

CONTRACT FRAUD DETECTION

During this time of uncertainty when government must react quickly and outside of their normal process, the opportunity for short cuts and unethical activity during the contracting process is high. Advantages can be taken by all parties. Vigilance, both prior to and after a contract is signed, is extremely important.

1 Default or Breach of Contract

Contractor's failure to perform its obligations under the contract without reasonable explanation or ability to cure. Examples:

- Not having the employees, facilities, or capital necessary to supply or perform the contract.
- Subcontracting all or most of the contract to a third party where prohibited.



2 Change Orders

Issued soon after a contract award, particularly where terms have been deleted or modified.



3 Defective Pricing

Contractor fails to provide a full and fair picture of their intentions or knowledge as it relates to the contract. Examples:

- Failure to disclose all facts that affect the contractor's cost for pricing products or services.
- Not disclosing significant cost issues that will reduce the city's proposed costs.
- Falsification of supporting data.



4 Cost Mischarging

Improper allocation of costs to the city. Examples:

- Charging at higher than allowed rates.
- Labor time and charges inconsistent with project progress.
- Inability to produce records in a timely manner.



5 Substitutions

Contractor delivers goods or services that do not conform to contract requirements without informing the city.



See something suspicious? Get in touch with us at www.phila.gov/oig or call 215-686-1770.