

Recognize and report fraud in federally funded programs, contracts, and grants—including instances of

# Product Substitution.

Product substitution involves the substitution of substandard, counterfeit, and/or nonconforming parts for those required under a contract. The most common reasons a contractor would engage in product substitution are either that the genuine parts are more expensive than the substandard, counterfeit parts are cheaper than the genuine parts, or the genuine parts are not available at the time of contract performance. Product substitution can result in the failure of critical systems, serious bodily harm or death to personnel and, in the case of cyber technologies, sabotage from our adversaries.

Indicators of **product substitution** include the following:

- Higher than expected maintenance rates on systems
- Product identification numbers differ from published or catalogued numbers
- Pattern of malfunctions with the newly purchased or contracted equipment
- Contractor selects the testing company for parts or performs the required tests itself
- Frequent complaints from the end users of the purchased/contracted supplies or services
- Contractor performs the expected work after duty hours, when there is less oversight by government employees
- Products have unusual or generic packaging, which could indicate attempted recreation of known supplier invoices, logos, or packaging
- Supporting documentation appears altered or contains errors and/or missing information
- Products represented as new appear used (for instance, products appear repainted or refinished, scratched and altered, or show unexpected wear)



For more information or to report suspected fraud, please visit:  
<https://www.oig.doc.gov>.