with Key DOI offices

RECOVERY OVERSIGHT OFFICE



PREVENTION (CONT.)

- Monitor FedBizOpps and Grants.gov
 - Pre-solicitations
 - Solicitations
 - Announcements
 - Awards
 - Other contract and financial assistance actions
- Review policies and processes
 - Program plans
 - Implementation plans
 - Acquisition and financial assistance policies

RECOVERY OVERSIGHT OFFICE



DETECTION

- Critical Point Evaluations
 - Limited scope reviews of planned and ongoing major projects and initiatives
 - Sample areas
- Oversight of ARRA expenditures
- Monitoring sufficiency of internal controls
- Site inspections
- Monitoring of OIG hotline activity

RECOVERY OVERSIGHT OFFICE



CRITICAL POINT EVALUATIONS

- Collaborative effort
 - Early and continuing engagement
 - Enhanced communication
 - Less emphasis on reporting findings and more on improving process
- Maintaining Independence...
 - Provide input, not validation of decisions
 - Maintain reporting integrity

RECOVERY OVERSIGHT OFFICE



REPORTING

- Recovery Oversight Advisories
- Discrepancy Reports
- Recovery Flash Reports
- Best Practices Reports
- Website Management
- Semi-Annual Reporting
- Recovery Accountability & Transparency (RAT) Board Referrals
- Financial Reporting (www.recovery.gov)

RECOVERY OVERSIGHT OFFICE





RECOVERY OVERSIGHT OFFICE (ROO)



QUESTIONS?

OFFICE OF INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR