



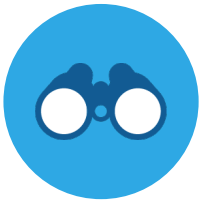
FEDERAL ACQUISITION SERVICE
**INDUSTRY
PARTNER**
SYMPOSIUM

2023

Growing a Diverse, Resilient Government Marketplace

Session 1.4:

Contract Compliance Issues Commonly Identified by the OIG



Molly L. Ply
Special Agent
GSA Office of
Inspector General

Prospective Small Businesses | Track 1

Outline

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- GSA Office of Inspector General: Offices
- GSA Office of Investigations: Overview
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- Compliance Areas of Concern: Overview
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- Counterfeit Goods (Nonconforming Parts)
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- How to Avoid Compliance Issues
- Contacting the OIG
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GSA Office of Inspector General: Overview

The Office of Inspector General (OIG) is an independent unit established by law which is responsible for promoting economy, efficiency, and effectiveness and detecting and preventing fraud, waste, and mismanagement in the General Services Administration's (GSA) programs and operations.



GSA OIG Offices



Office of Administration



Office of Audits



**Office of Counsel to
the Inspector General**



Office of Inspections



Office of Investigations



GSA OIG Office of Investigations: Overview



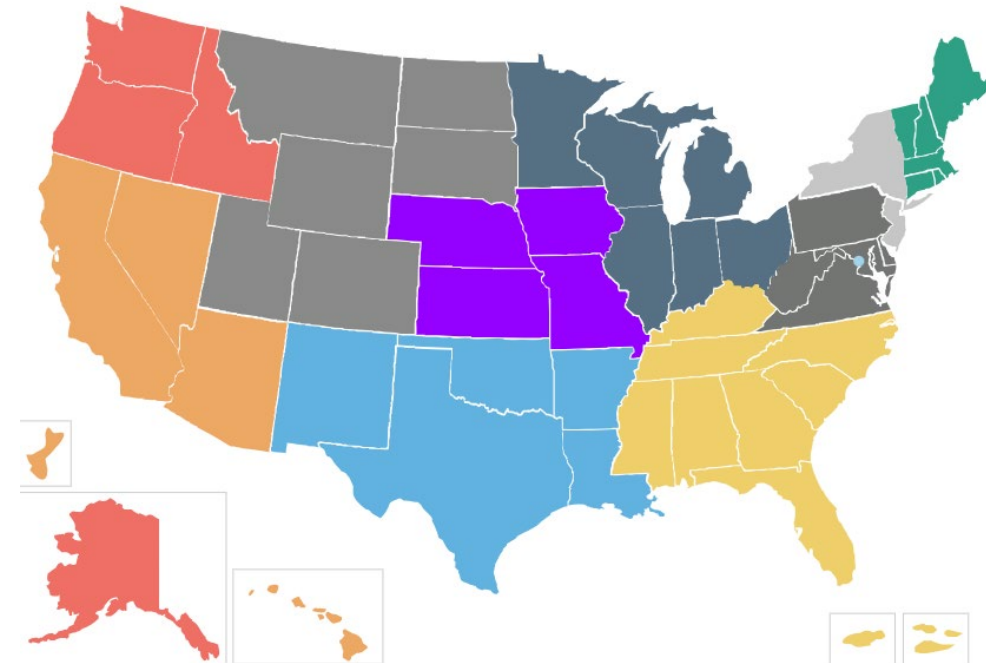
Bribery and Kickbacks
Extortion
Public Corruption
False Claims
Counterfeit Products
Product Substitution

FraudNet Hotline
Referral from Audits
Confidential Informants
Proactive Efforts

Interviews
UC Operations
Surveillance
Searches and Seizures
Computer Forensic Analysis

GSA OIG Office of Investigations: Priorities

- The Office of Investigations prioritizes timely, thorough, and independent investigations relating to crimes and misconduct impacting GSA funds, property, programs, personnel, infrastructure, and operations.
 - Major fraud, theft, and corruption;
 - **Defective, substandard, or counterfeit products procured through GSA Contracts;**
 - Cybercrimes involving GSA information technology systems; and
 - Significant employee misconduct.



Headquarters in Washington D.C.
6 Divisions
12 Offices
~ 57 Agents & 17 Support Staff

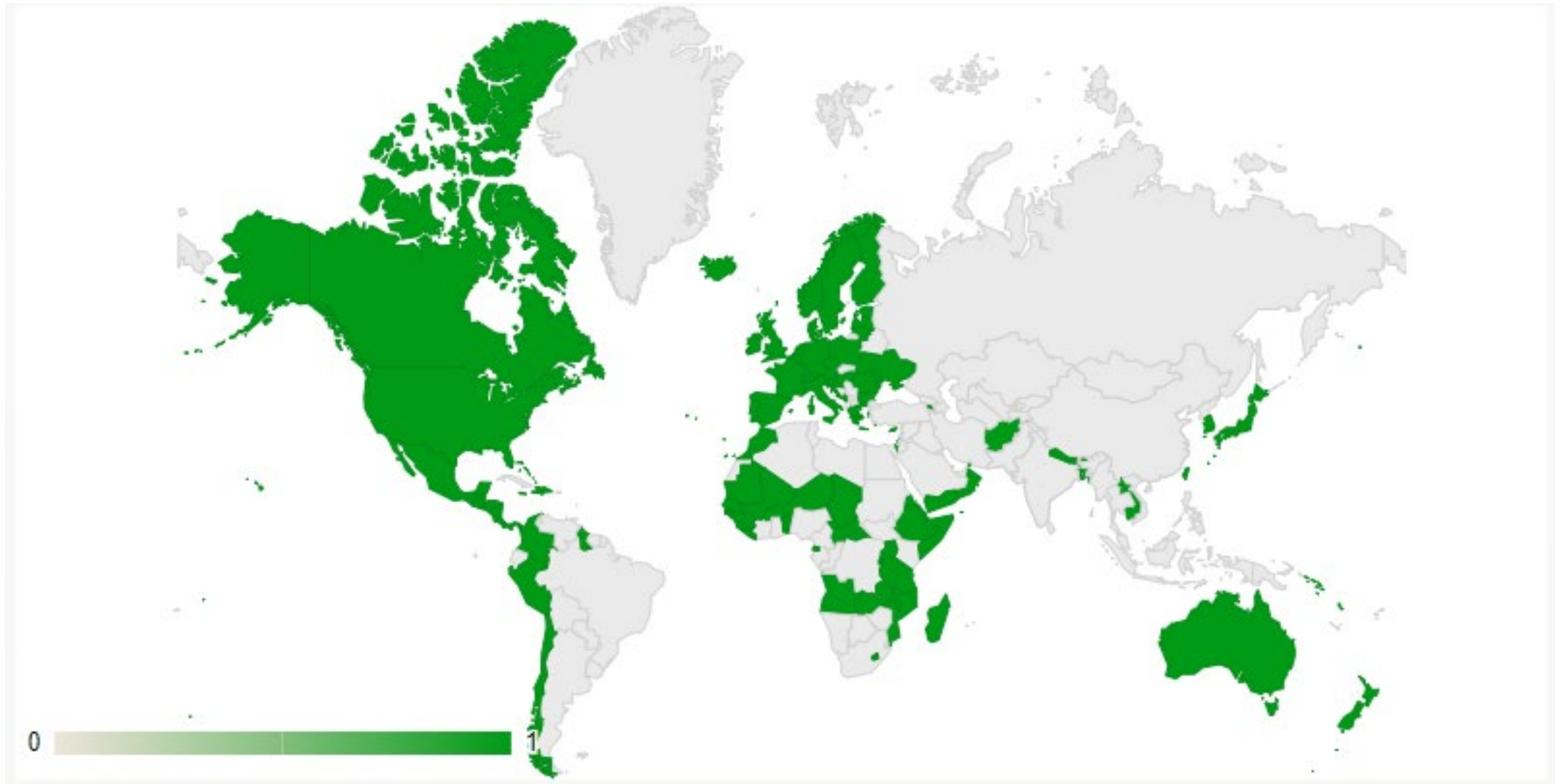
SUPPLY CHAIN RISK MANAGEMENT



Compliance Areas of Concern

- **Trade Agreements Acts**
 - 52.225-5 Trade Agreements
- **Counterfeit Goods**
 - 46.470 Nonconforming supplies or services
 - 52.246-26 Reporting Nonconforming
- **Section 889 Policies**
 - 52.204-23 Prohibition for Hardware, Software, and Services Developed and provided by Kaspersky Lab and Other Covered Entities
 - 52.204-24, Representation Regarding Certain Telecommunications and Video Surveillance Services or Equipment
 - 52.204-25, Prohibition on Contracting for Certain Telecommunications and Video Surveillance Services or Equipment
 - 52.204-26, Covered Telecommunications Equipment or Services-Representations.
- **False Claims**
 - 33.209 Suspected fraudulent claims

Trade Agreements Act



Coloplast



United States Settles False Claims Act Allegations Involving Medical Product Manufacturer For \$14.5 Million

The United States Attorney's Office for the District of Columbia reached an agreement with Coloplast, a medical product manufacturer, in the amount of \$14,547,347 to settle claims that the company violated the Trade Agreements Act and the Price Reduction Clause in its business dealings with the Department of Veterans Affairs.

Coloplast self-disclosed that it misapplied the Trade Agreements Act substantial transformation standard, which resulted in (a) Coloplast reporting incorrect countries of origin for several Coloplast-manufactured products and (b) some products remaining on the contract after switching manufacturing locations to non-designated countries.

Counterfeit Goods



ProNetwork



CEO of Dozens of Companies Pleads Guilty to Massive Scheme to Traffic in Fraudulent and Counterfeit Cisco Networking Equipment

A Florida resident and dual citizen of the United States and Turkey pleaded guilty in the District of New Jersey to running an extensive operation over many years to traffic in fraudulent and counterfeit Cisco networking equipment. Aksoy must forfeit \$15 million in illicit gains from his scheme and make full restitution to victims.

The devices the Pro Network Entities imported from China and Hong Kong were typically older, lower-model products. To make the devices appear new, genuine, high-quality, and factory-sealed by Cisco, the Chinese counterfeiters added counterfeited Cisco labels, stickers, boxes, documentation, packaging, and other materials.

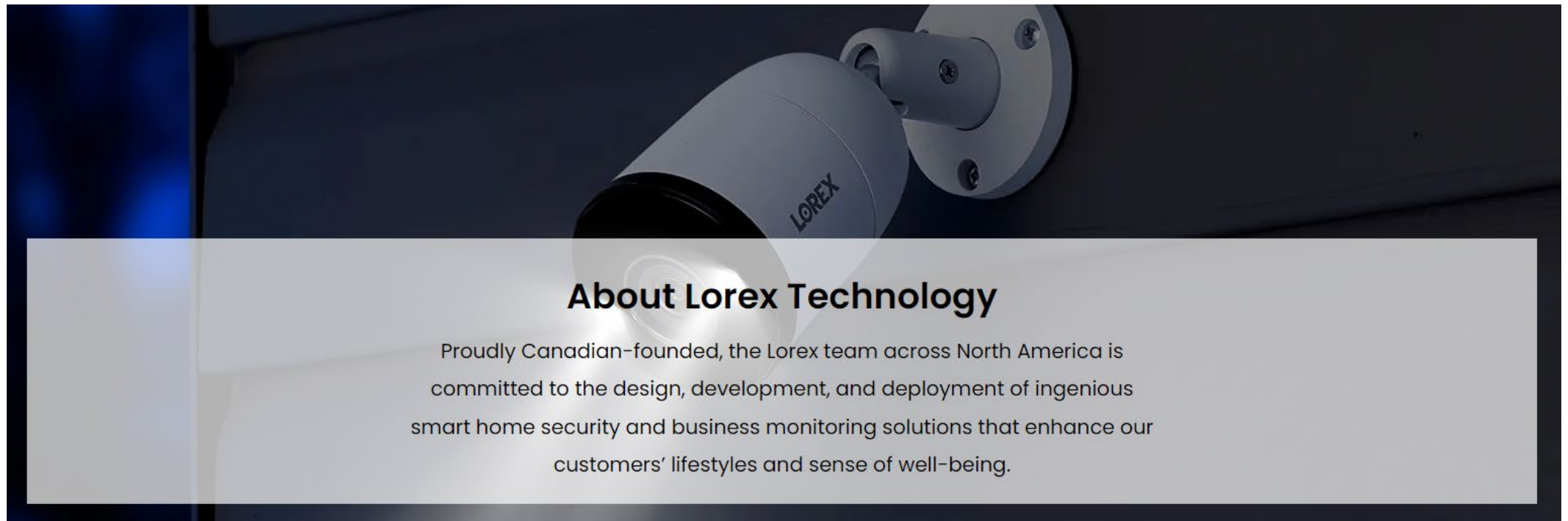
Section 889 Policies



Lorex

The U.S. Government purchased Chinese made surveillance and tech equipment manufactured by Lorex, a wholly owned subsidiary of Dahua Technology.

Multiple vendors, I.S. Enterprises, Focus Camera, and JLogistics, all sold Lorex brand products through the GSA Schedules despite the restrictions.



False Claims Act

"LINCOLN LAW"

The False Claims Act was originally passed in 1863 by President Abraham Lincoln's administration, in response to unscrupulous contractors cheating the government during the Civil War.



VIOLATIONS ARE COSTLY

A company or individual that has made a false claim to the government may be liable for:

- Triple the damages sustained by the government
- A civil fine of \$5,500-\$11,000 per false claim
- Attorney's fees for the whistleblower



Dakota Outerwear

A Brooklyn, NY, clothing and goods wholesaler who directed the development, manufacture, and importation of \$20 million worth of Chinese-made counterfeit U.S. military uniforms and gear that were passed off as genuine American-made products has been sentenced to forty months in federal prison and ordered to forfeit the \$20 million in proceeds that he obtained from the sale of counterfeit goods.



Civil Settlements have resulted in \$2,042,398 in recoveries

Ramin Kohanbash, 40 months in Federal Prison.

Bernard Klein, 18 months incarceration followed by 3 years supervised release, \$15,000 fine, and \$400,000 in restitution.

Terry Roe, 24 months in Federal Prison followed by 3 years supervised release

How to Avoid Compliance Issues

- **Read Before You Sign**
 - If you have questions, seek advice from qualified individuals
 - Contracting Officers
 - Contracting Officer Specialist, etc.
- When in doubt, the Internet can be your friend . . .
 - Use reliable websites
 - gsa.gov
 - gsafederalschedules.gov
 - gsaelibrary.gsa.gov
 - sba.gov
 - acquisition.gov
- When verifying compliance with SCRM, use reliable resources
 - Manufacturer Websites
 - Authorized Distributors Websites
 - Ingram Micro
 - TD Synnex
 - D&H Distributing, etc.

Contacting the OIG

GSA OIG Hotline

GSA Office of Inspector General

(202) 501-1780

(800) 424-5210

gsaig.gov/content/about-hotline

Web

www.gsaig.gov/hotline

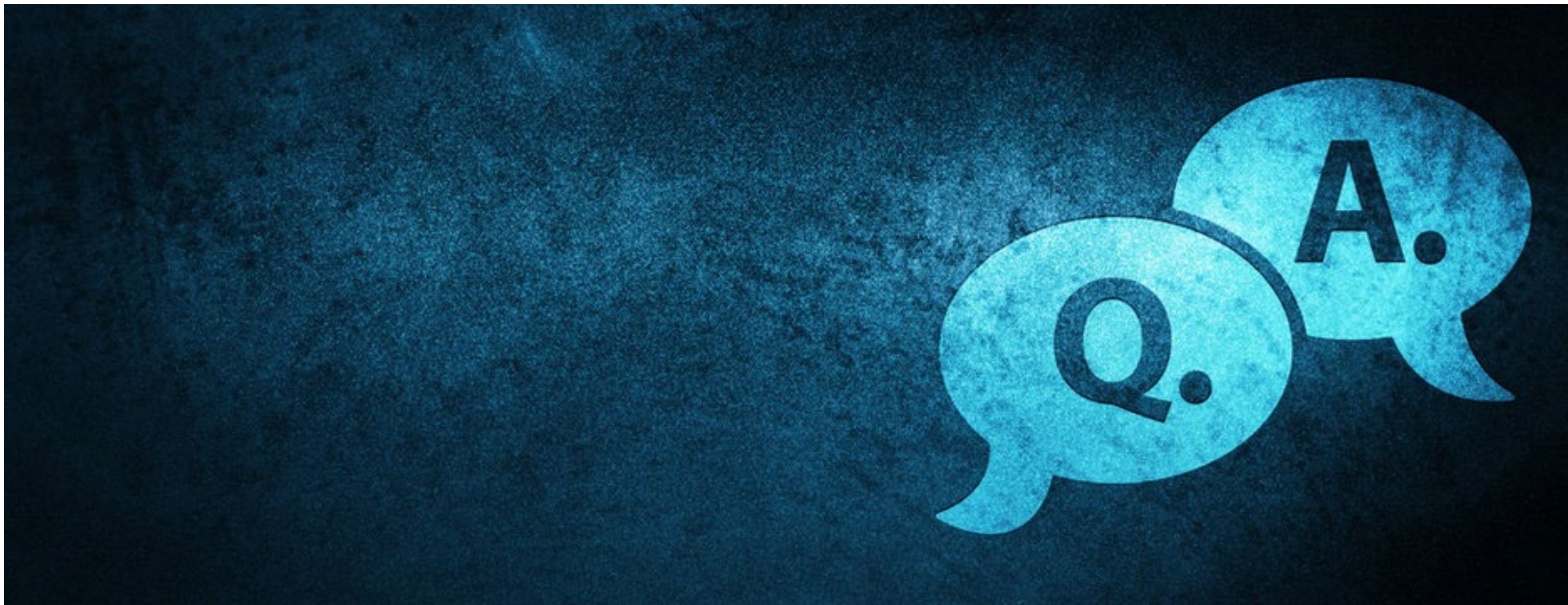
U.S. Mail

GSA/OIG Investigations
ATTENTION: Fraud Hotline
1800 F Street NW, Room 5306
Washington, D.C. 20405

Phone

202-501-1780 (in the Washington, D.C. Metropolitan area) or 1-800-424-5210 (Toll Free).

If you do not wish to disclose your identity, you may remain anonymous when contacting the OIG. However, our inability to contact you may limit our ability to do a complete investigation. We also honor request for confidentiality, and we will protect your identity to the maximum extent allowed by law. Similarly, however, we may not be able to investigate the issue if you have confidentiality.



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**INDUSTRY
PARTNER**
SYMPOSIUM
2023



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Office of Inspector General
Mid-Atlantic Division

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