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NRO Inspector General Eric Feldman, center, is shown here with NMCA officers for 2006/2007, from left, Margaret Merhoff, vice president, programs; Phyllis Walker, president; Joe Marzano, treasurer; and Susan Dove, secretary.



Photo by Bill Heard

False Charges: No. 1 Fraud in Government Contracting

- Leading U.S. inspector general calls for partnership with contractors to head off fraud

By BILL HEARD, Editor

(Sept. 21, 2007) The Number One fraud government agencies find in dealing with contractors is company employees who make false charges against a contract, a leading U.S. inspector general told an audience of procurement professionals, Wednesday, at Metro Headquarters.

One way to fight this and other fraud, says Eric Feldman, inspector general of the National Reconnaissance Office (NRO) – a Department of Defense agency that develops, buys and operates the nation's spy satellites – is for government agencies to work with their contractors to root out fraud at the source before it escalates.

Feldman was guest speaker at the monthly meeting of the National Contract Management Association's LA Gateway chapter. NCMA members are contract managers and procurement officers at Metro and other local government agencies.

As inspector general, Feldman is responsible for the work of 80 auditors, inspectors and investigators who provide independent oversight of NRO programs. His 28 years of experience in auditing and fraud control include

positions with the Government Accounting Office, the Defense Intelligence Agency and the Central Intelligence Agency.

Although the NRO is based in Chantilly, Va., about 24 miles west of Washington, D.C., it also has offices in El Segundo near many of the nation's aerospace companies.

"Government agencies are getting more and more scrutiny on contracting," says Feldman. "We, in government, have to partner with the private sector to try to identify fraudulent activity and behavior early in the process before they turn into major frauds involving the companies themselves."

Five frequent frauds

The five most frequent frauds in government contracting, he says, are mischarging costs, false claims, false statements, bribes and gratuities to employees, and kickbacks.

Mischarging costs against a contract can include employees charging for time they weren't at work, recording false overtime, and surfing the Internet instead of working on the project. A company may think of such behavior as employee abuse, but it can escalate into criminal charges against the company.

"We reach out to those companies," says Feldman, "especially to the business compliance and ethics offices to identify the 95 percent of fraud that...involves the behavior of individual employees. We work with the company to go after those individuals who have broken the public trust."

Feldman advises government procurement departments to fight contracting fraud by developing close relationships with the business ethics offices and internal investigative offices of the companies they do business with.

Working with the people who are responsible for keeping employees honest and making sure a company's business practices are above board can "help them identify irregularities and red flags when they see things that just don't seem right."

Feldman's office recently conducted an ethics baseline survey among NRO employees. It got good response, but "disappointing results on employee understanding of appropriate ethical behavior." He's now planning an ethics training program for NRO employees.