



Office of Inspector General
Legal Services Corporation

The Fraud Corner (4/9/2020)

COVID-19 Purchasing Scams

As part of its Fraud Corner Series, the Office of Inspector General (OIG) is providing Legal Services Corporation (LSC) grantees with the following information and resources relating to Coronavirus/COVID-19 frauds and scams.

A March 24, 2020, OIG Fraud Corner article discussed fraud schemes relating to COVID-19 and encouraged grantees to share that information with their clients. This article deals with potential price gouging, price-fixing, and bid-rigging scams that can adversely affect LSC grantees and their clients as they make critical purchases during the COVID-19 crisis. As the United States Deputy Attorney General has stated, “capitalizing on this crisis to reap illicit profits or otherwise preying on Americans is reprehensible and will not be tolerated.”

Price gouging is the charging of exorbitant prices for essential items in times of unusually high demand. A majority of states prohibit price gouging during declared emergencies; state laws differ as to what items and what price increases are covered (and are evolving as the crisis unfolds). To protect their (and their clients’) resources, the OIG encourages grantees to familiarize themselves with the price gouging laws applicable in their respective jurisdictions.

In a March 31, 2020, memorandum LSC president Ronald Flagg informed LSC grantee executive directors of LSC’s plan to distribute \$50 million in emergency funds included in the recent COVID-19 stimulus package. The memorandum also addressed the possibility that LSC may request an additional \$50 million in an anticipated Phase 4 coronavirus package.

This supplemental funding will provide LSC grantees much needed support in dealing with the effects of COVID-19 including equipment, services, and related expenses to improve and expand telework and remote access capabilities, helping LSC’s 132 grantees to rapidly and safely assist low-income clients facing job losses, evictions, and other problems stemming from the pandemic.

Under the COVID-19 emergency declaration, LSC is encouraged to use emergency procurement authorities to reduce administrative friction for grantees and contractors, enabling a rapid response to the many pressing demands grantees face. Given these unusual circumstances, LSC grantees should beware of vendors taking advantage of the health crisis to reap illicit profits. As LSC has noted, “legal services providers will face financial pressure in obtaining the necessary equipment and technology to allow staff to work remotely and connect with clients.” Even while acting expeditiously as the current

circumstances require, the LSC OIG encourages LSC grantees to practice sound procurement practices to avoid being victimized by price gouging scams during the pandemic.

LSC Program Letter 16-3, "Procurement Policy Drafting Guidance for LSC Recipients," discusses the importance of LSC grantees developing effective procurement practices. It includes an attachment entitled "Procurement Policy Drafting 101, Guidelines for LSC Grantees," which addresses the basic elements of an effective procurement policy:

- 1) ensuring competition between vendors;
- 2) effectively negotiating contract terms;
- 3) documenting purchasing decisions; and,
- 4) ensuring internal controls are in place to reduce abusive practices by vendors.

As noted in the Guidelines, "the purpose of a procurement policy is to ensure that best value – the most advantageous balance of price, quality, and performance – is obtained when purchasing business-related products and services, and to minimize fraud, waste and abuse in purchasing." To best avoid procurement scams, the OIG encourages LSC grantees to continue following the guidance laid out in LSC Program Letter 16-03 and maintain sufficient documentation to support all purchasing decisions.

The OIG realizes that the COVID-19 crisis is placing substantial additional pressure on grantees and stands ready to assist you with any questions or concerns that arise in connection with these and other matters. If you suspect a vendor or contractor is defrauding you during this COVID-19 health crisis, contact the COVID-19 National Center for Disaster Fraud Hotline at (866) 720-5721; your State Attorney General's office; and the LSC OIG Hotline at (800) 678-8868.

If you have any questions or would like additional information about this or any other Fraud Corner article, please contact Daniel O'Rourke, Assistant Inspector General for Investigations, LSC OIG, at (202) 295-1651, or by email at dorourke@oig.lsc.gov.