



U.S. DEPARTMENT OF STATE OFFICE OF INSPECTOR GENERAL INVESTIGATIONS



FRAUD INDICATORS

As an independent office, the Office of Inspector General (OIG) has oversight of the Department of State (Department) and the U.S. Agency for Global Media (USAGM, formerly known as BBG), as well as U.S. International Boundary and Water Commission (USIBWC), in order to promote economy, efficiency, and effectiveness in their respective programs and operations. All Department, USAGM, and USIBWC employees; contractors and their subcontractors; and grantees at all levels are required to cooperate with OIG. They shall report known or suspected fraud, waste, abuse, or other crimes against the integrity of programs and operations to OIG's Office of Investigations in a timely manner, and they may not be retaliated against for their assistance. To assist in OIG's efforts to combat fraud, OIG depends upon the vigilance of the people who conduct the business of the Department, USAGM, and USIBWC. In that spirit, OIG has put together the following list of potential "red flags" or indicators to help such individuals detect potential fraud or other malfeasance.

As a reminder, Department, USAGM, and USIBWC employees are automatically granted confidentiality on any complaints made to OIG. However, if an individual chooses to remain anonymous, it may limit our ability to ensure proper handling and disposition of the matter. We will not disclose the identity of an employee without that employee's consent, unless such disclosure is unavoidable during the course of an OIG investigation. Contact information for the OIG Hotline is provided at the end of this document.

Employee Misconduct

Criminal/Serious non-criminal misconduct on the part of any Department, USAGM, or USIBWC employee.

Embezzlement/Theft/Misuse of Government Property – The intentional and unauthorized taking, destruction or use of Government money, property or records.

Red Flags May Include:

- *Benefit Fraud* – Claims (e.g. separate maintenance allowance; educational allowance; danger pay etc.) for differentials that are not supported, or appear altered or corrected.
- *Common Employee Fraud* – Use of GOVs for non-official purposes; use/requesting assistance of Government employees for personal purposes; misuse of business class travel.
- *Time and Attendance Fraud* – Inaccurate, corrected, or missing time cards; excessive overtime or questioned time, such as splitting overtime between pay periods to avoid bi-weekly pay limit caps; employees self-certifying time cards.
- *Voucher Fraud* – Overstated voucher expenses (e.g. mileage, taxis, other transportation expenses) and consistent submission of expenses at or just under the reimbursement limit for undocumented claim; receipts that do not match timeframe; claims for reimbursement without receipts or for unauthorized events.

Public Corruption

Bribery/Illegal Gratuities/Kickbacks/Conflict of Interest – The use of a Government employee's public position for personal gain. Frequently involves the acceptance of something of value in exchange for special treatment.

Red Flags May Include:

- Sudden and unexplained increase in wealth of Department/USAGM/USIBWC employee.
- Inexplicable favorable treatment of a contractor or grantee.
- Employee acting beyond the scope of his/her duties.
- Costs for services or goods purchased are inflated above local market rate; unusually high volume of purchases; inadequate contract bid and negotiation records.

- Procurements over \$25,000 not competitively bid or negotiated; repeated "sole source" awards without documentation; numerous procurements awarded for \$24,999.
- Poor performers continue to receive new contracts.
- High stock levels and inventory requirements; continued purchase of items declared excess; procurement deviation from best quality/price.
- Stock ownership by Government employees in contractor's or subcontractor's company; Government employee's dependents or relatives employed by contractor or subcontractor.
- Standards of Conduct violations, www.oge.gov [5 CFR 2635]

Contract Fraud

Contract/Procurement Fraud - Typically occurs when a Government employee or contractor knowingly and willfully executes a scheme to defraud the Government, or when a party obtains information by deception or misrepresentation to receive inappropriate payment from the Government. The more common schemes are as follows:

Collusive Bidding or Price Fixing – Occurs when bidders secretly agree to submit high bids in order to let a pre-selected bidder win. Competition is either limited or eliminated while prices are manipulated in favor of a few select vendors. Schemes can become very elaborate and sophisticated.

Red Flags May Include:

- Prices on contract services increased by identical increments over a period of time.
- Prices not advertised and/or tend to change at the same time.
- Bid prices from regular competitors drop suddenly when a new company enters competition.
- Qualified bidders do not respond to repeated requests for quotes, but serve as subcontractors to another qualified bidder, particularly if on an apparently rotating basis.

- Successful bidder subcontracts to unsuccessful bidders.
- Identical calculations or errors among bidders.
- Repeated awards to same entity or awards to non-lowest bidder.

Cost Mischarging – Occurs when contractors charge more than the authorized rates, which results in an overcharge to the Government.

Red Flags May Include:

- Times cards/sheets revised to require less information from technical staff or contractors; destroyed/hidden original time cards.
- False claims being submitted for payment.
- "Ghost employees" that no longer or never did work on the contract are included in claims.
- Actual costs for goods are inflated beyond what is allowed in the contract.
- Corporate overhead costs being billed as direct costs to the Government.

Fictitious Vendor Fraud – Typically occurs when a Government employee with procurement responsibilities or an outsider submits bills from a non-existent vendor to the Government. These types of schemes may flourish when there is lack of oversight.

Red Flags May Include:

- The vendor's address or phone number is non-existent and is not on the approved vendor list.
- The vendor's address or phone number is the same as that of a Government employee.
- Payments are provided without invoices.
- Multiple vendors have the same address or contact information.
- The invoiced products cannot be located and the services cannot be verified.

Unjustified Sole-Source– Occurs when a procurement official in collusion with a vendor improperly awards a contract that has not been competed nor supported with an adequate explanation.

Red Flags May Include:

- Vague justification or documentation supporting a non-competitive award.
- Sole source award is above or just below the competitive bidding limit.

- The request for bids is sent to only one vendor.
- The contract award is made below the competitive bid limits and is followed by change orders that exceed the bid limits.

Source Selection Fraud – Occurs when a procurement official intentionally does not select the proposal that offers the best value to the Government.

 **Red Flags May Include:**

- Improper relationships exist between the Government and contract personnel.
- The Department releases information about procurements to one contractor that is not revealed to another.
- Failure to conduct adequate market research to determine the appropriate contracting method and factors to ensure the product or services will meet the Government’s needs.

Grant Fraud

Grant Fraud – Typically occurs when award recipients attempt to deceive the Government about their spending of award money.

 **Red Flags May Include:**

- Charging personal expenses as business expenses against the grant.
- Charging for costs which have not been incurred or are not attributable to the grant.
- Charging for inflated labor costs or hours, or categories of labor which have not been incurred (for example, fictitious employees, contractors or consultants).
- Falsifying information in grant applications or contract proposals.
- Billing more than one grant or contract for the same work.
- Misrepresenting a project's status to continue receiving government funds.
- Influencing Government employees to award a grant or contract to a particular company, family member, or friend.

U.S Embassy/ Post-Specific Fraud Schemes

Guard Force Contracts

 **Red Flags May Include:**

- Missing or falsified training records for guards.
- Forged or incomplete nomination packages of prospective guards.
- Improper billing by the contractor for unfilled positions or lack of self-reported deficiencies.

Fuel Theft

 **Red Flags May Include:**

- Delivery receipts or invoices that do not match fuel usage records.
- Delivery receipts or invoices for more fuel than can be stored.
- Lack of fuel usage records or missing documentation on fuel deliveries.
- Inoperable fuel delivery or usage meters.
- Rebates or credits between contractor and fuel vendor/subcontractor.
- Inability to speak with or locate fuel vendor/subcontractor.
- Multiple high-volume fuel deliveries in a short period of time.

Leased Housing

 **Red Flags May Include:**

- Lease agreements are always at or near maximum allowable cost.
- Other agencies, governments, or private businesses pay less for comparable housing.
- Leases are especially favorable to the landlord/lessor despite local market conditions and U.S. Government capital improvements.
- Landlords have direct involvement, or close family or working- relationships with the negotiators.

Warehouse/Commissary

 **Red Flags May Include:**

- Inventory does not reconcile. There are overages indicating goods received are not being entered in the system or there are

- shortages/missing assets indicating incomplete/inaccurate sales, disposals or theft.
- Inventory records are incomplete, inaccurate, or out of date.
- Lax warehouse controls (e.g. same person logs items entering or leaving warehouse).
- Excessive purchasing levels; too frequent or negotiated sale of excess Government property.
- Same person or persons consistently acquires excess property; successful bidders who are close friends or relatives of Government employees.
- Recovery rate of cost to sale low, especially on hard-to-get items such as air conditioners, appliances, automobiles, and spare parts.

Motor Pool (Misuse of GOV)

Red Flags May Include:

- Unauthorized/unreimbursed use of Government vehicles; dedicated vehicles available to unauthorized persons, including spouses and family members.
- Logs for vehicle mileage and fuel consumption not maintained or inconsistent with approved vehicle use.

Cashier Operations

Red Flags May Include:

- Cash level above operational needs.
- Cash count does not reconcile.
- Lack of frequent and effective cashier reconciliations.
- Lack of frequent and effective unannounced cash verifications by accountable supervisors.
- Unreasonable delays between discovering discrepancies and reporting them.
- Incomplete, disorganized, grossly inaccurate or missing records.
- No segregation of cashiering for cash boxes; lax security and general disorganization in regards to cashier areas, safes and cash boxes.

Consular Operations

Red Flags May Include:

- Casual behavior in regard to safeguarding all accountable or sensitive documents, materials, equipment and machinery.
- Records regarding accountability for visas and/or passports issued are in disarray, are incomplete, or contain numerous corrections.
- Incomplete or disorganized records regarding visa referral system; excessive waiver of interviews or alien registration; infrequent or inadequate reconciliation of visa issuances or consular services with consular receipts.
- Appearance that American officers have abdicated their responsibilities, especially in the area of visa issuance and anti-fraud activities.
- Reliance upon a small number of visa facilitators, such as travel agents.

Trafficking in Persons

Trafficking in Persons –defined by the Government as modern slavery for forced labor or commercial sexual exploitation.

Red Flags May Include:

- Contractor or subcontractor is holding the employee's passport or identity documents and they cannot voluntarily leave.
- Contractor or subcontractor is using misleading or fraudulent practices during the recruitment of employees or using recruiters who do not comply with the local labor laws of that country.
- Contractor or subcontractor is charging a recruitment fee.
- Contractor or subcontractor provides housing that fails to meet the host country housing and safety standards.
- Contractor, subcontractor or Government employee engages in a commercial sex act, where something of value is given in exchange for the act, which includes minor victims under the age of 18.

Should you suspect that fraud is occurring within your area of responsibility, you should report it to the OIG Hotline by one of the following methods:

Telephone:

(202) 647-3320 or (800) 409-9926

Internet:

<https://www.stateOIG.gov>

Mail:

Office of Inspector General Hotline
U.S. Department of State
P.O. Box 9778
Arlington, VA 22219

The Hotline may be used for unclassified information only. To submit classified information, contact the Hotline at (202) 647-3320 for further instructions.

The following information will be helpful and should be provided when contacting the OIG Hotline:

- **Who** committed the wrongdoing (name of person, company or organization), who may have been a victim, and who may be a witness?
- **What** exactly did the person, company or organization do?
- **Where** did the wrongdoing take place?
- **When** did the wrongdoing happen?
- **Why** did the person, company, or organization commit the wrongdoing?

In addition, please include information about any other potential leads, documents, or evidence that may be helpful.

You may provide information anonymously, but you should be aware that if we require further information to assess your complaint, we may not be able to act on your report.

HELP FIGHT FRAUD, WASTE, AND ABUSE

1-800-409-9926

[stateOIG.gov/HOTLINE](https://www.stateOIG.gov/HOTLINE)

If you fear reprisal, contact the OIG Whistleblower Ombudsman to learn more about your rights.

WPEAOmbuds@stateoig.gov