
Contract Progress Reports

The Scenario

The auditor was reviewing contract progress reports submitted by a contractor for work on the agency's annual financial statement. The auditor noted that the progress reports provided vague and inconsistent information regarding contractor performance and some progress reports were missing from the file. For example, reports detailing the number of work papers or interviews completed in a week often varied between quantitative data or simple statements such as three interviews completed or three work papers reviewed by a senior partner. After reviewing the available progress reports, the auditor was concerned that the contractor's final audit report would not be timely, and the agency might not meet the reporting deadline mandated by the Office of Management and Budget. The auditor requested a meeting with the contractor and discovered that the contract deliverables were less than half complete and many of the audit milestones had not been met.

The auditor compared the contract payment amounts to the progress reports and the schedule of contract deliverables and concluded that the contractor had received payment for work that was not completed. A follow up interview with the Contracting Officer's Technical Representative disclosed that they did not regularly review the progress reports because the contractor had worked with the agency for several years and had always finished their work on time. They stated that the contractor bills were paid promptly because they did not want the work to be delayed.

General Comments / Lessons Learned. A lack of consistent reporting of performance enables dishonest contractors to prevent detection of nonperformance/underperformance and defraud the Government by receiving payment for work that is not performed or not performed adequately. Auditors and personnel charged with monitoring contractor performance should ensure that information provided by the contractor includes a sufficient amount of detail to allow effective measurement of contractor performance.

FRAUD INDICATORS

- **Contractor progress reports contain vague or inconsistent information on contractor performance.**
- **Contract performance reports contain an insufficient amount of detail to measure contractor performance.**
- **Evaluation of progress reports indicates that contract milestones or deliverables may not be completed on time.**
- **Missing contractor progress reports.**