



NASA OFFICE OF INSPECTOR GENERAL



OFFICE OF INVESTIGATIONS

PROCUREMENT FRAUD

AVOID RISKS

UNDERSTAND PROCURMENT
& CONTRACT FUNCTIONS



ABOUT THE OFFICE OF INVESTIGATIONS

WHO ARE WE?

Each Federal agency has an independent Office of Inspector General (OIG) charged with conducting objective audits and investigations, as well as preventing and detecting fraud, waste, and abuse. Within the NASA OIG, the Office of Investigations handles allegations of wrongdoing involving organizations or individuals that receive awards from, conduct business with, or work with NASA.

WHAT DO WE DO?

We investigate allegations in which NASA is the potential victim of fraud, waste, or abuse by employees, grantees, contractors, or others. We receive allegations from many sources, including proposal reviewers, Agency employees, the OIG hotline, and the public. We also handle all allegations of research misconduct involving Small Business Innovation Research and Small Business Technology Transfer (SBIR/STTR) proposals and awards.





KNOW THE **INDICATORS**

PROTECT NASA FROM

- COST/LABOR MISCHARGING
- DEFECTIVE PRICING
- PROCUREMENT INTEGRITY ISSUES

TYPES OF PROCUREMENT VIOLATIONS

1. COST/LABOR MISCHARGING

This offense is defined as improper allocation of cost contracts or charging at higher-than-allowed rates and charging to indirect accounts those charges that should be direct or vice versa. The result of cost mischarging is an improper overcharge to the Government for goods and services.

Fraud Indicators:

- Transfers of costs from one contract to another, particularly from a fixed price or commercial contract to cost-type or Government contract
- Actual hours and dollars consistently at, or near, budgeted amounts
- High percentage of sole source (noncompetitive) subcontract awards with poor explanations/documentation
- Little/no physical progress even though significant costs are billed, and the contract delivery schedule indicates that significant physical progress should have occurred
- Billing for costs not incurred or for deliverables never received by the Government
- Decrease in charges to projects/contracts in overrun position or near ceilings
- Large number of employees reclassified from direct to indirect or vice versa
- Employees without the background, experience, or education specified in the contract requirements
- Government billed for work of fictitious/ghost employees

2. DEFECTIVE PRICING

This offense is any contracting action subject to the Truth In Negotiations Act (TINA), where the negotiated contract price, including fee, is increased by a significant amount because the contractor or subcontractor at any tier furnishes to the Government cost or pricing data that is not complete, accurate, and current as certified in the contractor's Certificate of Current Cost or Pricing Data.

Fraud Indicators:

- Repeated defective pricing involving similar patterns/conditions
- Continued failure/refusal to correct known business system deficiencies
- Consistent failure to update cost or pricing data with knowledge that past activity showed that prices have decreased
- Failure to disclose specific knowledge regarding significant cost issues that would reduce the proposed cost
- Repeated denial by responsible contractor employees of the existence of historical records that are subsequently found
- Continued failure to make complete disclosure of data known to responsible personnel

3. PROCUREMENT INTEGRITY ISSUES

Labor Fraud Indicators

- Increased labor hours with no corresponding increase in materials used or units produced
- Low-level work charged to high-level wage earners
- Employee's salary substantially less than labor rate charged to Government
- Employee's time charged to multiple contracts/task orders
- "Ghost employees"

Equipment Fraud Indicators

- Contractor unable to account for Government-furnished equipment when contract is terminated
- Contractor with commercial contracts closely related to Government contracts
- Poor controls over Government-furnished equipment
- Excessive materials orders
- Misrepresenting actual equipment the company possesses

Facilities Fraud Indicators

- Facilities used for the contract actually belong to another business and/or university, not the actual contract company
- Multiple companies have the same address or telephone numbers
- Company provides an incorrect or nonexistent address or telephone number
- Vendor address or telephone number is the same as an employee's
- Company provides a P.O. Box or residential address

PENALTIES

- False Statements - **18 U.S.C. § 1001**
- False Claims - **18 U.S.C. § 287**
- Wire Fraud - **18 U.S.C. § 1341**
- Conspiracy - **18 U.S.C. § 371**

IMPORTANT REQUIREMENTS

1. Representations are material to the decision to award.
2. Certifications are required for payment.
3. "I understand that providing false information is a criminal offense under Title 18 US Code, Section 1001, False Statements, as well as Title 18 US Code, Section 287, False Claims."

A close-up photograph of a man's hands and torso. He is wearing a dark blue pinstriped suit jacket, a light blue dress shirt, and a gold and blue striped tie. His hands are clasped together in a fist, and a silver metal handcuff is attached to his left wrist. The background is dark and out of focus.

THE PENALTIES ARE
REAL

PRIOR CASE EXAMPLES

FALSE REPRESENTATIONS

A past NASA OIG investigation in Pennsylvania determined that NASA and another Government agency had made awards for similar projects to the same company. The investigation's examination of technical information and enlistment of expert support found duplication in reports submitted and established false representations made by the company. The company agreed to a \$965,000 settlement to resolve allegations of fraud. Under the parties' settlement agreement, the company will pay \$500,000 to the United States, while an additional \$465,000 will be used for ongoing ethics and compliance efforts.

FALSIFIED LABOR COSTS

A research company in Massachusetts agreed to pay \$2.25 million to resolve allegations that they violated the False Claims Act by seeking disbursements from NASA and other Federal agencies for falsified labor costs in order to maximize charges to grants and contracts awarded by Federal agencies. As alleged in the settlement agreement, from 2009 to 2012 the company received funds under 15 grants and contracts. The company engaged in a scheme in which they directed employees to charge labor hours to the awards even when those hours did not correspond to the employees' actual time and effort. They also directed employees to alter their completed timesheets with the goal of maximizing charges to each grant or contract.

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OFFICE OF INVESTIGATIONS
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OFFICE LOCATIONS AND PHONE NUMBERS

NASA OIG HEADQUARTERS

Washington, DC
202-358-1500

AMES RESEARCH CENTER

Moffett Field, CA
650-604-2678 (Investigations)

ARMSTRONG FLIGHT RESEARCH CENTER

Edwards Air Force Base, CA
202-358-1001 (Investigations)

GLENN RESEARCH CENTER

Cleveland, OH
216-433-6121 (Investigations)
216-433-9714 (Audits)

GODDARD SPACE FLIGHT CENTER

Greenbelt, MD
301-286-9316 (Investigations)
301-286-0497 (Audits)

Trenton, NJ Place of Duty
609-656-2543 or 609-656-2545

JET PROPULSION LABORATORY

Pasadena, CA
202-358-1001 (Investigations)
818-354-9743 (Audits)

JOHNSON SPACE CENTER

Houston, TX
281-483-8427 (Investigations)
281-483-9572 (Audits)

KENNEDY SPACE CENTER

Kennedy Space Center, FL
321-867-4714 (Investigations)
321-867-4719 (Audits)

LANGLEY RESEARCH CENTER

Hampton, VA
757-864-3263 (Investigations)
757-864-8500 (Audits)

MARSHALL SPACE FLIGHT CENTER

Marshall Space Flight Center, AL
256-544-9188 (Investigations)
256-791-2002 (Audits)

ROCKY MOUNTAIN RESIDENT AGENCY

Greenwood Village, CO
202-358-4900 (Investigations)

STENNIS SPACE CENTER

Stennis Space Center, MS
228-688-1493 (Investigations)

NASA Policy Directive 9800.1B requires NASA employees who observe crime, fraud, waste, abuse, or mismanagement to report the observation or suspicion to the OIG. Likewise, NASA employees, contractors, grantees, programs, partners, and those receiving NASA funds are expected to cooperate fully with the OIG and its designees. To report suspected violations, contact us at one of our office locations or through our Hotline.

OIG HOTLINE

1-800-424-9183 / TDD: 1-800-535-8134

<https://oig.nasa.gov/hotline.html>

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