

# IDENTIFYING AND PREVENTING FRAUD



## WHAT IS FRAUD?

Fraud is deception seeking to unlawfully deprive NASA of something of value or secure from NASA a benefit or consideration for which there is no entitlement. Intent is not required for some fraud types.

## HOW CAN I IDENTIFY POTENTIAL FRAUD? Here are a few examples:

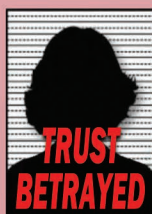
### COST/LABOR MISCHARGING EXAMPLE:

The improper allocation of cost contracts, charging of unallowable costs directly or indirectly, charging of direct costs to indirect accounts or vice versa. This usually results in Government being overcharged.

INDICATORS

- Transfers of costs from fixed price to cost contract
- "Ghost employees" (employees that do not really exist)
- Billing for unincurred costs or unreceived deliverables
- Using material on commercial contract but charging to NASA
- Materials charged in excess of contract requirements
- Slow progress despite high billing and contract requirements
- Double-counting material costs as both direct & indirect
- Employees lack contract-specified education or experience

### Research Firm pays \$2.4 Million to Settle False Claims Allegations



In October 2021, a research firm agreed to pay \$2,409,647 to settle allegations that it improperly requested drawdowns from NSF/NOAA grants & NASA contracts for expenses not incurred & improperly retained interest accrued on federal funds. It had inadequate internal controls, documentation & accounting procedures in place, & was unable to link drawdowns to specific award expenses.

### PRODUCT SUBSTITUTION EXAMPLE:

Deliveries of goods and services that do not conform to minimum mandatory contract specifications.

INDICATORS

- Non-conforming parts
- Missing or altered labels
- Counterfeit parts
- Questionable testing claims or falsified test certificates
- Substitution of generic for brand name parts
- Substitution of foreign for domestic parts
- Unavailable supply chain part traceability documentation
- Limited access to facility

### Contractor QA Employee Falsified Certs for Space Vehicle Parts



In June 2020, a contractor Quality Assurance (QA) official was convicted of Fraud Involving Space Vehicle Parts. He prepared falsified source inspection reports & certifications using forged names/stamps falsely certifying parts had met quality control standards & undergone NDT testing. He was suspended based on a criminal complaint & debarred after conviction by NASA Suspending & Debarred Official (SDO).

### PROCUREMENT INTEGRITY ISSUE EXAMPLES:

Improper activities by government or contractor personnel while engaging in the procurement process.

INDICATORS

- Personal conflicts of interest: 18 U.S.C. § 208 prohibits Government employees from engaging in official duties that could affect personal financial interests (family & business)
- Sudden and unexplained increase in wealth of an employee
- Employee improperly acting beyond the scope of their duties
- Inexplicable favorable treatment of a contractor or grantee
- High value procurements not competitively bid or negotiated
- Repeated "sole source" awards without documentation

### Former Senior Center Official Convicted on Personal Conflict of Interest



In February 2019, a former NASA official was convicted for violating 18 USC 208 & was debarred by the NASA SDO. The former official attempted to use an Intergovernmental Personnel Act (IPA) agreement to secure post-NASA employment for himself at a local college. He used the IPA to entice the college to provide him with a permanent position.

## NASA ACQUISITION INTEGRITY PROGRAM (AIP)

Established by NASA Policy Directive 2086.1, AIP provides specialized guidance and advice regarding suspected fraud and related irregularities in the acquisition process, suspected criminal standards of conduct violations, and suspension and debarment related actions. AIP ensures that significant allegations of fraud on NASA programs and procurements/grants/cooperative agreements/funding instruments and activities are identified, investigated & prosecuted. AIP responds to Congressional inquiries and proposed Federal Acquisition Regulation rules concerning fraud related issues. For more information, visit:

[https://www.nasa.gov/offices/ogc/acquisition\\_integrity](https://www.nasa.gov/offices/ogc/acquisition_integrity)

## HOW TO REPORT FRAUD:

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. NASA employees, contractors, grantees, programs, partners, and NASA funds recipients are expected to cooperate fully with the OIG and its designees. To report suspected violations, contact your local OIG office or the Hotline.



**NASA OFFICE OF INSPECTOR GENERAL**

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

<https://oig.nasa.gov>

**CYBERSECURITY FRAUD IS A GROWING PROBLEM!! REPORT POTENTIAL CYBER-RELATED FRAUD, WASTE & ABUSE TO NASA OIG**