

Procurement Fraud at Sandia National Labs

Written by Nick Sanders

Wednesday, 22 November 2017 00:00

Pop quiz, hotshot.

You're a member of the procurement staff at Sandia National Laboratories. You're not a government employee; instead, you are employed by the contractor that manages the Lab. You are assigned to award a subcontract for moving services. Essentially a commercial service, except because it's the Federal government there are some FAR and DEARS clauses to worry about, and some pesky Representations and Certifications. If it were a normal contractor, the moving services would be charged to overhead; but because it's Sandia (or "SNL") the costs are reimbursed by the Department of Energy. Accordingly, there is likely to be some scrutiny on the award process.

What do you do?

Do you:

(A) Award a sole-source subcontract because there is only one moving company in New Mexico?

(B) Set up a competition , evaluate proposals, and then award a subcontract to the moving company with the best value?

(C) Find the GSA Schedule with the moving companies on it, ask for three quotes from Schedule holders, and then make an award to the low bidder?

(D) Set up a sham moving company, author and submit a proposal from that sham company, evaluate the proposal and select the sham company as the best value bidder, award the company a subcontract, and then pocket a large amount of the subcontract award?

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We don't know about you, but we're pretty sure the answer to the quiz shouldn't be (D).

In unrelated news, the Department of Justice recently [announced](#) that a Federal Grand Jury returned an 11-count indictment against a former “procurement officer” employed by SNL. According to the news release, “Carla Sena, 55, of Albuquerque, New Mexico was charged with three counts of wire fraud, one count of major fraud against the United States and seven counts of money laundering.”

The press release explained that the indictment alleged that—

In late 2010, Sena was assigned by Sandia to manage the bidding process for the award of a contract for moving services at SNL. In anticipation thereof, Sena created New Mexico Express Movers LLC (‘Movers LLC’), prepared a bid on Movers LLC’s behalf, and submitted the bid to Sandia under someone else’s name to conceal her involvement. Sena made several material and fraudulent misrepresentations in Movers LLC’s bid that would have resulted in disqualification, but she used her position at SNL to ensure that these misrepresentations went undetected. Sena also used her position to access other bidders’ documents and information that she in turn leveraged to ensure award of the contract to Movers LLC. As a direct result of Sena’s scheme to defraud, Movers LLC received approximately \$2.3 million in DOE funds. The indictment further alleges that, between December 2011 and April 2015, Sena transferred via negotiated checks at least \$643,000 of these fraudulently obtained proceeds to legitimate businesses owned by her father with the intent to conceal her subsequent use of the proceeds for personal gain.

The Albuquerque Journal added a couple of more details, courtesy of [an article](#) written by Maggie Shepard. The article reported—

Federal prosecutors say Sena worked from 2006 to 2017 as a procurement employee responsible for managing and awarding contracts to companies supplying services and materials to the federal lab. From this position, she used inside information to develop the lowest – and therefore the winning – bid for a contract for moving services in late 2010, prosecutors say. That bid was awarded to a company she created eight days before the bid due date using a mailbox rented in her daughter’s name and a bank account shared with her then-husband, according to the indictment.

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Authorities say she used her position to disqualify another bidding company because it had not included sufficient customer references, a bid requirement her manufactured company met – although her company never existed. ... She retired from Sandia in 2017, spokeswoman Sue Holmes said Wednesday. Holmes said that the issue ‘was discovered internally’ and that the labs cooperated fully with authorities. Holmes said the labs employ 115 procurement staffers, and the indictment says that Sena was one of only three employees authorized to process bids through high levels of the approval process.

The thing is that we’re talking about *moving services*, for heaven’s sake. How prosaic! Why would a supervisor or manager worry about fraud in a subcontract award for moving services—especially from a trusted buyer who was one of the most seniors buyers in the organization?

Which is the point of this little article.

It’s the little things that slide under the radar that can lead to corrupt behavior. While everybody is focused on the big subcontract awards, the technically challenging ones, the ones valued in the hundreds of millions of dollars, the little awards for mundane items or services tend to fall through the cracks. So you need to watch those little ones just as closely as you watch the big awards.

Perhaps even more closely.

We are reminded of a time, a decade or so ago, when we were part of an investigation of a crooked Contracting Officer’s Representative (sometimes called a “COTR”). That guy was crooked, no doubt about it. But it was the little things that caused him to be charged, eighteen months before his scheduled retirement. Little things like directing the base contractor to order vehicle fleet replacement tires from the shop owned by his brother-in-law, or directing that the contractor obtain insurance for the (contractor-acquired) trucks that he and his wife drove—insurance that listed them as beneficiaries, instead of the government. The bigger things he could explain away; but it was the little things that tripped him up.

So pay attention to the little things because, if you don’t, you might find that your trusted senior-level employee has taken advantage of the situation you created when you focused your

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attention elsewhere.