Office of Inspector General

U.S. DEPARTMENT *of* STATE

FOREIGN ASSISTANCE FRAUD INDICATORS

As an independent office, the Office of Inspector General (OIG) oversees all foreign assistance programs and operations administered by the U.S. Department of State (Department), including those functions realigned from the U.S. Agency for International Development. All Department-funded or -administered nongovernmental organizations, contractors, and UN and other public international organizations are required to disclose directly to the OIG Hotline allegations of fraud, waste, and abuse, including sexual exploitation and abuse, related to Department-funded or -administered awards. The OIG Hotline's contact information appears at the end of this document.

Foreign assistance is delivered in many ways and is often sent in response to emergencies. These crisis situations make foreign aid vulnerable to fraud because individuals may try to take advantage of an urgent situation for personal gain. To prevent and fight fraud, OIG depends on everyone involved in Department activities. The following warning signs ("red flags") may indicate problems related to the delivery of foreign assistance or the management of foreign or humanitarian assistance grants.

Red Flags in Humanitarian Assistance Delivery

Scheme: Diversion of funds and supplies by individuals for personal gain.

Red Flags May Include:

- Aid inventory discrepancies between shipment and distribution logs.
- Repeated loss or spoilage of goods without incident reports.
- Beneficiaries report nonreceipt of aid despite documented delivery.
- Aid workers with unexplained personal assets or lifestyle upgrades.

Scheme: Scam emails/websites targeting donors, such as advertisement for enrollment events requesting payments.

Red Flags May Include:

- Donation requests from unofficial domains or personal email addresses.
- Websites mimic official branding but lack verifiable registration.
- Payment requested via cryptocurrency or "untraceable" platforms.
- "Urgent" appeals with no contact verification or donor support history.

Scheme: Use of unlicensed money transfer agents (MTA) or black-market exchanges.

Red Flags May Include:

- Cash disbursements routed through informal or unregistered financial channels.
- Lack of receipts or transaction records for cash-based aid.
- Beneficiaries report deductions or fees not authorized by the program.
- Implementers are unable to provide Anti-Money Laundering or Know Your Customer documentation for MTAs.

Scheme: Aid conditioned on sexual acts, forced labor, or prostitution.

Red Flags May Include:

- Beneficiaries report coercion or exploitation in exchange for aid.
- Aid workers or local partners with prior misconduct allegations.
- Discrepancies in beneficiary lists versus actual recipients.
- Lack of gender-sensitive complaint mechanisms or whistleblower protections.

Scheme: Foreign Terrorist Organization interference (e.g., coercion, taxation, influence over aid).

Red Flags May Include:

- Unofficial “taxes” or “fees” imposed on implementers or beneficiaries.
- Aid distribution sites controlled or monitored by armed groups.
- Beneficiary selection skewed toward specific ethnic, political, or religious groups.
- Implementers report threats, extortion, or restricted access.

Red Flags in Grants Related to Humanitarian Assistance

Fraud in grant programs typically arises when recipients intentionally misrepresent how funds are spent, either to obtain or retain funding. These schemes can undermine program integrity, distort performance metrics, and divert resources from intended beneficiaries. The following red flags are associated with common grant-related schemes:

Scheme: Charging personal expenses as business expenses.

Red Flags May Include:

- Expense reports with vague or missing justifications.
- Reimbursement claims for luxury items, entertainment, or family travel.
- Repeated use of the same vendors for unrelated services.
- Lack of segregation between personal and project accounts.

Scheme: Billing for services or supplies never provided.

Red Flags May Include:

- Invoices without delivery receipts or service logs.
- Vendors with no physical presence or unverifiable contact information.
- Beneficiaries or field staff who are unaware of claimed activities.
- Duplicate invoices across unrelated projects.

Scheme: Inflated labor costs or fictitious personnel (aka ghost/phantom employees).

Red Flags May Include:

- Payroll records with identical time entries across multiple staff.
- Consultants or contractors with no deliverables or activity logs.
- Staff listed on multiple grants simultaneously; spikes in labor costs without scope changes.

Scheme: Falsifying grant applications or proposals.

Red Flags May Include:

- Inconsistencies between proposal narratives and field realities.
- Recycled or plagiarized content across multiple applications.

- Unrealistic timelines or budgets with no supporting rationale.
- Misrepresented organizational capacity or past performance.

Scheme: Double billing across grants/contracts.

Red Flags May Include:

- Identical line items or activities billed to multiple donors.
- Shared resources (e.g., vehicles, staff, equipment) that are not cost-allocated.
- Implementers are unable to produce grant-specific financial records.
- Overlapping project timelines with identical outputs.

Scheme: Misrepresenting project status to continue funding.

Red Flags May Include:

- Progress reports with no supporting documentation or field verification.
- Photos or data reused across reporting periods.
- Delayed or missing independent evaluations.
- Field visits reveal discrepancies with reported outcomes.

Scheme: Invoicing costs that exceed local market rates.

Red Flags May Include:

- No documentation comparing invoiced costs to prevailing local or regional market rates.
- Sudden or unexplained increases in unit prices across reporting periods without justification.
- Same vendor charges different rates for identical goods/services across grants or locations.
- Use of unnecessarily high-end or premium products not aligned with project needs or budget.

Scheme: Conflicts of Interest.

Red Flags May Include:

- Personal, familial, or financial relationships influence procurement decisions.
- Competitive procurement frequently bypassed under vague or recycled rationales (e.g., repeated sole-source justifications without documentation).
- Unit costs significantly higher than for peer implementers in the same region, suggesting favoritism or collusion rather than market-driven pricing.
- Absence of bidding records, price comparison, or justification for vendor selection.

How to Contact OIG

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

Internet: https://www.stateoig.gov

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

Warning: Do not submit classified information via the online complaint form. To submit a complaint involving classified information, please submit a complaint form with your contact information, indicating your complaint involves classified information, and someone will contact you to further assist.

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

Stateoig.gov/HOTLINE

If you fear reprisal, contact the
OIG Whistleblower Coordinator to learn more about your rights.
WPEAOmbuds@stateoig.gov