

Construction Failure

The Scenario

Early one morning, an explosion occurred near a Department of Defense office building located overseas. Security personnel stated that the building began to shake and collapsed within minutes. Because of these events, a review of the building's construction and maintenance contracts was requested. The audit team's review of the contract files disclosed the following information:

- The construction file included an engineering assessment that assured the overall safety and stability of the building.
- The building contract specified that the roof design should include reinforced steel and a sandbag barrier to prevent collapse in the event of an attack, explosion, or indirect fire.
- The contract file included an authorization, signed by the contracting officer, to load five times the amount of rooftop sandbag reinforcements required by the contract specifications. The authorization was made three months after the final construction was completed. The auditors could not locate any documentation that showed the contracting officer consulted with an engineering expert prior to signing the authorization.
- The cost of the additional sandbag reinforcements was three times greater than the original contract specifications.

The auditors expanded their review to include other construction contracts that were the responsibility of the same contracting officer. This review disclosed that additional sandbag reinforcements were added after the completion of construction at three other building locations. The contracting officer negotiated with the same vendor and paid inflated prices for the sandbag reinforcements at each of the locations. The auditors were concerned that the contracting officer may have been accepting bribes from the vendor and requested a meeting with Department of Defense investigators to discuss their audit findings and concerns.

General Comments / Lessons Learned. In contingency environments, contracts may be awarded or modified without appropriate engineering reviews or change authorizations. As a result, auditors should closely review and monitor changes to contract requirements, especially those changes made after the initial construction project is completed. As illustrated in the scenario, fraudulent contract modifications can result in compromising the safety of Department of Defense personnel working in contingency environments.

FRAUD INDICATORS

- **Contract files include engineering assessments validating the safety and stability of a construction project. However, the same project is not able to withstand an event it was designed to overcome such as a hostile attack, explosion, or indirect fire.**
- **Changes to contract specifications are made after the completion of a construction project. In some instances, these changes are not consistent with the original contract specifications.**
- **Authorizations for contract modifications cannot be located and/or no evidence of engineering review and agreement with the proposed modifications.**
- **Contract modifications result in a pattern of purchases of additional building materials from the same vendor, or vendors, at highly inflated prices.**