It’s been a while since we’ve discussed procurement fraud. Let’s fix that today.

As readers know, we don’t post many of the fraud stories that come our way, courtesy of the U.S. Department of Justice. The reason for that decision to elide them, as we’ve told you before, is that they are (for the most part) *boring*. Fraudster does a scheme. Fraudster gets caught. Fraudster pays. Company pays. Repeat *ad infinitum*.

But today we have a couple of more interesting ones. Let’s dive in, shall we?

The first story concerns a small business, E.M. Photonics (EMP). EMP and its CEO recently settled allegations that they violated the False Claims Act. The reported settlement amount was $2.75 million.

What’s the story? Well, “as alleged in the settlement agreement”—

EMP received SBIR and STTR funds from various agencies (including DARPA, military services, the DOE, and NASA) during the period January 2009 to April 2014. (Let’s say 5 years.) EMP and its CEO allegedly defrauded the SBIR/STTR programs via two schemes.

(1) EMP received duplicative funds; i.e., they submitted proposals (and received funding) from different agencies for doing essentially the same work. As part of their proposals, they certified that the work was non-duplicative; but it wasn’t.

(2) EMP and its CEO “directed EMP employees, or caused others to direct EMP employees, to falsely complete timesheets for direct labor that the employees did not perform.” Thus, the invoices that contained the false labor hours/dollars were considered to be false claims under the False Claims Act.

The two schemes make sense when you look at them together. The first scheme brought in duplicable contract and grant funding, but then EMP needed to create false labor costs to show that work was being performed. In the words of the DOJ **announcement** , “The government alleged that both of these schemes were designed to maximize charges to each contract or grant.”

Yeah, it looks that way.

The second story is about Microsoft. According to **The Seattle Times** (in a story written by Mike Carter), a “former” Microsoft Director agreed to a plea deal related to an alleged corporate fraud worth as much as $1 million. The story states that “Jeff Tran, 45, who served as director of Microsoft’s Sports Marketing and Alliances division,” allegedly did a number of naughty things, including—

- Stole 62 Super Bowl tickets intended for company employees and sold them online for $200,000.

- Stole “blocks of Super Bowl tickets and Super Bowl Party tickets belonging to Microsoft. … In one instance, he sold an unnamed Microsoft employee a pair of the free tickets for $12,400 and pocketed that money.”

- “Solicited a $775,000 payment from a vendor … The indictment alleged Tran funneled the payment to his own bank account, and then asked the vendor to help cover it up, threatening to remove the business from a preferred vendor list if it didn’t.”

- “Tried to solicit a second, $670,000 payment through a fraudulent invoice and was planning to ask for a third for $500,000 …” but was caught before he could consummate those schemes.

We might have been happier if Microsoft’s internal controls had detected the wrongdoing. Alas, it is not so. Instead, “Microsoft vendors became suspicious of Tran’s activity and reported the conduct to the company.” That was when Tran allegedly “destroyed electronic communications and told the vendors to lie to Microsoft about the $775,000 payment.” Unfortunately for Mr. Tran, his scheme was uncovered and he subsequently “paid $1,036,000 to Microsoft in restitution.” Yeah, we would have been “suspicious” as well, if somebody had tried to extort hundreds of thousands of dollars from us.

So the suspicious vendors told Microsoft, who then told the FBI. And that’s how Tran went down. Not a shining moment for Microsoft, who let a Director perpetrate (alleged) fraud schemes and didn’t detect any wrongdoing.

But Tran’s restitution to his (former) employer didn’t end his legal problems. According to Mike Carter’s story, “he pleaded guilty to a single count of wire fraud in a deal that will result in the dismissal of four other counts when he’s sentenced May 10 by U.S. District Judge Ricardo Martinez…. Wire fraud carries a possible prison term of up to 20 years. As part of the plea agreement, prosecutors will ask that Tran serve no more than three years in prison, according to a statement from the U.S. Attorney’s Office.”

When Tran is released from prison, we suspect he’s going to have a hard time finding gainful employment in the white-collar sector of private industry.