

NATURAL RESOURCES AND ENVIRONMENTAL AFFAIRS
Marine Corps Base
Camp Lejeune, North Carolina 28542

5 Aug 87
Date

From: Director *CP*

To:

All Supervisors

DPS

Subj:

See attached

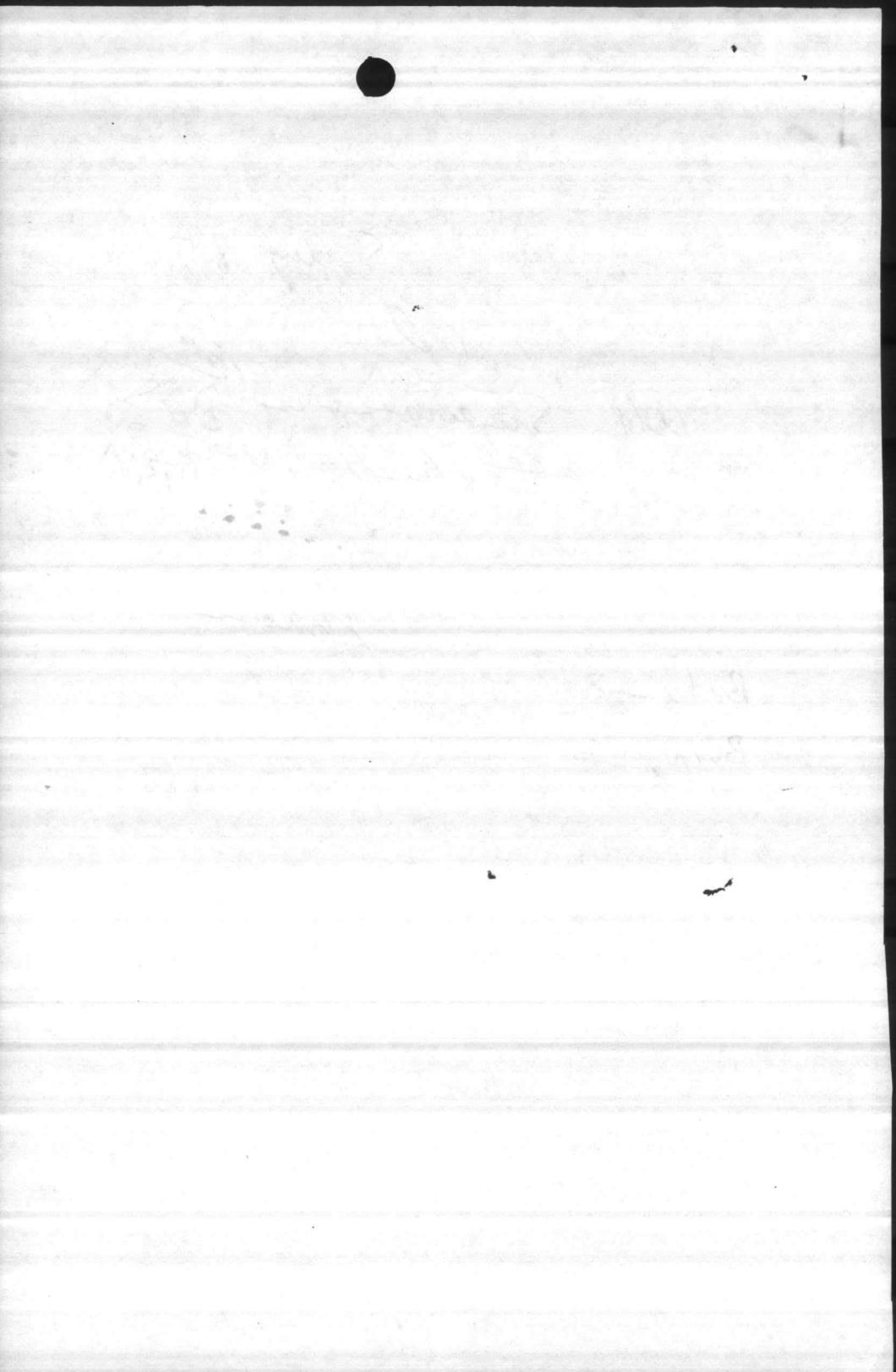
DBM

STB

Johari

Betz *EB*

Burns *HJ*



UNITED STATES MARINE CORPS
Marine Corps Base
Camp Lejeune, North Carolina 28542-5001

7500
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31 Jul 87

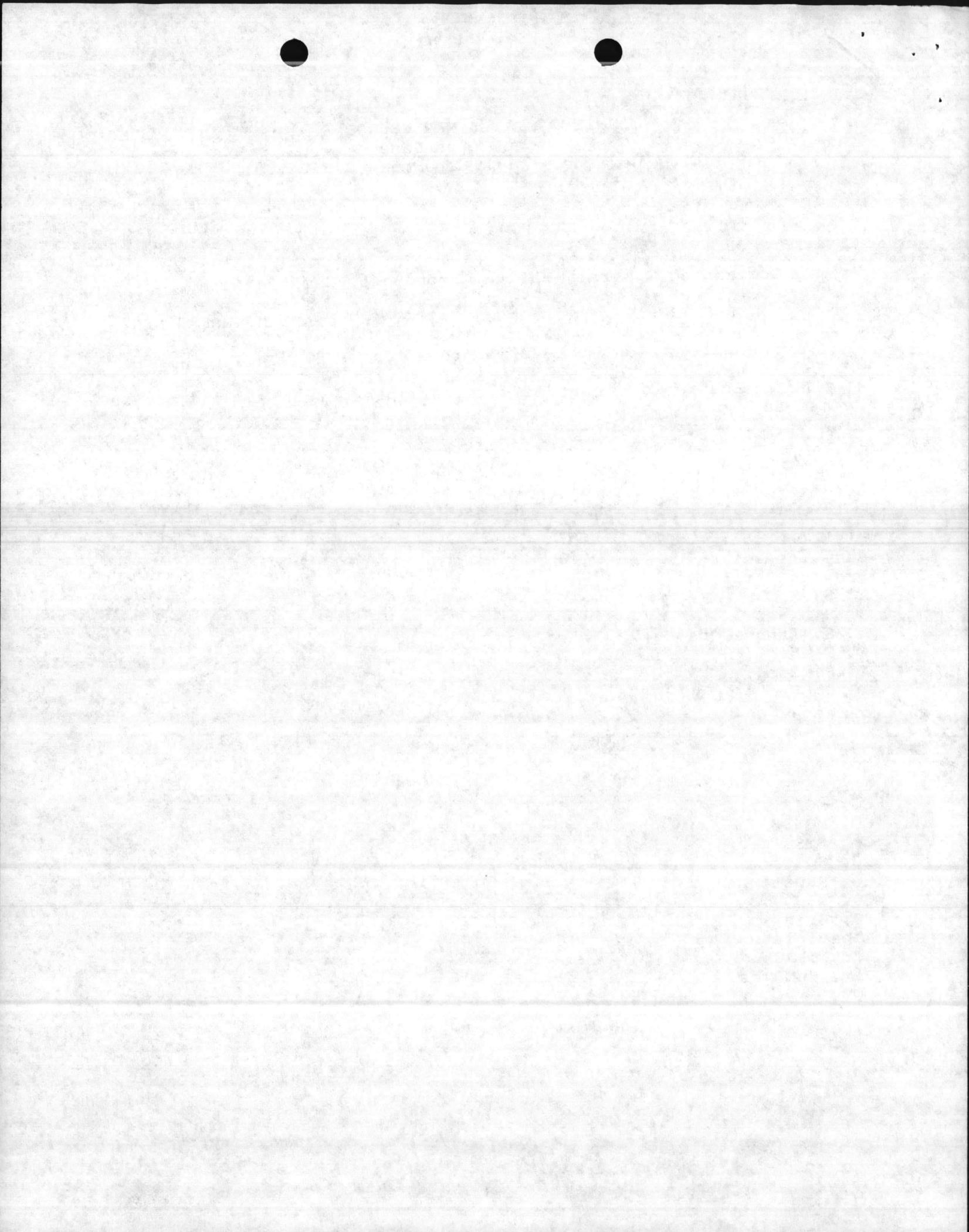
From: Commanding General, Marine Corps Base, Camp Lejeune
Subj: CONCERNS RELATIVE TO FRAUD, WASTE, ABUSE AND MISMANAGEMENT
Encl: (1) CMC ltr 7500 FDR-22/md dtd 17 Jul 1987

1. The enclosure is forwarded for your information and any action deemed appropriate.

A. K. MAREADY
A. K. MAREADY
By direction



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DEPARTMENT OF THE NAVY
HEADQUARTERS UNITED STATES MARINE CORPS
WASHINGTON, D.C. 20380-0001

IN REPLY REFER TO
7500
FDR-22/md

17 JUL 1987

From: Commandant of the Marine Corps
To: Distribution List

Subj: CONCERNS RELATIVE TO FRAUD, WASTE, ABUSE, AND MISMANAGEMENT

Encl: (1) Fraud Awareness Letter, June 1987

1. The enclosure is forwarded for your information and any action deemed appropriate. The potential value of this publication will be enhanced if it is passed on to your commanders, managers and staff.

2. This publication is part of the ongoing fraud awareness campaign. Its purpose is to inform DOD employees about efforts to prevent and detect fraud, waste, and abuse, and to seek their assistance in identifying and solving problems.

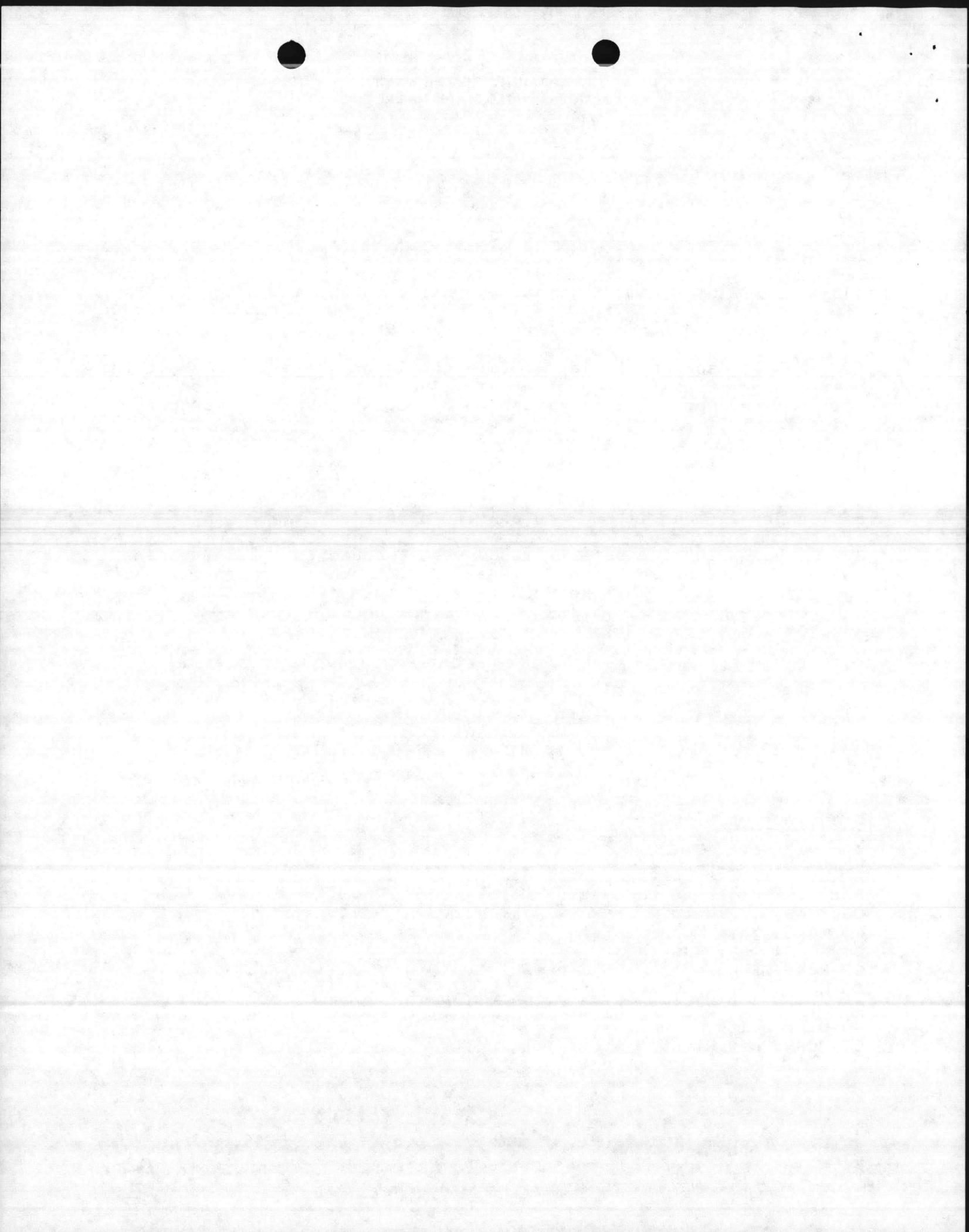
3. If you know of cases of fraud, waste, abuse, or mismanagement which might be appropriate for sharing with others, please transmit the information to this Headquarters. Points of contact for this subject are Mr. R. F. Kassel or Mr. R. J. Condry, Code FDR, AUTOVON 224-4500.

E. T. COMSTOCK
Fiscal Director of the Marine Corps
By direction of the Commandant of the Marine Corps

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ENCLOSURE (1)

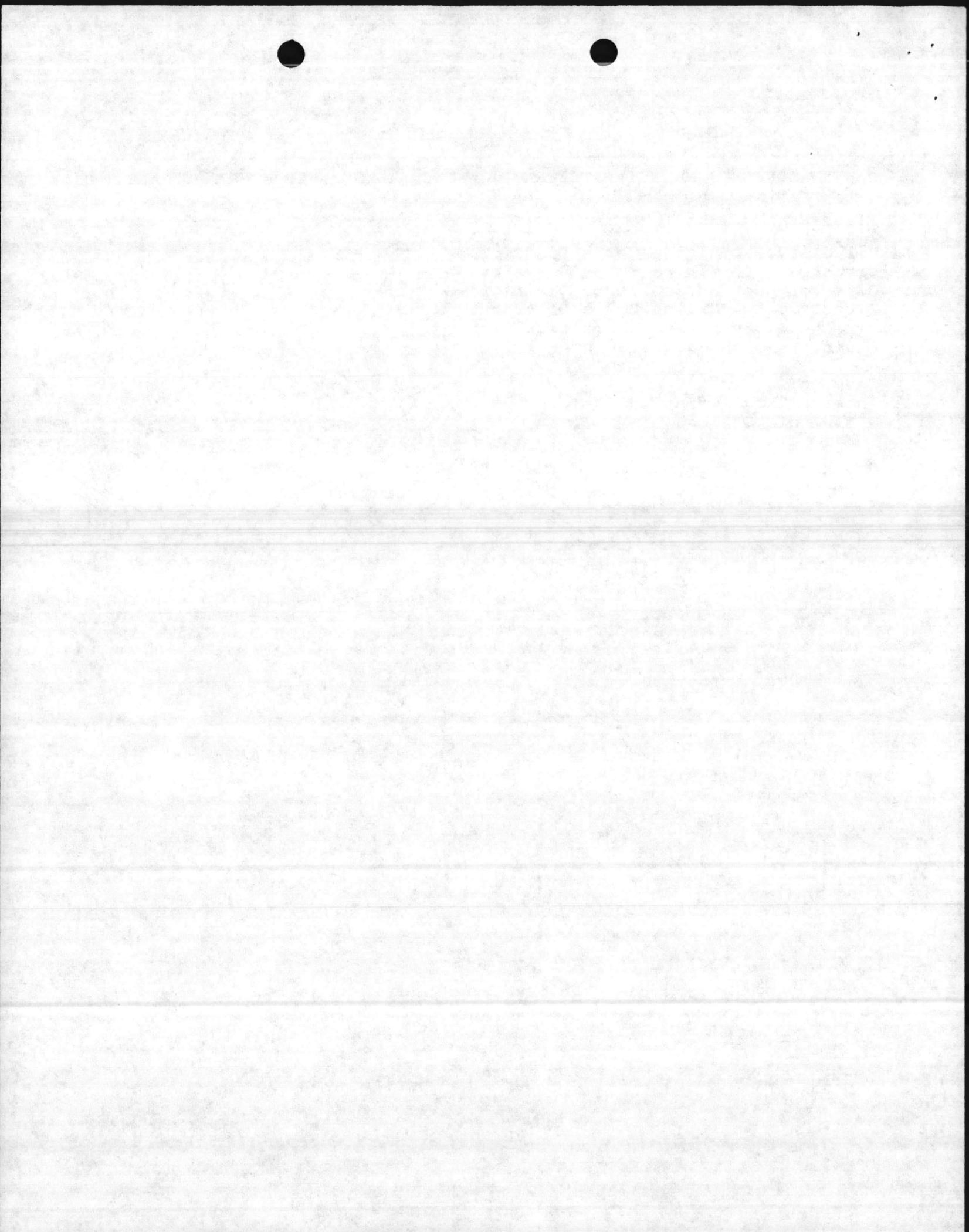


Subj: CONCERNS RELATIVE TO FRAUD, WASTE, ABUSE, AND MISMANAGEMENT

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INTEGRITY PANEL

DoD Council on Integrity and Management Improvement



FRAUD AWARENESS LETTER

This Letter Is Prepared To Alert DoD Management To The Existence Of And Potential For Fraud In DoD Programs.

JUNE 1987

ANTITRUST AWARENESS AND ENFORCEMENT

This edition of the Fraud Awareness Letter is dedicated to highlighting the Department of Defense (DoD) efforts to promote the detection, investigation, and prosecution of DoD contractors who engage in bid rigging activity.

Over the past year, the DoD and Department of Justice (DOJ) Antitrust Division have undertaken several joint initiatives to identify facts and circumstances indicating that bid rigging may have occurred in connection with DoD procurements. Special emphasis in these initiatives has been placed in examining contracts at the base or installation level, or at the various buying centers of the Defense Logistics Agency.

Of the joint initiatives of the two Departments, two are particularly noteworthy:

o In January 1987, the DoD Inspector General published a handbook entitled, "Antitrust Enforcement in DoD Procurement." The document offers an excellent "hands on" discussion of techniques designed to assist in the detection and investigation of antitrust activity. The paper includes sections on the background of the Sherman Antitrust Act, methodology for bid analysis and investigation, indicators of potential collusion, and a directory of the various DOJ antitrust offices. Copies may be obtained by contacting the DoD Office of Inspector General at (202) 694-8959 or Autovon 224-8959, and is available to procurement personnel.

o Over the past six months, DoD Inspector General representatives and attorneys from the Antitrust Division have surveyed procurement commands or activities at several major military installations and DLA buying centers. These surveys have included reviews of contract awards, as well as interviews with key procurement personnel to identify indicators of bid rigging amongst competitors. As a result of these surveys, several commodities will be subjected to further analysis to determine the presence of bid rigging.

SIGNIFICANT INVESTIGATIONS BY COMMODITY OR SERVICE

The recent prosecutive efforts of the DOJ have reflected the cooperative initiatives of the Antitrust Division and the DoD criminal investigative organizations. Some of the most significant bid rigging indictments and convictions relate to the following areas:



Dredging. As a result of an ongoing investigation in the Southeastern United States, to date there have been 13 indictments, seven convictions, and restitution in the cumulative amount of \$655,000. The dredging contractors have engaged in conspiracies to rig bids on Corp of Engineer projects. The investigation is continuing and is expected to result in more criminal prosecutions, civil recoveries, and administrative actions.

Refuse Hauling. A continuing investigation in New Jersey, centered at Fort Dix and McGuire AFB, has resulted in several significant prosecutions of rubbish haulers. To date, there have been six indictments, one criminal information filed, one conviction, and \$150,000 in fines and court ordered restitution.

Bakery Goods. An ongoing investigation in North Carolina has yielded the filing of a criminal information and the subsequent conviction of two bakery corporations and one individual. The convicted parties were alleged to have conspired with competitors to rig bread and bakery product contracts awarded by the Marine Corps base at Camp Lejeune, NC, and Seymour Johnson AFB, NC.

Fresh Produce. During the late 1970s, a number of DoD contractors were convicted of bid rigging on fresh produce contracts in the tidewater area of Virginia. Recently, a produce trade association in Hawaii was indicted and subsequently convicted of engaging in a conspiracy to fix, raise, and maintain wholesale prices on contracts to provide fresh fruits and vegetables to military facilities and commissaries in Hawaii. The association was fined \$125,000.

Medical Equipment. A medical supply and equipment contractor has recently pled guilty to a one count criminal information filed in Pennsylvania. The conviction is the first in a continuing investigation examining alleged collusive bidding on medical supplies and hospital equipment contracts awarded by the Defense Personnel Support Center in Philadelphia, PA. The contractor was fined \$20,000 and ordered to make restitution in the amount of \$30,000.

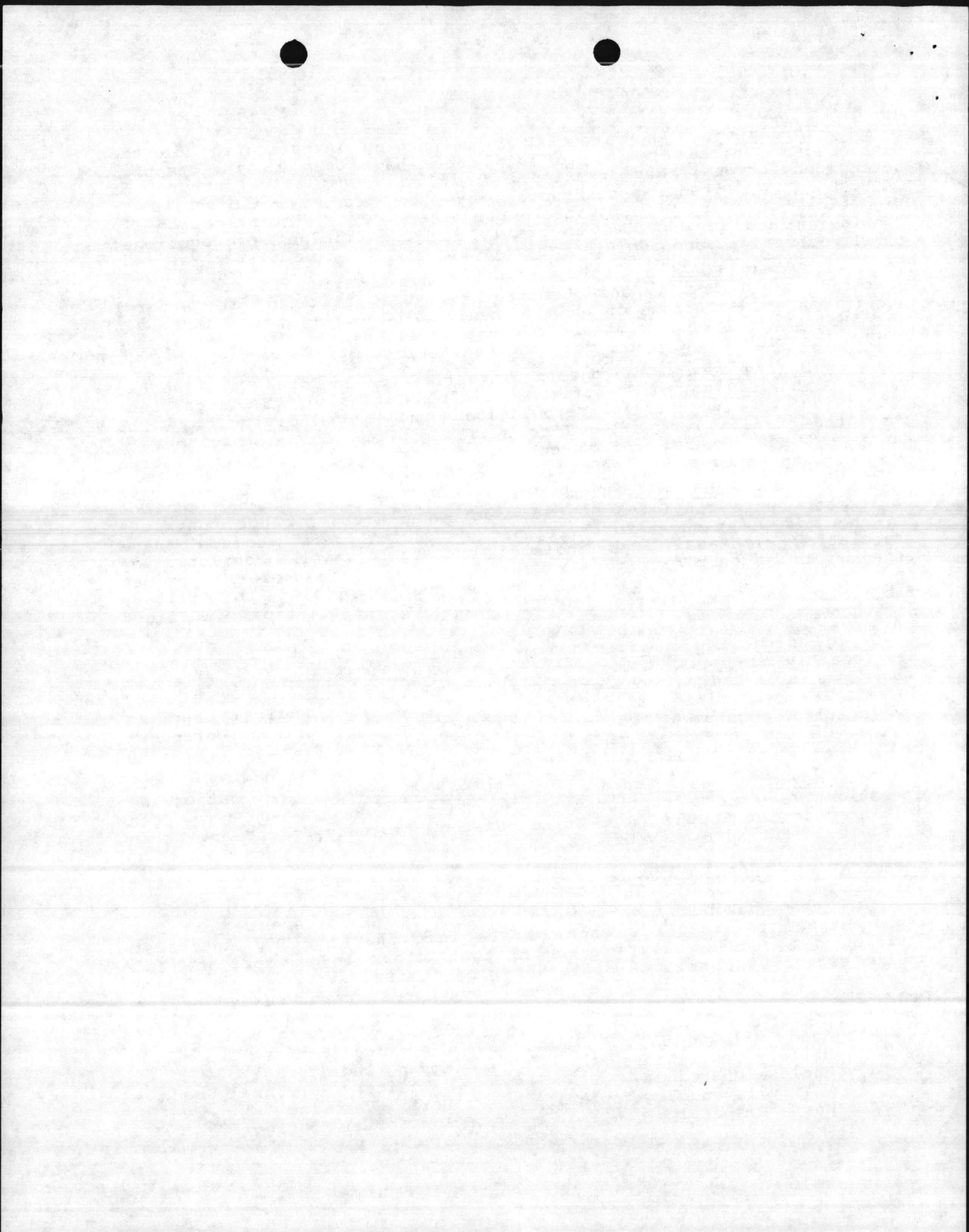
Movement and Storage of Household Goods. A nationwide investigative effort continues. The first prosecutions have been initiated in the Southeastern United States. To date, there have been 20 indictments and 8 convictions.

POTENTIAL FOR PROSECUTIONS IS GREAT

In the handbook entitled, "Antitrust Enforcement in DoD Procurement," reference is made to the fact that the DOJ Antitrust Division has successfully prosecuted contractors in the private and public sectors who sell 62 different products and services. We have determined that more than 50 of these same items are purchased by the DoD. They are as follows:

Road Building
Utility Contractors
Wholesale Produce
(Fruits and Vegetables)
Waste Disposal

Electrical Contractors
Moving and Storage of
Military Personnel Goods
Retail Gasoline
Commercial Roofing



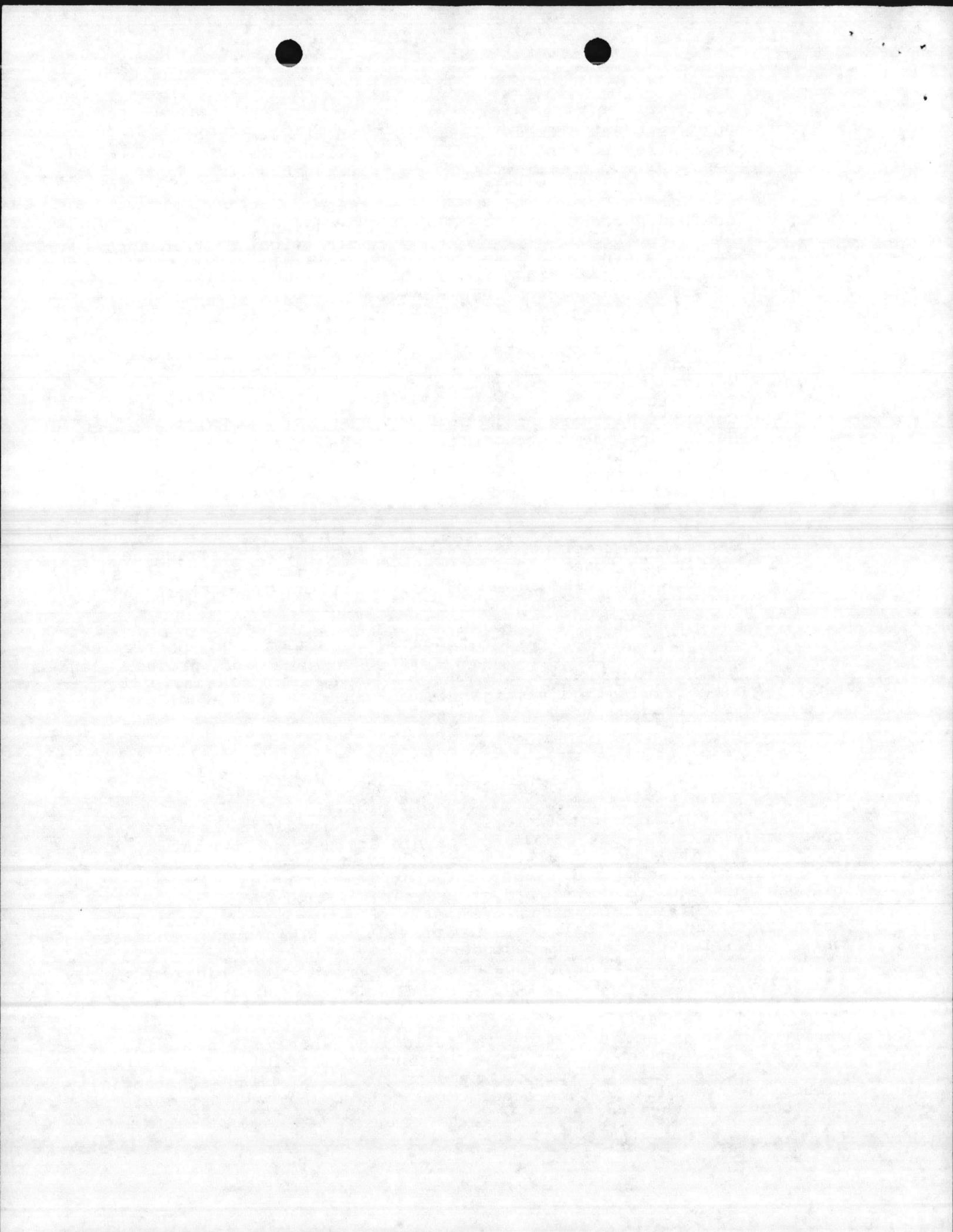
Pastries (Baked Goods)
 Post-Stressed Concrete
 Ready-Mix Concrete
 Furnace Pipe and Fittings
 Beef Carcass
 Seafood Processors
 Wholesale Bread
 Copper Tubing
 Alcoholic Beverages
 Glassine (Greaseproof Paper)
 Lumber
 Beer
 Architectural Hardware
 Projects
 Water Heaters
 Cigarettes
 Contract Hardware Projects
 Water Pipeline Contracting
 Ceiling, Tiling, and
 Accessories
 Dry Cleaning Fluid
 Anthracite Coal
 Candy
 General Contracting
 Folding Cartons
 Building Maintenance Services
 Industrial Garments

Sheet Metal
 Scrap Metal
 Paper Bags
 Wiring Devices - Electric
 Welded Steel Tubing
 Dredging
 Electrical Distributors
 Wholesale Milk
 Locks - Contract Hardware
 Real Estate Services
 Wood, Machine, and Tapping
 Screw
 Pressure Sensitive Tape
 Paper Products
 Piping Construction
 Road Tar
 Corrugated Containers and
 Sheets
 Plastic Laminates and
 Adhesives
 Aluminum Roll Jacketing
 Portable Outdoor Toilets
 Reinforcing Steel Bars
 Mechanical Contracting
 Supplies and Services
 Sliding Glass Doors and
 Windows

DoD employees involved in procurement activities, particularly those associated with the above-referenced list of products and services, are encouraged to use the following list of indicators to assist DoD criminal investigative organizations in identifying potential bid rigging schemes:

Checklist for Possible Bid Rigging and Collusion

1. Fewer competitors than normal submit bids. (This could indicate a deliberate scheme to withhold bids.)
2. Certain contractors always bid against each other or conversely certain contractors do not bid against one another.
3. The successful bidder repeatedly subcontracts work to companies that submitted higher bids or to companies that picked up bid packages and could have bid as prime contractors but did not.
4. Different groups of contractors appear to specialize in Federal, state, or local jobs exclusively. (This might indicate a market division by class of customer.)
5. There is an apparent pattern of low bids regularly recurring, such as corporation "x" always being the low bidder in a certain geographical area or in a fixed rotation with other bidders.
6. Failure of original bidders to rebid, or an identical ranking of the same bidders upon rebidding, when original bids were rejected as being too far over the Government estimate.
7. A certain company appears to be bidding substantially higher on some bids than on other bids with no logical cost difference to account for the increase.



8. Bidders that ship their product a short distance bid more than those who must incur greater expense by shipping their product long distances.

9. Identical bid amounts on a contract line item by two or more contractors. Some instances of identical line item bids are explainable, as suppliers often quote the same prices to several bidders; however, a large number of identical bids on any service-related item should be viewed critically.

10. Bidders frequently change prices at about the same time and to the same extent.

11. Joint venture bids where either contractor could have bid individually as a prime.

12. Any incidents suggesting direct collusion among competitors, such as the appearance of identical calculation or spelling errors in two or more competitive bids, or the submission by one firm of bids for other firms.

13. Competitors regularly socialize or appear to hold meetings, or otherwise get together in the vicinity of procurement offices shortly before bid filing deadlines.

14. Assertions by employees, former employees, or competitors that an agreement to fix bids and prices or otherwise restrain trade exists.

15. Bid prices appear to drop whenever a new or infrequent bidder submits a bid.

16. Competitors exchange any form of price information among themselves. This may result from the existence of an "industry price list" or "price agreement" to which contractors refer in formulating their bids, or it may take other subtler forms such as discussions of the "right price."

17. Any reference by bidders to "association price schedules," "industry price schedules," "industry suggested prices," "industry-wide prices," or "market-wide prices."

18. A bidder's justification for a bid price or terms offered because they follow the industry or industry leader's pricing or terms, this may include a reference to following a named competitors pricing or terms.

19. Any statements by a representative of a contractor that his company "does not sell in a particular area" or that "only a particular firm sells in that area."

20. Statements by a bidder that it is not their turn to receive a job or conversely that it is another bidders' turn.

If indicators of bid rigging appear to exist, contact should be made with the local office of one of the DoD criminal investigative organizations.

The usefulness of this letter depends on you. Please circulate this publication within your organization. For further information regarding this letter, contact Roy A. Redmond at Autovon 224-1247.

