

OMB might soon be under pressure to lower the compensation cap rather than simply determine it.

President Obama recently suggested just that to the 12-member congressional deficit reduction "super committee" tasked with finding a way to reduce the budget deficit (96 FCR 302, 9/27/11).

Not surprisingly, many contractors and industry groups reject the idea. For example, the Professional Services Council said lowering the cap would "expand the underpayment of government senior executives to their private-sector partners" and make it harder to recruit top talent.

By JEFF KINNEY

Fraud

Contracting Scandal Prompts Calls For Crackdown on Fraud from Congress

Legislators Oct. 5 praised the arrest of alleged participants in what has been called "one of the most brazen federal contracting scandals" in U.S. history.

Two Army Corps of Engineers employees, one of the employee's sons, and a contractor executive allegedly conspired to pay more than \$20 million in bribes and kickbacks related to a Corps contract, according to the indictment handed down by a grand jury in the U.S. District Court for the District of Columbia Sept. 16.

The defendants also planned to steer a related \$780 million Corps contract to a favored subcontractor, the government said.

The U.S. Attorney's Office charged that Corps employees Kerry Khan and Michael Alexander helped funnel more than \$45 million to a favored company through a contract they oversaw.

Approximately \$20 million in fraudulent expenses were built into the invoices, the government said. Proceeds allegedly went to Khan, Khan's son Lee, Alexander, and Harold F. Babb, an executive with prime contractor EyakTek, a company eligible for contracting preferences due to its status as an Alaskan Native Corporation.

All four defendants were indicted on one count each of conspiracy to commit bribery, wire fraud, aiding and abetting an illegal act, and conspiracy to commit money laundering. Kerry Khan and Alexander also were indicted on one count of receipt of a bribe by a public official, and Babb was indicted on one count of unlawful kickbacks.

If convicted, Kerry Khan and Alexander face a maximum of 40 years in prison. Babb could receive up to 35 years, and Lee Khan faces up to 25 years.

"Congratulations" to the government auditors and the others involved in "doing the heavy lifting" in this case, Sen. Claire McCaskill (D-Mo.) said of the indictment announced by the U.S. Attorney for the District of Columbia Oct. 4.

She and other legislators called for a more intensive crackdown on abuse of the procurement system.

TIGER, CORES Contracts Involved. The indictment details fraud schemes involving two major federal contracts: the Technology for Infrastructure, Geospatial, and Environmental Requirements (TIGER) contract

and the Contingency Operations Readiness Engineering & Support (CORES) contract. The latter is envisioned as an alternative to or potential replacement for TIGER.

The current TIGER contract is an indefinite-delivery, indefinite-quantity, five-year contract running from Oct. 1, 2009, through Sept. 30, 2014.

Total orders placed against the TIGER contract are authorized to exceed \$1 billion, according to the statement from the U.S. Attorney's Office. As planned, the CORES contract would be for five-years with awards up to \$780 million.

Kerry Khan is a program manager and Alexander is a program director with the Directorate of Contingency Operations, which administers the TIGER contract. Babb served as the director of contracts at EyakTek, the prime contractor for the TIGER contract.

Rod Worl, chief executive officer of The Eyak Corporation and president of its subsidiary, Eyak Technology, LLC (EyakTek), said Oct. 5 that, based on information received by the company, the employee involved in the scheme was immediately terminated.

EyakTek is cooperating fully with the federal government in the investigation of the alleged procurement fraud scheme, but cannot comment on the substance of the charges pending the completion of the investigation, Worl said.

"Eyak and its shareholders will not tolerate this type of conduct by anyone employed by or associated with an Eyak company," Worl added. "We take pride in the dedication of our employees and the services that we provide the government."

Call for Vote on S. 633. Sen. Mary L. Landrieu (D-La.), chair of Senate Small Business and Entrepreneurship Committee, said the case "underscores the need for legislation to combat all types of fraud and abuse in the federal contracting system." She urged the House to act on an anti-fraud bill recently passed by the Senate, the Small Business Contracting Fraud Prevention Act (S. 633).

"It is imperative that the House of Representatives pass the critical contracting fraud prevention legislation that the Senate agreed to unanimously at the end of last month," said Sen. Olympia J. Snowe (R-Maine), ranking member of the committee and sponsor of the bill.

S. 633 would provide a comprehensive oversight framework within the Small Business Administration to execute effective certification, surveillance and monitoring, and robust enforcement of its entire contracting portfolio. The bill would also increase criminal penalties for businesses awarded contracts through fraudulent means.

Credit is due to the staffs and auditors of the government agencies involved in investigating the "blatant, brazen" fraud on the part of those involved in the kickback and overbilling scheme, said McCaskill, who chairs the Senate Homeland Security and Governmental Affairs Ad Hoc Subcommittee on Contracting Oversight.

By DEBORAH BILLINGS