When we do our "Welcome to Contract Compliance" training we always spend some time covering the major statutes of which a government contractor needs to be aware. First and foremost is the False Statements Act (18 United States Code § 1001). We've written about it on this blog several times. For example, see **this article** in which we wrote—

We are not lawyers but our understanding of the statute's requirements can be summed up in one sentence: *you cannot lie to government personnel and you cannot create false or fictitious documents, or you will get fined and very likely go to jail* . … Our blog has been rife with stories about deceit, lies, false certifications, false representations, and the like – most of which had some dire consequences for those who were found to have been engaging in such duplicitous activities.

Don't be those people.

Let us reiterate: When you deal with government auditors and government contracting officers and government contracting officer representatives, you must not lie. You must not intentionally mislead. You must not create false, fictitious or misleading documents. If you do, it will be very bad news for you and your company.

Are we clear?

Good.

Now you are ready to read about Andy Persaud of North Potomac, Maryland. At 44 years of age, Andy's life is pretty much in ruins.

Persaud was indicted in October 2015 and charged with three counts of false statements to the Government and three counts of wire fraud. On February 23, 2016, Persaud pled guilty to one count of making false statements. As a result of his plea deal, Persaud was sentenced to 21 months of incarceration and was ordered to pay $1.2 million.

What did Andy do to merit such a harsh sentence?

According to **this** Department of Justice press release—

Persaud was the President … of Persaud Companies, Inc., a Virginia and Maryland based construction company that entered into a $4.4 million contract in 2011 to renovate several warehouses at the Naval Support Activity (NSA) facility in Mechanicsburg [Pennsylvania]. Persaud hired approximately 17 sub-contractors to work on the project which began in May of 2012.

In June and July of 2012, Persaud submitted invoices to the Navy for progress payments. In the documents, Persaud attached signed certifications verifying that all of his subcontractors had been paid for their work. Relying on the verity of Persaud's representations, the Navy paid Persaud $1,206,470 between June and August 2012.

However, by September 2012, most of the subcontractors had walked off the job site and the Navy terminated Persaud's contract after it learned, contrary to Persaud's certifications, that none of the subcontractors had received payment for their work on the project.

Fortunately for the subcontractors, Persaud had been required to obtain a bond before starting work, and so the bonding company covered their losses. But Persaud was still on the hook for the false statements contained in his progress payments requests. In our view he was lucky to get off without any allegations of violations of the False Claims Act. Nonetheless, his one agreed-to one count violation of the False Statements Act was sufficient to pretty much destroy him.

And let us note that many Federal contractors incorrectly think a firm, fixed-price (FFP) contract is low risk with respect to audits of costs incurred. Indeed, a FFP contract may be lower risk; but if you are getting contract financing payments (such as requests for progress payments based on costs incurred) then you actually have a relatively high risk contract that requires active monitoring of costs and implementation of controls to ensure that only actual costs made allowable by the contract's payment clause are being billed.