

OFFICE OF INVESTIGATIONS



OFFICE OF INSPECTOR GENERAL | U.S. ENVIRONMENTAL PROTECTION AGENCY

CONTRACT FRAUD

WHO WE ARE

Each federal agency has an independent Office of Inspector General charged with conducting objective audits and investigations, as well as preventing and detecting fraud, waste, and abuse. Within the U.S. Environmental Protection Agency's OIG, the Office of Investigations handles allegations of wrongdoing involving organizations or individuals that receive awards from, conduct business with, or work with the EPA or the U.S. Chemical Safety and Hazard Investigation Board.

WHAT DO WE DO

We investigate allegations in which the EPA or the CSB is the potential victim of fraud, waste, or abuse by employees, grantees, contractors, or others. We receive allegations from many sources, including Agency employees, the OIG Hotline, and the public.

FRAUD, WASTE, AND ABUSE PREVENTION, DETECTION, AND REPORTING

What is Fraud?

Fraud is a false representation about a material fact. It is any intentional deception designed to unlawfully deprive an entity, such as the United States or the EPA, of something of value or to secure an unentitled benefit, privilege, allowance, or consideration from that entity.

What is Waste?

Waste is the extravagant, careless, or needless expenditure of government funds; the consumption of government property that results from deficient practices, systems, controls, or decisions; or other improper practices not involving prosecutable fraud.

What is Abuse?

Abuse is the intentional or improper use of government resources. Examples include misuse of rank; position; authority; or physical property, such as tools, vehicles, or computers.

WHAT CAN I DO?

All EPA and CSB employees play a critical role in protecting Agency programs and operations from waste, fraud, and abuse:

- If you suspect any irregularities or a criminal act, contact the EPA OIG immediately.
- Establish regular, open, and clear lines of communication with your contractors, awardees, or recipients. Know who they are and what they do.
- Follow established Agency policies, procedures, rules, and regulations. Keep current on training and applicable regulations.
- Correct any audit or program evaluation findings promptly.
- Ensure contractor, awardee and recipient accountability. For example, conduct site visits, examine work performed, and ensure compliance with the terms of a contract or grant. Ensure that all work is being performed as outlined and planned.
- Protect the government information, resources, and equipment under your control.



PROTECTING EPA'S INTERESTS

As the law enforcement arm of the EPA OIG, the OI is responsible for investigating crime, fraud, waste, abuse, mismanagement, and misconduct involving EPA programs, personnel, and resources. The OI may refer its findings to the U.S. Department of Justice for prosecution or to EPA management for corrective action.

CONTRACT FRAUD INDICATORS

Contract or procurement fraud typically occurs when a government employee or contractor knowingly and willfully executes a scheme to defraud the government or when a party obtains information by deception or misrepresentation to receive inappropriate payment from the government. The following are common schemes.

Collusive Bidding or Price Fixing – Occurs when bidders secretly agree to submit high bids to let a preselected bidder win. Competition is either limited or eliminated while prices are manipulated in favor of a few select vendors. Schemes can become very elaborate and sophisticated.

Red flags:

- Prices on contract services increase by identical increments over a period of time.
- Prices are not advertised and/or tend to change at the same time.
- Bid prices from regular competitors drop suddenly when a new company enters competition.
- Qualified bidders do not respond to repeated requests for quotes but serve as subcontractors to another qualified bidder, particularly if on an apparently rotating basis.
- Successful bidder subcontracts to unsuccessful bidders.
- Identical calculations or errors are found among bidders.
- Repeated awards are granted to same entity or to non-lowest bidder.



Cost Mischarging – Occurs when contractors charge more than the authorized rates, which results in an overcharge to the government.

Red flags:

- 📄 Timecards/sheets are revised to require less information from technical staff or contractors, or original timecards are destroyed or hidden.
- 📄 False claims are submitted for payment.
- 📄 “Ghost employees” who no longer or never worked on the contract are included in claims.
- 📄 Actual costs for goods are inflated beyond what is allowed in the contract.
- 📄 Corporate overhead costs are billed as direct costs to the government.

Fictitious Vendor Fraud – Typically occurs when a government employee with procurement responsibilities or an outsider submits bills from a nonexistent vendor to the government. These types of schemes may flourish when there is lack of oversight.

Red flags:

- 📄 The vendor’s address or phone number is nonexistent and is not on the approved vendor list.
- 📄 The vendor’s address or phone number is the same as that of a government employee.
- 📄 Payments are provided without invoices.
- 📄 Multiple vendors have the same address or contact information.
- 📄 The invoiced products cannot be located, and the services cannot be verified.



Unjustified Sole-Source Award – Occurs when a procurement official, in collusion with a vendor, improperly awards a contract that has not been competed or supported with an adequate explanation.

Red flags:

- 📄 Vague justification or documentation supporting a non-competitive award.
- 📄 Sole-source award is above or just below the competitive bidding limit.
- 📄 The request for bids is sent to only one vendor.
- 📄 The contract award is made below the competitive bid limits and is followed by change orders that exceed the bid limits.



Source Selection Fraud – Occurs when a procurement official intentionally does not select the proposal that offers the best value to the government.

Red flags:

- 📄 Improper relationships exist between the government and contract personnel.
- 📄 The government releases information about procurements to one contractor but not others.
- 📄 Adequate market research is not conducted to determine the appropriate contracting method and criteria necessary to ensure the product or services will meet the government's needs.



Case Example: Settlement Made with Contractor After Fraud Allegations

On August 15, 2019, ManTech Advanced Systems International Inc., a federal contractor, agreed to pay the U.S. government \$750,000 in a civil settlement, including \$325,000 returned to the EPA. The settlement was reached in a coordinated effort between the U.S. Attorney's Office for the Eastern District of Virginia and the OIG. ManTech was awarded a subcontract on an EPA contract that required certain tasks be performed only by individuals with a Top-Secret clearance. ManTech represented the principal project manager for the contract as having the required Top-Secret clearance. However, when the ManTech project manager's clearance was revoked, ManTech failed to inform the EPA. In a proposal to extend ManTech's contract with the EPA, ManTech again represented that the same project manager had a Top-Secret clearance when the person did not. ManTech is in the process of implementing changes in its processes and controls to ensure that such a failure does not occur again. These include personnel changes, the creation of several new security-related roles, new or revised security protocols, security related training, and consultation with industry experts on security matters.

Case Example: Research Company Pleaded Guilty to Providing False Statements to EPA

On March 23, 2021, a North Carolina-based research company, Bio-Adhesive, pleaded guilty to two counts of providing false statements to the EPA and the National Science Foundation. Between 2013 and 2017, the company applied for and received Small Business Innovation Research and Small Business Technology Transfer grant awards from the EPA and the National Science Foundation totaling \$1,375,000. Bio-Adhesive submitted multiple proposals that contained misrepresentations regarding its eligibility to seek Small Business Innovation Research and Small Business Technology Transfer grant awards from the National Science Foundation and the EPA. This investigation was conducted jointly with the National Science Foundation OIG.

WHAT TO DO IF YOU SUSPECT FRAUD, WASTE, OR ABUSE

- ✓ Do contact the OIG Hotline.
- ✓ Do discuss your concerns with the OIG via the hotline or email.
- ✓ Do seek answers to your questions in the normal course of business.
- ✓ Do cooperate with the OIG.
- ✗ Don't "tip off" subjects of actual or pending investigation.
- ✗ Don't feel compelled to "prove" a case or intent before reporting it.
- ✗ Don't "stop" your normal course of business unless otherwise directed.

REPORT SUSPECTED FRAUD ACTIVITY

EPA OIG HOTLINE Contact Information:

- Phone: (202) 566-2476 or (888) 546-8740
- Email: OIG_Hotline@epa.gov
- Online: epa.gov/office-inspector-general/epa-oig-hotline

Federal Employee, Contractor, or Grantee?

If you are a federal employee, you are required to adhere to the Standards of Ethical Conduct for Employees of the Executive Branch. These standards include the requirement to disclose waste, fraud, abuse, and corruption to the appropriate authorities. 5 C.F.R. § 2635 101(b)(11).

If you are an EPA or CSB contractor or a grantee, or an employee of a contractor or grantee, note that these standards of conduct, by definition, apply only to employees of the Executive Branch. However, other similar but separate obligations apply to contractors and grantees. Specifically, the Federal Acquisition Regulation, which consists of uniform policies and procedures governing the acquisition process for federal agencies, includes the following provisions requiring that contractors and subcontractors disclose violations of the following federal statutes to the OIG:

- *Violations of Federal Criminal Law Involving Fraud, Conflict of Interest, Bribery, or Gratuities* (FAR § 52.203-13)
- *Violations of the Civil False Claims Act* (FAR § 52.203-13)
- *Violations of the Anti-Kickback Act* (FAR §§ 52.203-7 and 3.502-2)

