

What Can Go Wrong: Contracts & Vendor Performance

1. An asphalt and concrete supply company delivered 5,000 truckloads of recycled and watered-down concrete to a construction site over the course of 10 years. Leaks in the structure began soon after completion, and ultimately, a 3-ton ceiling panel detached and fell onto a car, killing a passenger.
2. A hospital executive who oversaw a \$50 million expansion project received \$500,000 in kickbacks from the contractor, including much work done on the executive's home.
3. The Senior Director of Major Capital Projects set up a bank account in a real construction company's name, stole checks intended for that company on legitimate projects, and deposited the checks into the bank account for his own use. He also hired smaller contractors who were his personal friends, and approved their false invoices to his company in exchange for a kickback. His embezzlements exceeded \$2.5 million.
4. Contractors colluded with the owner's engineers to inflate the bids for certain types of work. When the contractor won the bid for the projects, they would kick back 25% of the overstatement to the engineers. Over the course of several years, each engineer received over \$500,000 in kickbacks.
5. Various parts dealers salted their deliveries to the warehouses with counterfeit parts, including valves, circuit breakers, fasteners, piping, tubing, flanges, sealants, structural steel, relays, gears, and fire-protection equipment.
6. The builder bribed an inspector to overlook shortcomings in the building's fire suppression system.
7. In exchange for winning contracts to build city infrastructure, construction firms kicked back 3% of each project's budget to the mayor's political party.
8. A rusted, inoperable truck with a tree growing through the middle of it was billed to projects as a 'stand-by' vehicle.
9. Highway contractors divided the state into quadrants, and agreed to submit legitimate bids only within their designated quadrant. The other three contractors submitted cover bids outside their quadrants to allow the fourth contractor to win the bid.
10. The builder invoiced for laborers who never set foot on the property. In one case, the builder invoiced for the owner's dog, which roamed the property. The dog was billed as a 'Compliance Officer.'
11. To provide 'protection' to the owner's labor site, the vendor paid off a local terrorist group.
12. In exchange for winning contracts, the builder took senior purchasing officials on extravagant fishing trips, which included drugs and prostitutes.
13. An engineering firm's CFO and two other finance personnel intentionally inflated indirect overhead charges related to state infrastructure projects. The overbilling across several projects totaled \$36 million, which the three perpetrators funneled into personal accounts.
14. A local manager approved a vendor invoice for the installation of 30 air conditioning units that were larger and more expensive than the units actually installed at the facility. The vendor

Langlinais

Defending against Fraud
(214) 235-2457

installed a new unit at the manager's house, which was also included on the organization's invoice.

15. To recognize revenues early, a vendor shipped product to the jobsite months before the product was required. The product sat outside, subject to weather and potential theft.
16. In a cost-plus arrangement, the builder invoiced the owner multiple times for the same costs incurred.
17. The vendor created a shell company, through which they submitted cover bids on projects that the legitimate vendor also bid on.
18. Influenced by the mafia, several firms created a cartel and rotated who won a bid for particular projects. If a new competitive bidder attempted to win a contract, the mafia boss would visit the owner, and calmly suggest the owner withdraw their bid.
19. The materials vendor salted deliveries of product to the job site with 10% substandard materials, such as lower gauge sheet metal and scrap ball bearings.
20. A subcontractor billed apprentices at journeyman rates. The overcharges added 5% to the cost of the entire project.
21. Excess material was intentionally delivered and billed to the job, and laborers were allowed to sell the excess as scrap.
22. The builder hired undocumented immigrants to perform work at the jobsite, then refused to pay the workers, knowing the workers would have little recourse. The builder still billed the owner for the laborers.
23. The tender evaluation committee, after receiving the first round of bids, would coach a select vendor on the price to submit for their best and final offer. That vendor would bid just underneath the lowest competitor's bid.
24. Procurement officials allowed a favored vendor to fill in the details on the RFP. The vendor included specifications that only their products and services could fulfill.
25. A vendor was awarded "no-bid" status, and this status was confirmed via contract. For future contracts, the vendor could be awarded work without having to submit bids against competitors.

Langlinais

Defending against Fraud
(214) 235-2457