Yesterday we probed the true cost of fraud, and wondered why more allegedly smart folks don't see it the way we do—which is that investments in internal controls that reduce the probability of fraud-related suits, fines and penalties (and shareholder derivative suits) pay for themselves. The ROI is measurable. But we sighed, as we do in such cases, and moved on.

To today, in which we have two more fraud-related suits to tell you about.

Our old friends at Fluor are back in the news, with **an announcement** from the Department of Justice that it has decided to intervene in a *qui tam* suit brought under The False Claims Act by Loydene Rambo, a former Fluor employee. Ms. Rambo alleged that Fluor violated the restrictions on using Federal funds to conduct lobbying efforts, which would be a violation of the Cost Principle at FAR 31.205-20, as well as DEAR 970.5204-17, The Byrd Amendment, and various riders put on appropriated funds. For instance, **here is** a Department of Energy site that discusses the issue.

Ms. Rambo alleges that Fluor ignored the restrictions on use of Federal funds for lobbying, and specifies that it was Fluor's Department of Energy contract(s) at Hanford that allegedly paid for the lobbying by two firms.

We don't know the position of Fluor's DCAA auditors on the matter, or why (if the auditors were aware of the costs) they were not handled as expressly unallowable costs included in the proposal to establish final billing rates, as they would be under normal, routine, administrative procedures.

What we do know is that, once again, a former employee has filed a suit alleging false claims and fraud-related behavior, and that (once again) a corporation must defend itself.

The second story is both more and less interesting. It concerns the owner of a construction company located in Missouri—Silver Star Construction—who was **recently sentenced** to 87 months in federal prison for falsely claiming that he was a service-disabled veteran owner of a small business. The owner, Warren Parker, was 70 years old. You do the math.

Mr. Parker was indeed a veteran. He served in the Missouri National Guard from 1963 to 1968 and saw six months' of active duty. He was honorably discharged with a rank of E-5 and, while serving, he received an Expert Rifle Badge. Contrary to his "fraudulent resume," Parker did *not* receive three Silver Stars, three Purple Hearts, and other citations. He was never injured during his service; indeed, he never left the State of Missouri during his military career (in contrast to his claim that he served in Vietnam). He never served as a sniper and his "Book of Kills" was completely fabricated.

Mr. Parker (and perhaps other family members) used his fantasy tale of military service and military disability to fraudulently obtain $6.7 million worth of contracts from the Veterans Administration and roughly $750,000 in contracts from the Department of Defense, under their Service-Disabled Veteran Small Business set-aside programs.

Would better controls have prevented Silver Star Construction from fraudulently obtaining government contracts? Probably not. But we bet Fluor wishes it had spent a little more in "scrubbing" its costs, to ensure that unallowable lobbying expenses weren't claimed.