

## Another GSA Contractor Settles Legal Problems

Written by Nick Sanders

Friday, 27 November 2020 23:13

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I do not know the company Cognosante LLC. It could be a great company, a top-notch government contractor. I don't know. I visited the company website and I don't feel as if I learned much more than I knew before I visited it.

The company's mission statement includes the following: "We are a mission-driven technology company that delivers innovative and transformative solutions to government. Our missions inform our market focus, business strategy, investments, and culture." Does that seem as vague to you as it does to me?

Cognosante is apparently in the healthcare space—which is a pretty good place to be these days. I know this because there is a fair bit about healthcare on the website. For example, on the website Cognosante talks about expanding access to healthcare for "200 million Americans with innovative technologies and expert support." Cognosante also discusses "improving clinical performance with technology, systems integration and citizen engagement services." In addition, the website discusses "health equity," and states that the company is involved in "delivering solutions that address and positively impact the social determinants of health and wellness." That's all great stuff and I'm sure the company is thriving.

I'm just not sure what any of that means, in practical business terms.

From the website, I also learned that Cognosante has multiple ISO Certifications as well as a HITRUST Certification for "Data Security and Minimized Risk." In addition, Cognosante has had a CMMI Level 3 Certification since 2019—which is interesting but it is *not* the same thing as a CMMC Level 3 Certification. It's cool that the company has invested time and energy into making sure its Quality and other management processes comply with important standards.

But what's missing is any hint that the company is focused on other aspects of compliance, such as complying with contract terms and conditions. Cognosante has many government contract vehicles, including Alliant 2 and OASIS GWACS, as well as GSA Schedules and a Seaport ID/IQ and several individual state contracts. But you wouldn't really know that from the company's website (well, except the part where they list those contract vehicles).

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There are open positions and, if you're in Contracts, they have openings for you. But if you are into cost accounting, CAS/FAR compliance, or related disciplines, then not so much. For example, there's an opening for a Project Financial Analyst, and that opening states that required qualifications include "5 or more years of experience in a government contracting environment. Working knowledge of indirect rate structures, a plus." Preferred (but not required) qualifications include "Understanding of various contract types, e.g., cost plus fixed fee, award fee, fixed price contracts, and Government Wide Agency Contracts; Knowledge of monitoring compliance with *general contract terms and conditions* for government contracts and supporting multiple clients in a fast-paced environment Experience with financial modeling, including revenue projections; Experience with project or program management, including Federal Acquisition Regulation (FAR) and Joint Travel Regulation (JTR) requirements; Experience with accounting standards, such as General Accepted Accounting Principles (GAAP) and Sarbanes-Oxley (SOX)." (Emphasis added.

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But you'll notice that there is not much *actual expertise* being required. It would be *nice* if the successful candidate had "experience" with the FAR and the JTR, but it's not actually required. And generally, those two areas of expertise are not found within the "project or program management" disciplines. In a similar vein, it would be *nice*

if the successful candidate had "experience" with GAAP and SOX, but it's not really something the company is super concerned about. In fact, you can be the successful candidate and know nothing about those areas, so long as you have five or more years of experience in a government contracting environment (working knowledge of indirect rate structures, a plus

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But it doesn't just end there. Looking at Cognosante's website again, there is a page devoted to the Leadership Team. The CFO has an impressive pedigree, including a Masters in Engineering and having served the company as both VP of Finance and the company's Chief Contracting Officer. The Chief Administrative Officer (who oversees both HR and Quality) is similarly impressive. But what I don't see is any MBA or CPA types in a leadership role. The closest thing I see is that the CEO has a master's degree in public and private management from Yale School of Management—which is impressive, no doubt. But it's not an MBA or a CPA. (Note for accuracy: I didn't check every leadership bio, but I did check the ones I thought would have or should have a compliance role.)

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The key role that's missing on the Leadership Team page is a Chief Compliance Officer. You might argue that should be the role of the General Counsel. You'd be wrong to argue that, but it's certainly not unheard-of. Yet there is nothing in the General Counsel's job description that says he is focused on anything other than the law department. There's no Chief Compliance Officer listed, just as there is no Chief Internal Auditor listed; and there is very little (if anything) that hints that compliance is taken seriously by the Cognosante Leadership Team.

Neither the bios and job descriptions for the Chief Administrative Officer (who is responsible for the Quality function) nor the Chief Financial Officer (who is responsible for financial reporting, billing accuracy, and other compliance matters) have any indication that compliance is something they care about, are focused on, or are responsible for.

The Cognosante website also has an aggregation of recent press releases and other news in which the company is mentioned. There's something missing there, as well.

What's missing is this Department of Justice [press release](#) announcing that Cognosante LLC "agreed to pay the United States \$18,987,789 to resolve allegations that it violated the False Claims Act by using unqualified labor and overcharging the United States for services provided to government agencies under two General Services Administration (GSA) contracts."

The settlement resolves allegations that Cognosante overcharged the United States for services performed under two GSA MAS contracts, including by providing false information concerning Cognosante's commercial discounting practices during contract negotiations. It also resolves allegations that Cognosante charged the United States for labor that failed to meet the qualifications in one of the contracts.

In fairness, the press release notes that it was Cognosante, itself, that identified the issues and disclosed them to the US Government. The company "received credit for its disclosure and cooperation." So apparently there is some type of internal audit/internal compliance function in operation, even if the company's website ignores it.

But remember, the \$19 million settlement was *after* Cognosante received credit for disclosure and cooperation. That sum is indicative of a fairly large billing problem; and it is likely that the problem went unnoticed for some time before being discovered and disclosed.

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Look, I don't know Cognosante. It could be a great company, a top-notch government contractor. I don't know.

But I do see correlation between the gaps in the company's leadership team and the necessity to pay the government \$19 million to settle allegations of noncompliance with contract terms and conditions.

Perhaps that will change, now that the company has been burned. Perhaps if I revisit the company's website in a few months, I'll see a newfound focus on compliance. Perhaps there will be a Chief Compliance Officer and/or a Chief Internal Auditor.

I hope so.

<sup>1</sup> Editorial note: Please explain what "general contract terms and conditions" means in a government contracting environment. Which terms and conditions are general, and which are specific? Show your work.

<sup>2</sup> It's not clear whether "working knowledge of indirect rate structures" means knowledge of how to design them, understanding of the rules of cost pooling and cost allocation, or simply how to take rates one is given and apply them to program budgets.