



OFFICE OF INSPECTOR GENERAL

U.S. Department of Labor

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INVESTIGATIVE SUMMARY

DOL Contracting Officer Failed to Act on Illegal Pass-Through Scheme

The Office of Inspector General (OIG) received an allegation that a subcontractor, whose 8(a) eligibility under the 8(a) Small Business Program had expired, had defrauded the government by performing 100 percent of the work on a contract awarded to an eligible 8(a) contractor (the prime contractor). The allegation stated a GS-15 contracting officer at DOL knew of the scheme and failed to act.

The relevant regulations state that although an 8(a) contractor may legally subcontract work to non-8(a) firms in order to maintain the contract, the 8(a) eligible prime contractor must perform at least 51 percent of the work on the contract. The OIG investigation confirmed the subcontractor was conducting 100 percent of the work on the contract and paying the 8(a) eligible prime contractor a small percentage of the profits.

The OIG also substantiated that the GS-15 contracting officer, as well as others in the Department, knew about the pass-through scheme and allowed it to continue by failing to act.

On June 1, 2015, the OIG referred the case to the District of Maryland United States Attorney's Office, which accepted the case on July 1, 2015, but subsequently declined prosecution on February 17, 2017. On September 14, 2018, the OIG referred our findings to the Office of the Assistant Secretary for Administration and Management for review and administrative action.

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