



Acquisition Integrity

Richard Leach
Naval Audit Service

Mark Wilkoff
Acquisition Integrity Office

Ken Fredrick
Naval Criminal Investigative Service

28 Apr 09



DON Control Environment

- Top 3 Principle Internal Controls
 - Tone at the top
 - What gets checked gets done
 - Transparency and accountability
- Auditors will monitor the process
 - Follow the money
 - Assess progress
 - Examine documentation “audit trail”
- Make Ethics Part of Your Life
 - Evaluation
 - Culture Assessment
- Bottom line: “Trust, but verify”





Preparing for an Audit

- Government Agencies and Contractors
 - Know the Federal Acquisition Regulations (FAR)
 - Contract Clauses
- Maintain good and complete records
 - Operate as though auditors will access your records
 - Retain receipts, checks, bills of lading, emails, bank statements, negotiation notes, etc.
 - When in doubt, request guidance
 - Contracting Officer or Representative
 - Government Representative
 - We will “Follow the money”





Historical Problems

- Pitfalls and Challenges
 - Poorly defined contract requirements
 - Poor or incomplete records and files
 - Lack of separation of duties/functions
 - Lack of contract administration/oversight
 - Lack of cooperation and access
 - Inadequate human resources
 - Noncompliance with applicable US laws and regulations
- Accountability and Transparency





Fraud Schemes

- Collusive Bidding
- Bribery/Kickbacks
- Conflict of Interest
- Commingling Contracts
- Cost Mischarging
- Defective Pricing
- Failure to Meet Specifications
- False Statements/Claims
- Product Substitution
- Process Substitution
- Phantom Vendors





Possible Actions

- Criminal Prosecution
 - Prison
 - Fines
- Civil Prosecution
 - Fines
- Administrative Actions
 - Suspension
 - Proposed Debarment
 - Debarment
 - Administrative Agreement
- Role of the Suspension Debarment Official (SDO)





Navy Acquisition Integrity Office

- Responsible for Coordination of Navy's Effort to Prevent, Uncover and Address Acquisition Fraud
- 830 Cases in the Office
- Approximately 500 Contractors with cases before AIO
- Caseload up 17% over last year
- Caseload up 43% since we started keeping data
- Taken an Aggressive Posture
 - Administrative Actions up over 150% since creation of AIO in September 2005





Naval Criminal Investigative Service

- Areas of Responsibility (AOR) & Responsible Offices
 - Jurisdiction
 - Guam Resident Agency
 - Hawaii Field Office
- Contracting Vulnerabilities
 - Bribery
 - Product Substitution
 - Bid Rigging





Naval Criminal Investigative Service, cont.

- Case Studies
 - Bribery: *United States v John Cockerham, Jr. et al*
 - Product Substitution: *United States v Mike Song and Scott Song*
 - Bid-Rigging: *United States v Charles J. Gillespie*





Naval Criminal Investigative Service, cont.

- Contractors & Government Officials who choose to commit fraud
 - We are watching (NCIS, AIO, NAVAUDSVC, DoDIG, GAO, etc.)
 - We will catch you!
 - We will prosecute you!
 - Your co-workers and competitors are watching
 - Those who commit fraud cannot trust anyone
 - Numerous audit and review functions are flagging suspicious activities and transactions
 - NCIS is here to help prevent this activity from happening and to react when it does





Naval Criminal Investigative Service, cont.

- What we need from the contracting community
 - Information & cooperation
 - Confidentiality
 - Indicators
 - Suspicious bid rotations
 - Inappropriate relationships between contractor and government contracting personnel including gifts, entertainment & travel
 - Falsification of certifications of specifications & testing
 - Cost inflation when difficult to determine “market” price for goods and services
 - Living beyond one’s means, unexplained wealth
 - Non-qualified or unlicensed subcontractors
 - Numerous sole-source contracts awarded to same contractor
 - Mischarging commercial costs to a government contract





Points of Contact

- Naval Audit Service (NAVAUDSVC)
 - Dick Leach, Auditor General of the Navy, (202) 433-5525, richard.leach@navy.mil
 - Visit our Web site at <http://secnavportal.donhq.navy.mil/navalauditservices>
- Acquisition Integrity Office (AIO)
 - Mark Wilkoff, Director of Acquisition Integrity Office, (202) 685.7261, mark.wilkoff@navy.mil
- Naval Criminal Investigative Service (NCIS)
 - Ken Fredrick, Senior Rep to AIO, (202) 685.7264, kenneth.fredrick@navy.mil
 - Guam Resident Agency: 671-339-7220/3203
 - Hawaii Field Office: 808-471-1218
 - NCIS Hotline: 1-800-264-6485





HOTLINES AVAILABLE

- Department of Defense Inspector General
 - <http://www.dodig.osd.mil/HOTLINE/index.html>
 - Phone: 800.424.9098
 - Email: hotline@dodig.mil
- Naval Criminal Investigative Service
 - <http://www.ncis.navy.mil/contact.asp>
 - Phone: 800.264.6485
 - Email: ncistipline@ncis.navy.mil
- Government Accountability Office
 - <http://www.gao.gov/fraudnet/fraudnet.htm>
 - Phone: 800.424.5454
 - Email: fraudnet@gao.gov



Confidentiality is maintained