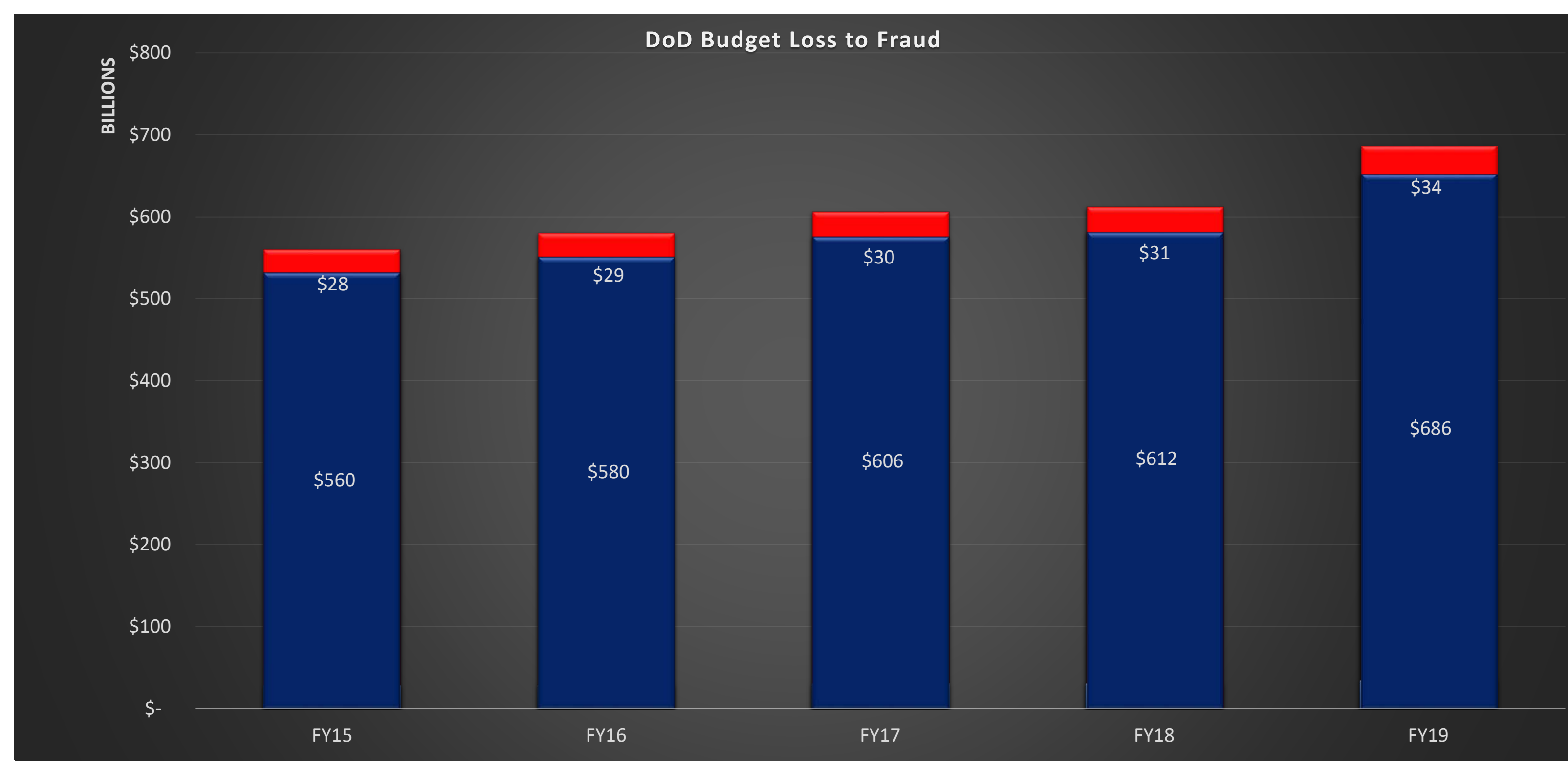




# FRAUD IN THE DOD: ASSESSING THE EFFECTIVENESS OF FRAUD PENALTIES

## Do the current fraud penalties reduce fraud occurrence among defense contractors?

**ABSTRACT:** This research will examine the relationship between fraud committed against the DoD and fraud penalties that are levied against the perpetrators. The findings will help drive additional recommendations for DoD and the Department of Justice (DoJ) that could potentially reverse future fraud trends.



ACFE. (2018). Report to the Nations

The DoD loses 5% of its budget each year due to fraud. From FY15 to FY19, fraud losses are projected to total \$152 billion. According to the FY18 NDAA report on defense contracting fraud, the DoD only recovered \$6.2 billion in fines between FY13 and FY17, approximately 4% of the above projected fraud losses in the DoD over the last five years.

**DATA:** The research includes defense contractor fraud data from 1995 to 2018. The data involved 570 fraud cases and \$10.9 billion dollars of recoveries. Data also includes firm market cap, total assets, a fine-to-market cap ratio, and the percentage of defense revenue at each firm. A regression model will be used to control for multiple variables outside of fraud occurrences and penalties paid by each firm per year.

**ANALYSIS:** The model will analyze the relationship between fraud and firm data points. The model will assess the relationship between fraud fines and subsequent fraud occurrences by firms to measure the impact of fraud fines on firm behavior.

**RECOMMENDATIONS:** Based on the results of the analysis, we plan to provide additional measures that could be applied within the DoD-DoJ-contractor relationship to combat the commission of fraud against the DoD.