

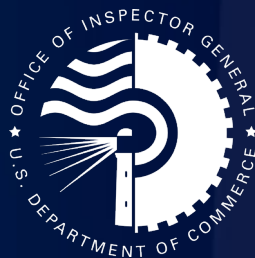
Recognize and report fraud in federally funded programs, contracts, and grants—including instances of

Defective Pricing & Cost Mischarging.

Defective pricing occurs when contractors falsely certify their costs to the government during the contract award process. Cost mischarging occurs during the performance period when contractors allocate unallowable costs to a contract (for instance, costs associated with a different contract). Cost-type contracts are especially vulnerable to cost mischarging. Both defective pricing and cost mischarging schemes lead the government, and ultimately the taxpayer, to drastically overpay for goods and services.

Indicators of **defective pricing and cost mischarging** include the following:

- Indications of falsification or alteration of supporting price data
- Contractor unnecessarily delays the submittal of certified costs to the government
- Contractor costs are based on very old data or appear to be based on very vague data
- Contractor has an extremely high general and administrative rate compared to its peer companies
- Costs submitted are abnormally high compared to past contracts for the same goods or services
- Contractor refuses, delays, or is unable to provide supporting documentation for costs
- Contractor does not disclose significant cost issues that will reduce contractor costs after proposal
- Contractor submits costs for payment that do not match with normal expenses for that specific contract performance



For more information or to report suspected fraud, please visit:

<https://www.oig.doc.gov>.