



# GC Newsletter

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## **INCREASED JUSTICE DEPARTMENT EFFORTS TARGET PROCUREMENT FRAUD**

In February 2005, then U.S. Attorney for the Eastern District of Virginia Paul J. McNulty created a task force that brought together more than two dozen Defense and civilian agencies to combat fraud among defense and homeland security contractors ("As the Pendulum Swings, Ethics and Business Conduct," GC Newsletter, November 2005, Volume 1, Issue 2). The group sought to boost the number of prosecutions for procurement fraud.

McNulty, now Deputy Attorney General of the United States, has taken this concept to the next level, establishing a national initiative within the Justice Department's Criminal Division to detect and prosecute fraud associated with increased contracting activity for national security and other government programs. This initiative will involve U.S. attorneys, inspectors general and federal law enforcement is aimed at increasing prosecutions. McNulty emphasized that "Criminals who cheat the government must be identified, stopped and punished." Alice Fisher, assistant attorney general, will oversee the new initiative.

This initiative was announced at a news conference on October 10, 2006 at the same time it was announced that a major government contractor agreed to pay \$98.5 million to settle allegations that it did not share accurate pricing information with the General Services Administration when it was negotiating for a listing on a multiple-award schedule in 1997. The contractor involved did not inform GSA that customers could get discounts of 30 percent or more by buying more than one product at once. Because maintenance services were also tied to these prices, more than 60 agencies that used GSA's multiple-award schedule to purchase these products overpaid for maintenance services between 1997 and 2005.

The Coalition for Government Procurement indicates that companies experiencing GSA contract audits, may want to pay particular attention to contract compliance and defend any audit deficiencies during the course of the "routine" pre-award schedule audits and points out that this is particularly important when undergoing "pre-award" audits associated with contract extensions.



7918 Jones Branch Drive · Suite 750 · McLean, VA 22102 · Telephone: 703-748-5808 · Fax: 703-226-1122

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