

# Procurement Fraud Investigations

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# AGENDA

Introduction to Procurement

Procurement Cycle

The Players

Elements and Methods of Contracting

Procurement Fraud Schemes

Investigations

Minority/Disadvantaged Business Enterprises

# PROCUREMENT and the PROCESS

- CONTRACTING TO ACQUIRE GOODS OR SERVICES
- OFTEN BASED ON RELATIONSHIPS
- DECISIONS TO ACQUIRE MADE OBJECTIVELY AND SUBJECTIVELY
- PURCHASES DICTATED BY COMPANY POLICIES AND PROCEDURES
- CONFLICTS ARISE BETWEEN OPERATIONS AND FINANCIAL CONTROLS
- PROCESS IS OFTEN CHALLENGED BY VARIOUS WORKAROUNDS

A hand is pointing to a document titled "GOVERNMENT CONTRACTS". In the background, there is a bar chart with blue and white bars. The document is on a wooden desk.

**GOVERNMENT  
CONTRACTS**



## **PROCUREMENT FRAUD**

Unlawful manipulation of the process to acquire goods or services to obtain an unfair advantage.

Dishonestly obtaining an advantage, avoiding an obligation, or causing a loss to public property or various means during the procurement process by public servants, contractors, or any other person involved in the procurement process.



Loss of money

Personal safety if the scheme involves defective products; counterfeit parts; or product substitution.

**\$2 TRILLION**

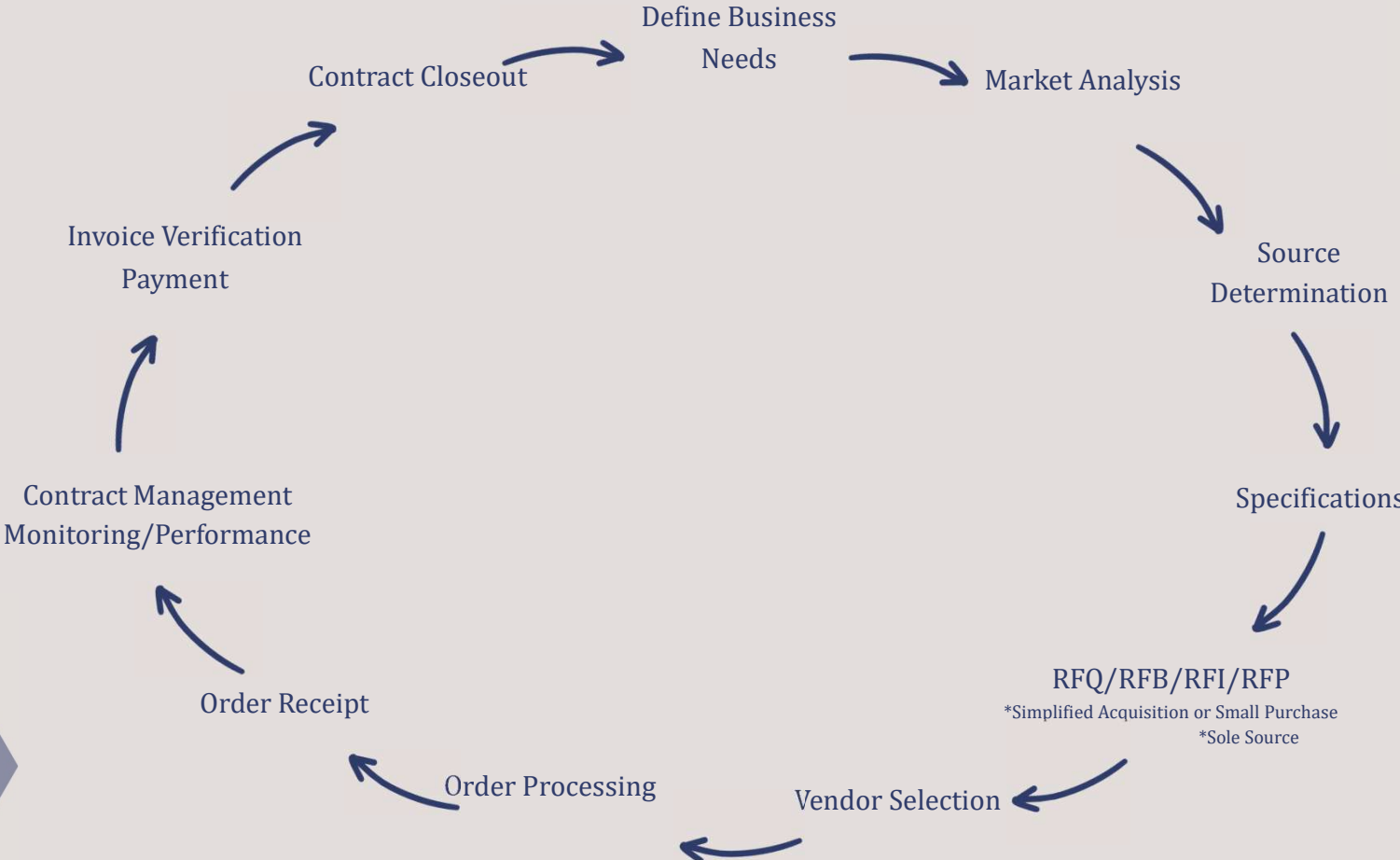
worldwide

**5% OF REVENUE**

**US FEDERAL REVENUE FY 2023**

**\$4.44 TRILLION**

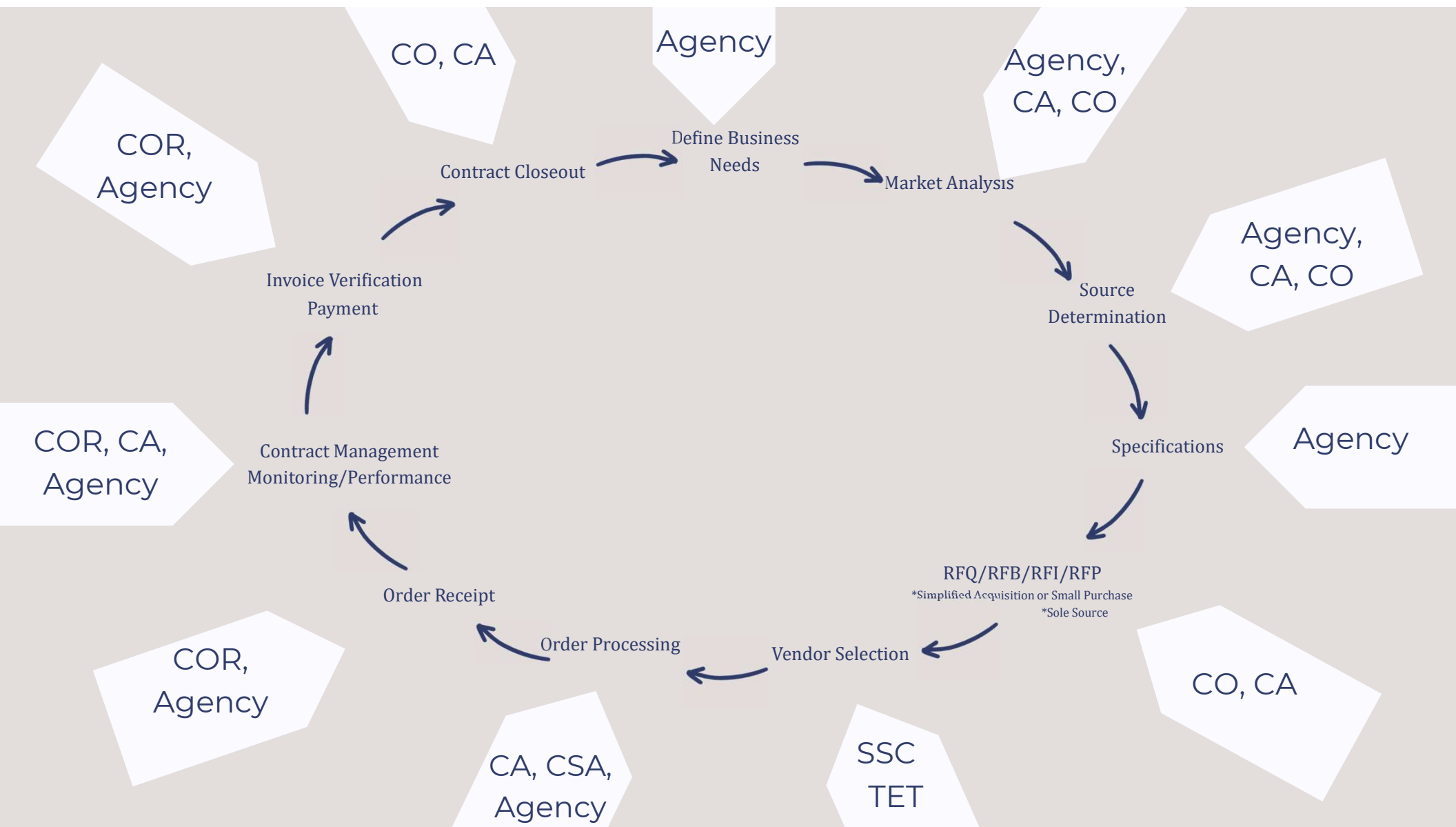
# PROCUREMENT LIFE CYCLE (PLC)



# THE PLAYERS

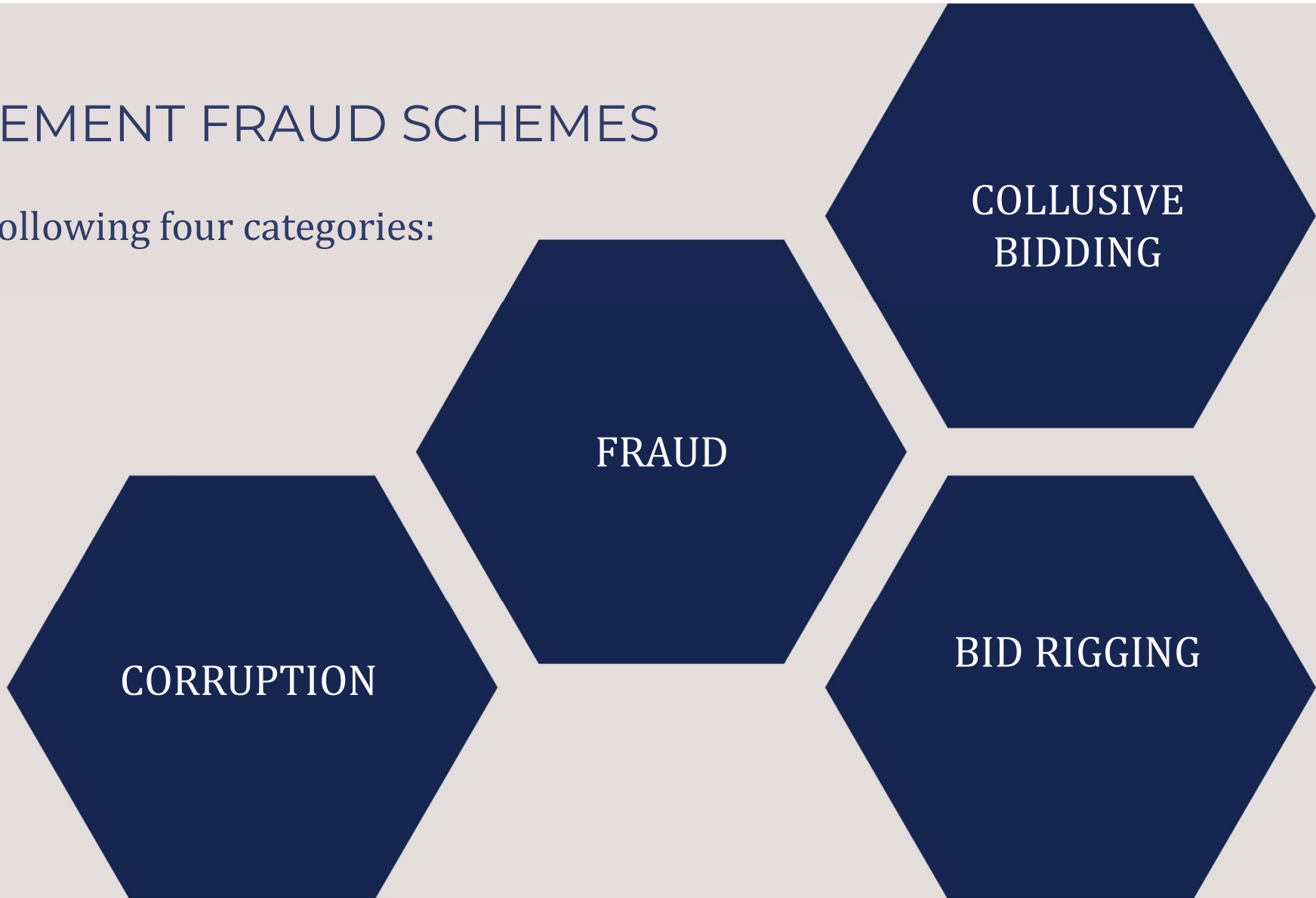






# PROCUREMENT FRAUD SCHEMES

Fall into the following four categories:

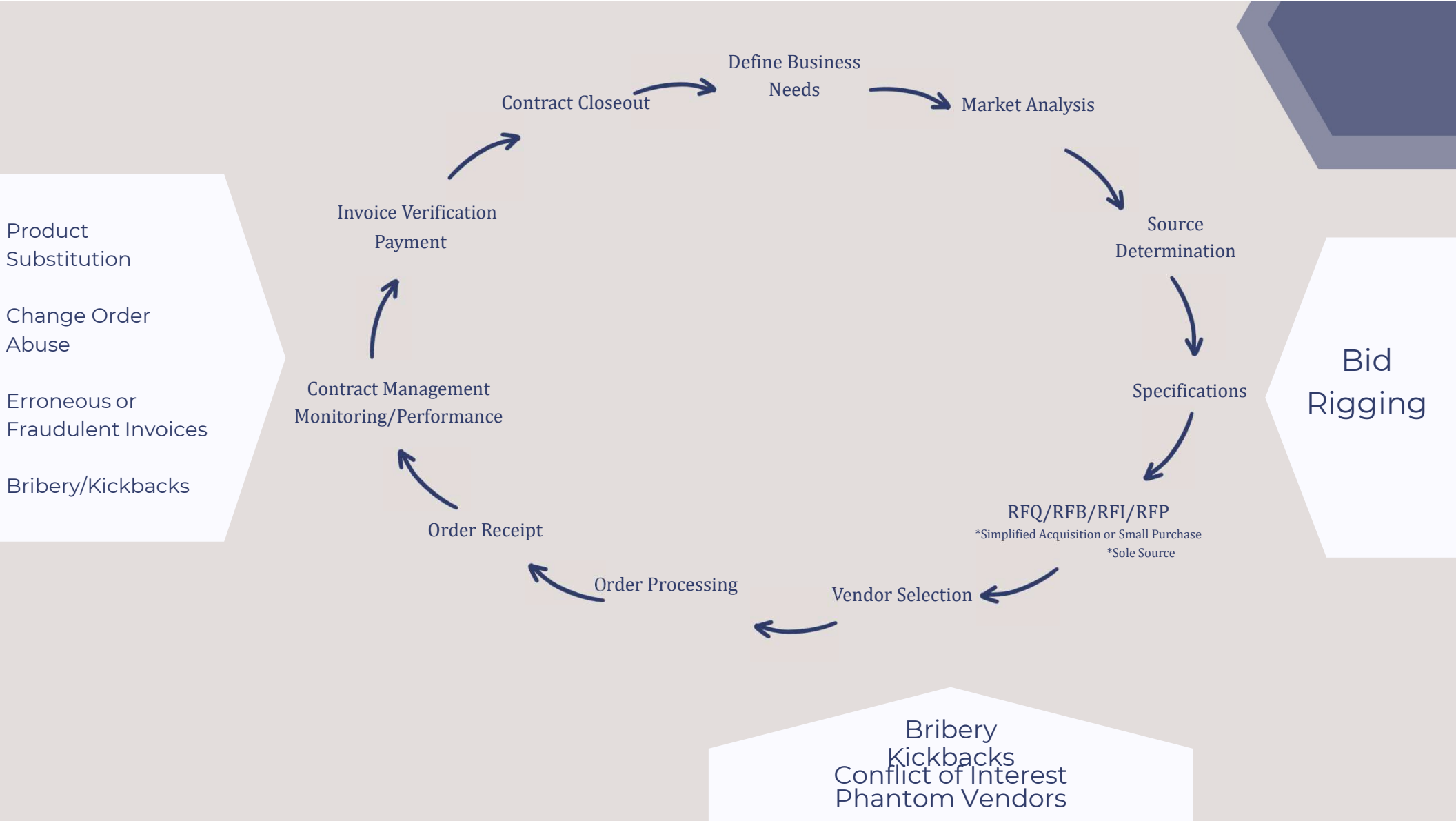


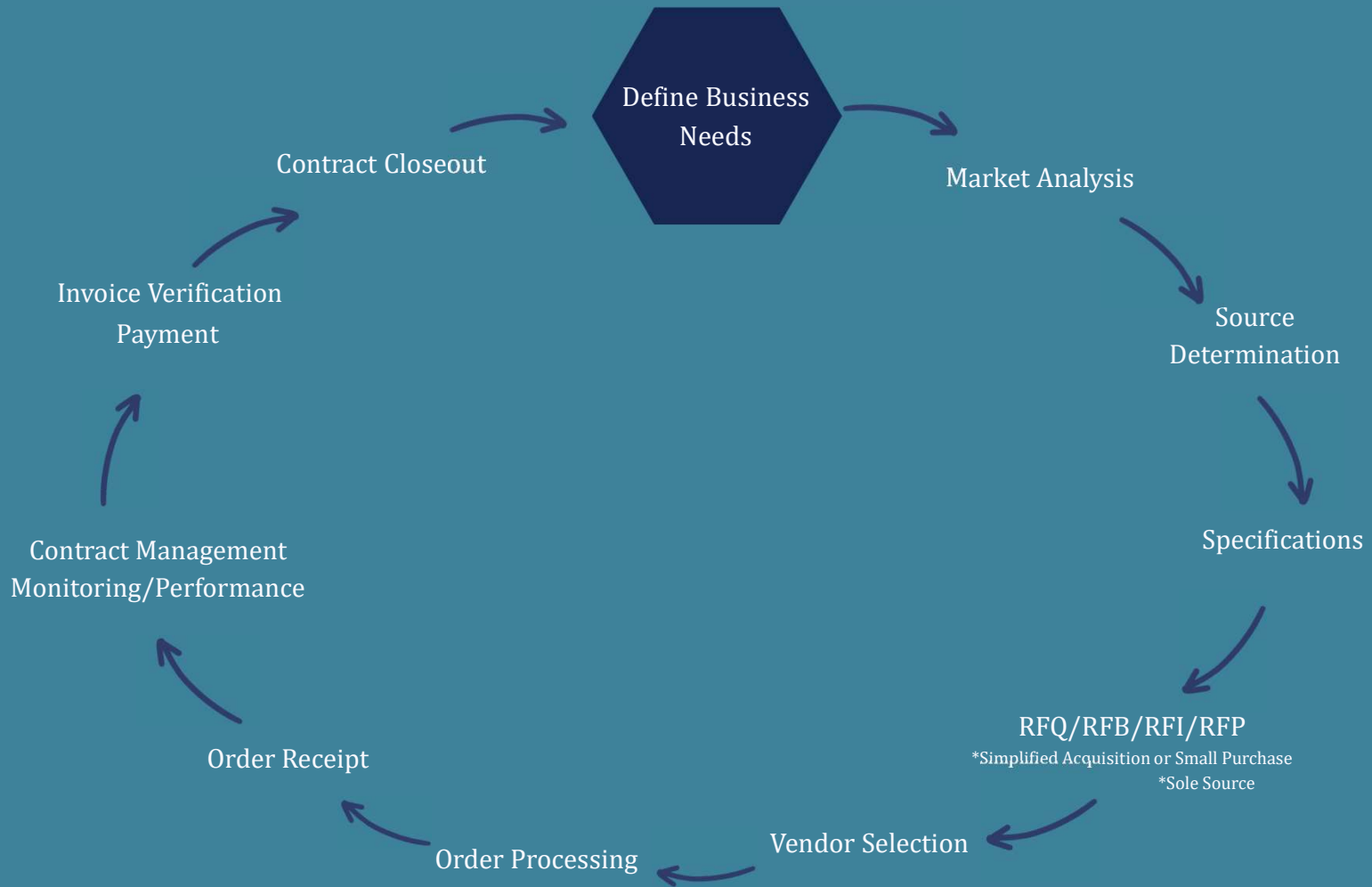
CORRUPTION

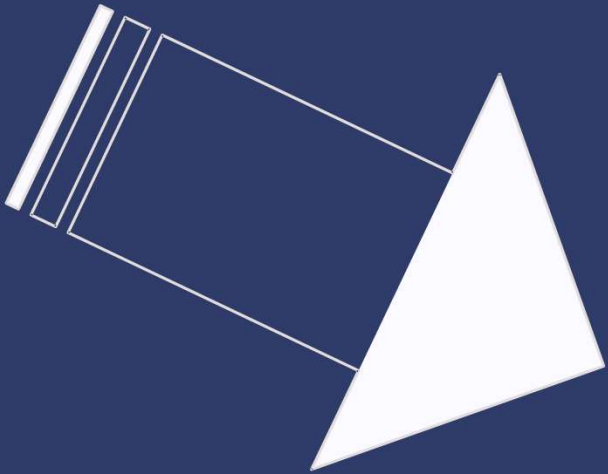
FRAUD

BID RIGGING

COLLUSIVE  
BIDDING







Materials &  
Supplies

Professional  
Services

Construction &  
Design





# RUDY

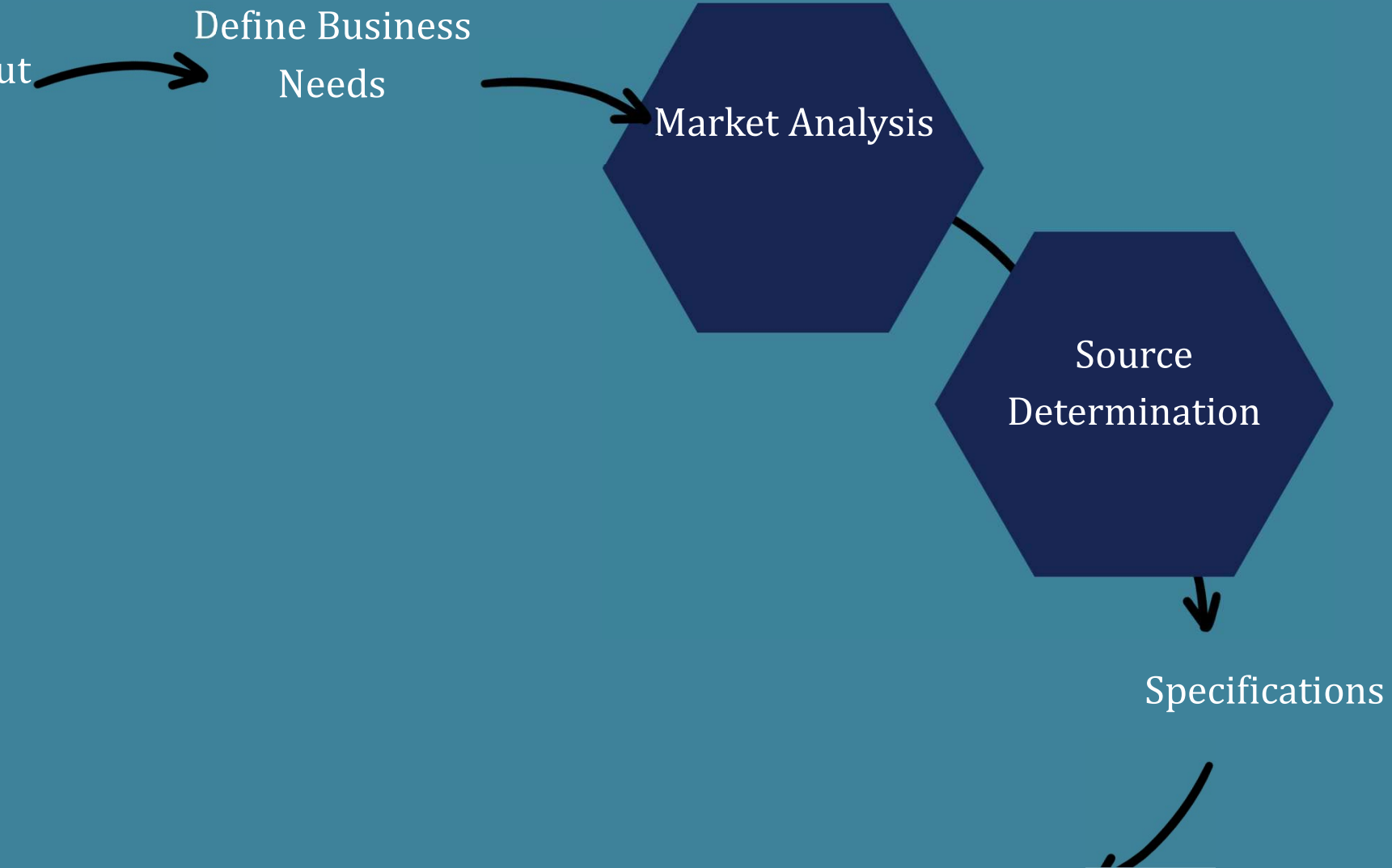
Program Manager for  
WMATA Car  
Maintenance (CMNT)

Worked for WMATA  
for 27 years



2015





# Market Analysis



J+J FLOORING GROUP



Needs

Market Analysis

Source  
Determination

Specifications

RFQ/RFB/RFI/RFP

\*Simplified Acquisition or Small Purchase

\*Sole Source

Vendor Selection

Processing

WHAT  
QUALITY  
QUANTITY  
WHEN  
HOW



SPECIFICATIONS



RFQ/RFB/  
RFI/RFP



## SPECIFICATIO

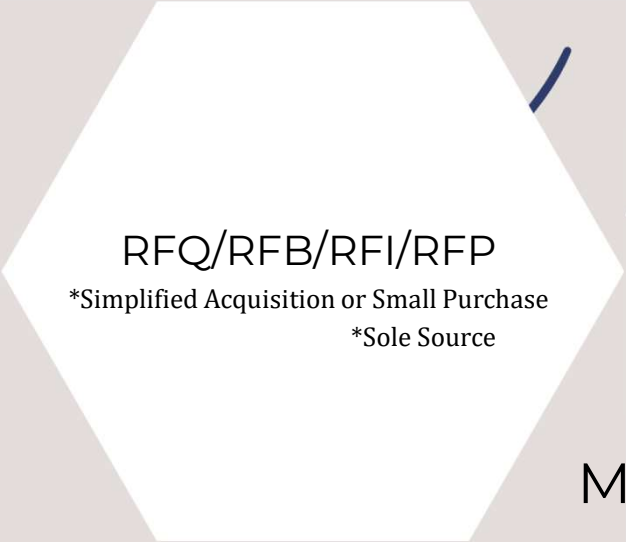
### NS

- Industry standards: Colorfastness, Electrostatic propensity, Shrinkage, Toxic Gas Sampling, Treatments, Etc.
- Pile: The pile yarn shall be 100% pure virgin wool.
- Backing: The backing shall be at least 1/8 inch thick foam padding and shall have a weight of at least 38 ounces per square yard.
  - Carpet shall be level loop pile, four ply wool, having a synthetic back and a face weight of at least 56.25 ounces per square yard, not including bonding and padding.
- The carpet shall be woven through the back and shall be bonded to the padding over its entire area, when padding is required.
- The carpet shall have a pile height of 0.205 inches, a stitch rate of 10 rows per inch, and a 216 pitch.
- All edges shall be latex sealed to prevent unraveling. Other methods may be used subject to the Authority's approval.
- The pile yarn shall be permanently mothproofed in accordance with ASTM Specification D1116.
- The carpet shall be processed to prevent the growth of mildew and other fungi.
- The color and pattern of the carpet item shall be same as the samples provided by WMATA. The color of the carpet is red/white/blue with speckled-stripe.



Source  
Determination

Specifications



Methods of Solicitation

Vendor  
Selection

Order  
Processing

## RFP (Request For Proposal)

Organization announces that funding is available for a particular project or program, and companies can place bids for the project's completion.

The agency isn't sure about what it wants and is looking to the vendor to develop a solution and cost estimate.

The request sets out specifications describing the solution it seeks and evaluation criteria disclosing how proposals are graded. Requests for proposals may include a statement of work describing tasks to be performed by the winning bidder and a timeline for providing finished work.

## RFB-IFB (Request or Invitation For Bid)

Companies and organizations give in-depth specifications of projects and invite contractors to bid for their various projects.

The government knows exactly what and how much of everything it needs in the contract and when and how the products and services are to be delivered.

The award is generally based on price. Because the focus of the invitation for bid is on the bidder's price for project completion, there is less emphasis on the bidder introducing its own ideas (This separates the IFB from a request for proposal (RFP)).



## RFI (Request For Information)

The purpose is to collect written information about the capabilities of various suppliers.

This type of solicitation is often used to determine current market pricing. It usually follows a format that can be used for comparative purposes.

\*In addition to gathering basic information, an RFI is often used as a solicitation sent to a broad base of potential suppliers for the purpose of conditioning suppliers' minds, developing strategy, building, etc.

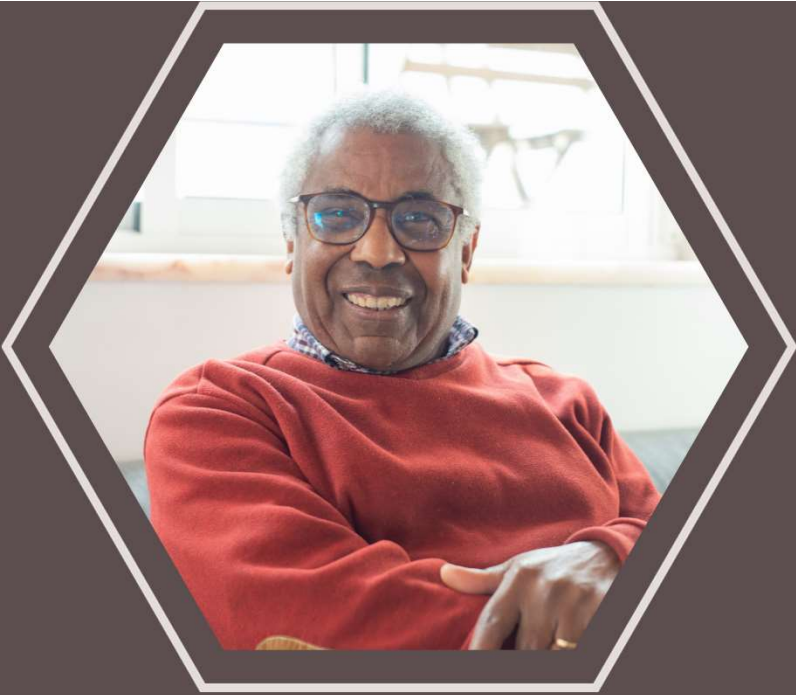
## RFQ (Request For Quote)

Quote for the completion of a specific task or project.

Typically used when products and services are standard or off-the-shelf, the soliciting agency can easily compare the various bids.

There is another term called IFQ (Invitation For Quote), which is more or less the same as RFQ.

\*An RFQ is usually the initial step for submitting an RFP, in which the bidders are asked to offer a more comprehensive price quote. However, RFQs may be submitted as an attachment to an RFP.



What type of solicitation would be appropriate for Rudy's needs?



## SPECIFICATIONS

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# What is simplified acquisition?

A simplified acquisition is a contracting method that seeks to reduce the amount of work the government must undertake to evaluate an offer.

When choosing a vendor in a simplified acquisition procurement, agencies need not bother with formal evaluation plans, establishing a competitive range, conducting discussions, or scoring offers.

Also, a contracting officer, not necessarily a source selection team, can choose the contract winner. Other contracting methods include sealed bidding and negotiated procurement.

Blanket Purchase Agreements (BPAs)

Governmentwide Purchase Card



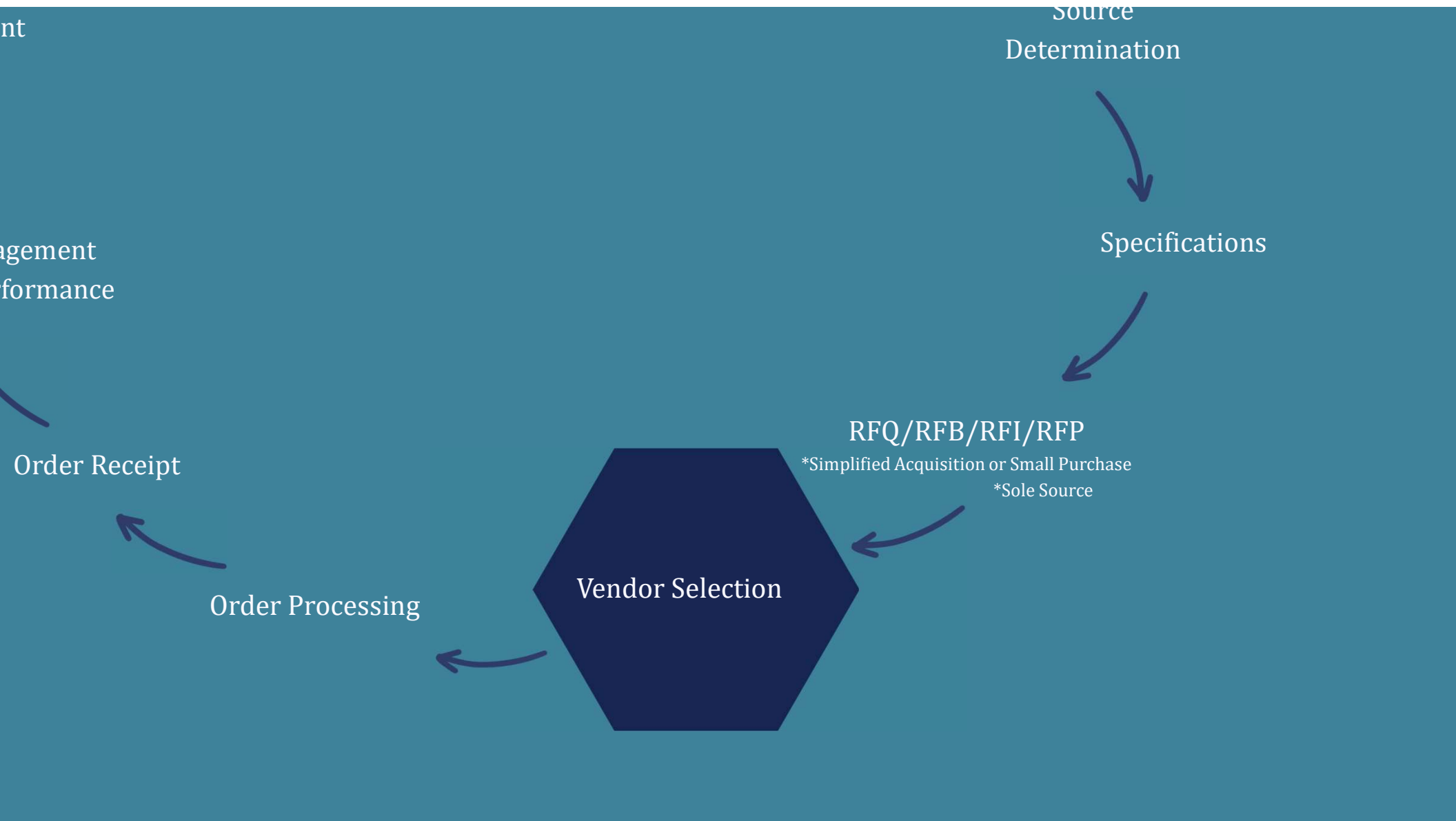
## Sole Source

A sole source justification request should only be submitted if a recipient determines that the award of a contract through a competitive process is infeasible when there is only one source for the required good or service.

## Emergency Procurement

Another method used when competition may be limited or not practical. The lack of competition or non-practicality is not due to the uniqueness of the product or service but expediency with which the product or service is needed. This procurement may be done in response to an unexpected event where health and safety is at risk.





nt

agement  
formance

Order Receipt

Order Processing

Vendor Selection

RFQ/RFB/RFI/RFP  
*\*Simplified Acquisition or Small Purchase*  
*\*Sole Source*

Source  
Determination


Specifications

A decorative graphic consisting of three concentric hexagons in shades of teal and light blue, positioned in the upper left corner of the slide.

## SOURCE SELECTION TEAM

Representatives from appropriate functional areas such as contracting, small business, technical, logistics, cost/price, legal, and program management.

People with the requisite skills, expertise, and experience to ensure the success of the source selection.

A decorative graphic consisting of three concentric hexagons in shades of teal and light blue, positioned in the lower right corner of the slide.

# TECHNICAL EVALUATION TEAM

## Scoring Matrix

Technical evaluation is the process of assessing the offers received to determine if they meet the requirements expressed in the solicitation documents. In the case of an RFP, those that do are assigned a technical score.

Technical evaluation is typically based on documentation provided as part of the proposal, but it also can include the evaluation of samples and/or interviews with the bidders. The basis for the technical evaluation must be defined in the solicitation documents.

The technical evaluation must be documented in detail, and a summary report of the evaluation—with the strengths and weaknesses of the proposals evaluated—has been prepared and signed by those performing the evaluation.





## Best Value

Process that allows the government first compare each proposal to the solicitation requirements and then to each other, comparing price and non-price factors. Government looks at the strength and weaknesses of each proposal to make a preliminary determination of competitive range.

## Lowest Price

Lowest Price, technically acceptable.





EARL

Rocky Face Flooring  
Rocky Face, Georgia

Awarded WMATA carpet contracts  
for the last 15 years

# TYPES OF CONTRACTS




Fixed price contracts

Time and materials contracts

Cost-reimbursable contracts

Indefinite delivery/quantity  
&  
requirements



## Fixed Price contracts

With a fixed price contract, the government agrees to pay an agreed-upon price for goods and services.

This price may be truly fixed or may be subjected to a limited amount of adjustment. The fixed price encompasses the contractor's expected cost to produce the good or services and their profit.

Max risk placed on the contractor.



## Cost-Reimbursable contracts

With a cost-reimbursable contract, you pay the contractor for the actual cost of the work.

Because the cost of materials may not be known or known to fluctuate, the government agrees to reimburse for the full cost of the materials.

This could be materials, equipment, whatever, and typically includes direct (e.g., salaries) and indirect costs (e.g., electricity for running the office). Indirect costs will be a fixed percentage – they won't send you their electricity bills and ask you to pay a proportion.

So how does the contractor make any money? They aren't working for nothing, and while the government is covering all their expenses, they want some financial return.

The contract will include a clause that allows them to claim a profit over the cost price, either a fixed fee or some incentive payment.




## Time and Materials contracts

Time and materials contracts see the contractor is reimbursed for materials purchased plus a per-day or per-hour rate for time spent.

They will act like a salaried member of your project team, and you'll have a fair amount of control over what they do (as you are paying for it, after all). They might ask you to sign timesheets or at least submit their timesheets for your approval along with the invoice as proof of the hours spent working on your software.

This contract is great for projects where you don't know precisely what you want when you start out. Provided you keep a close eye on costs and manage the budget and the work so that you don't overspend, this can be a cost-effective way to add more resources and skills to the team.





## Indefinite- Delivery/Quantity and requirements

These contracts are utilized when the agency can accurately specify its need but cannot define the exact delivery dates or quantity.

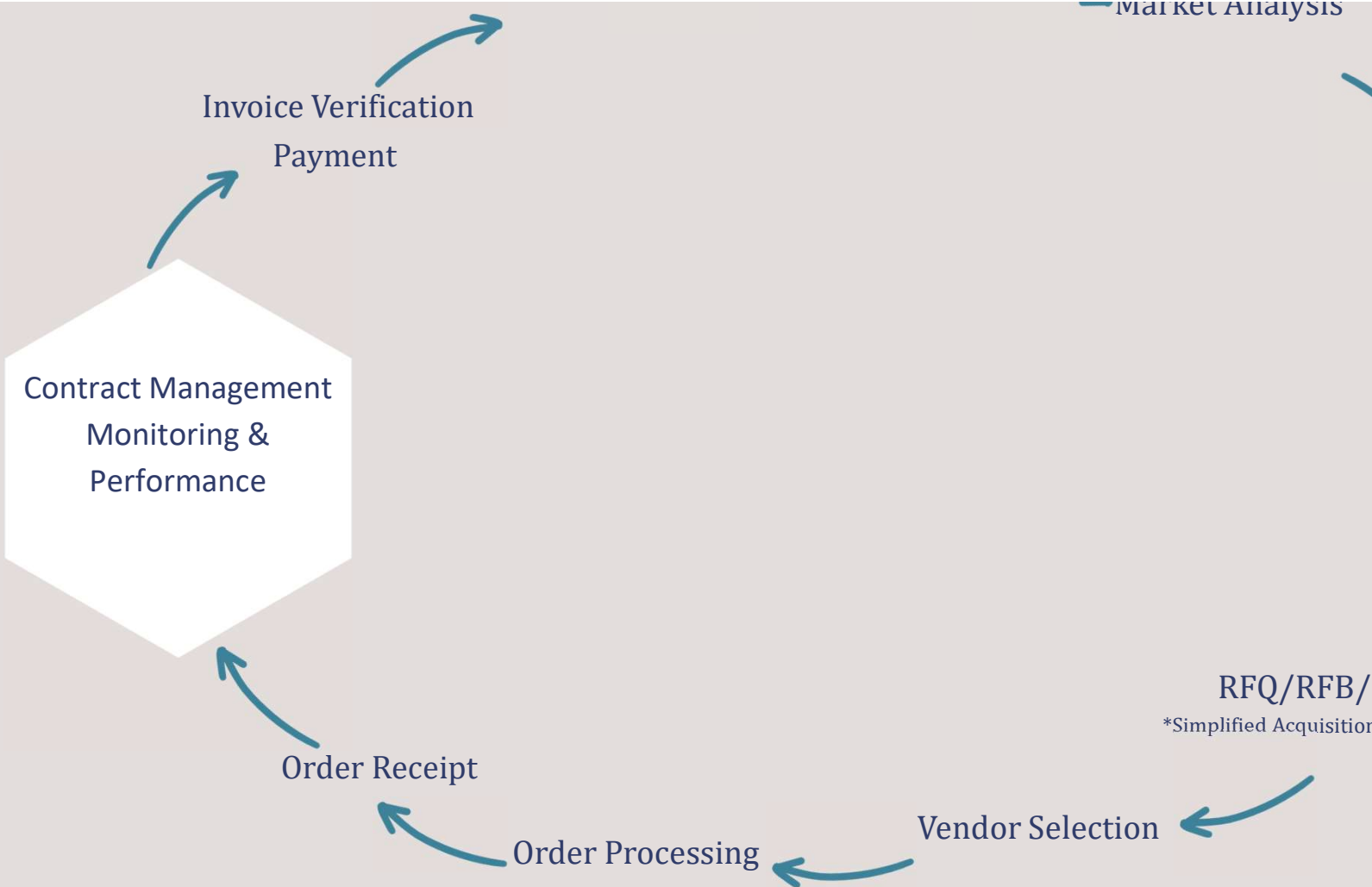
IDIQs - provide an indefinite quantity of products or services for a fixed time. COs must determine a minimum quantity, a reasonable maximum quantity, a fixed period, and a Statement of Work (SOW). Although the term “indefinite” is used, reasonable thresholds are still established for contractors. Can use multiple contractors.

REQUIREMENTS - typically used when the agency cannot specify a precise quantity. CO will make an estimate, but the estimate is not a representation of the amount that will be ordered. It is a promise that the agency will buy all of its requirements from the contractor.



What type of contract would be appropriate?





# CONTRACT MANAGEMENT

## MANAGE CHANGES

The process of initiating, considering, negotiating, and issuing contract modifications; and maintaining configuration control of the contract and subsequent contract performance.

## QUALITY ASSURANCE

The process of planning for contract performance and delivery, monitoring performance, and inspecting and accepting contract deliveries. This process involves ensuring that the delivered goods or services meet the contract's specifications, terms, and conditions.

## ADMINISTRATION

The process of establishing expectations, maintaining communication channels, processing contract documentation, conducting post-award performance reviews, and assessing contract performance. This process involves managing risk and increasing the likelihood of satisfactory contract execution.

# PROCUREMENT FRAUD SCHEMES