

What Can Go Wrong in Defense Contracting

1. A defense contractor overbilled for bottled water provided to the troops over 4 years, and settled with the federal government for \$38 million.
2. A contractor agreed to reimburse the United States \$414,828 for mischarges. The contractor's employees were instructed by a former Director of the company to change timekeeping entries to match internal financial projections rather than reflect their actual hours worked.
3. A procurement official accepted gratuities in exchange for awarding a \$228,000 contract for outside legal services.
4. A contractor employee was paid for 354 hours of sick leave that was taken while the employee was performing outside employment.
5. A manager going on vacation gave his password to his administrative assistant so she could approve travel expenses while he was away. She approved fictitious travel expenses for herself. She then tried the password for approval of invoices and learned that the manager used the same password. She made payments to fictitious vendors and converted the money to her own use. Total loss exceeded \$65,000.
6. A contractor shifted costs on both commercial and government contracts to the overhead category, and then allocated the overhead to the contracts with the best overhead rate. The overcharge exceeded \$2 million.
7. A contractor provided substandard parachute cord. They covered it up by providing the government with forged lab reports on strength tests.
8. Five contractor employees generated false vouchers and were paid for work not performed. The individuals received in excess of \$80,000 and admitted to using the money for illegal drugs and personal hotel stays.
9. A defense contractor substituted materials they claimed were "just as good," as those specified in the contract. To avoid detection, they manufactured labels to appear the same as those specified.

10. A contractor was low bidder, using payroll costs based upon the prevailing wage. Workers were paid \$5 per hour less. They were required to cash their paychecks and return the overpayment to the foreman.
11. A purchasing agent makes sure their "partner" gets the bid by:
 - Revealing others' bids.
 - Throwing away others' low bids.
 - Making up reasons not to accept others' low bids.
 - Not providing all bidders all pertinent information.
 - Sending out requests for bids too late for responses.
 - Structuring specifications so only favored bidder can win.
12. A manager with authority to select vendors solicited business from a particular vendor in exchange for stock in the vendor. The rationale was to reduce the charge from "kickbacks" to "conflict of interest."
13. When requested to provide documentation for the losing bids, employees fabricated bids from either 1) real vendors that had never bid, or 2) bidders that did not exist.
14. A contractor shorted fuel deliveries to military air fields and sold the excess for cash.
15. A foreman approved overtime never worked in exchange for 40% of the overtime pay.
16. A contractor accepted payments amounting to kickbacks from alliance partners in exchange for the contractor's recommendation of the partners' products to government end users. The contractor was ordered to pay \$14 million to settle the fraud allegation.
17. Logistics contractors supplying an army overseas falsified their returns and scuttled empty ships to claim massive compensation for loss in storms.
18. A small parts supplier collected \$20½ million over five years from the Pentagon for fraudulent shipping costs, including \$998,798 for sending two 19-cent washers to an army base in Texas.

19. A contractor violated export laws and the International Emergency Economic Powers Act in their shipments of weapons to Iraq. Seventeen criminal charges were brought against the company.
20. A special forces operator was killed in the shower, because the contractor constructed the facility such that a 220V current ran through the faucet.
21. A defense contractor placed under-qualified personnel on the jobs and billed them at the same rates as qualified personnel.
22. An army major and an army contracting official demanded a \$1.6 million bribe from a vendor to approve a contract to supply the military. The major had his wife submitted an invoice for the bribe in her maiden name, and she opened up an account in the Cayman Islands to receive the bribe.
23. An overseas shipping company supplying the military invoiced freight rates higher than what was stipulated in the contract, billed GPS-tracking and security services never provided, and failed to credit the government for rebates of storage fees received by a subcontractor at a foreign port. The overbilling exceeded \$20 million.
24. A contractor submitted erroneous certificates of compliance that stated all deliveries were in conformance with specifications required in the contract. The contractor agreed to pay \$225,000 to settle the fraud allegations.
25. A contractor supplied non-conforming solenoid valves for use on towing tractors for the F-18 aircraft. After the contractor's affiliate was disqualified as a quality supplier, the owners formed a new company and continued to supply non-conforming valves.
26. Companies shipping cargo on behalf of the U.S. conspired to fix rates and surcharges for shipping equipment to Puerto Rico. One company agreed to pay a \$17 million fine.
27. Prime contractors conspired to provide bribes to Naval Air Station employees in exchange for millions of fictitious work orders under DoD contracts. Four Naval employees accepted over \$1 million in checks, gift cards, flat screen TVs, home furnishings & appliances, and home remodeling services. The employees signed off as having received products that were never delivered.

28. A contractor knowingly delivered defective flares that would ignite if dropped from lower heights than specified in the contract. The contract specified a drop height of 10', but the flares would ignite (and burn at 3000F) if dropped from less than 3'.
29. A contractor provided substandard and defective parts for the F-15C Eagle that caused an in-flight break-up during a basic training exercise. Although the pilot safely ejected, the aircraft was destroyed.
30. A defense contractor's affiliate illegally exported U.S. origin military software to China that was used in the development of China's first modern military attack helicopter.