FRAUD INDICATORS

As an independent office, the Office of Inspector General (OIG) oversees the U.S. Department of State (Department), the U.S. Agency for Global Media (USAGM), and the U.S. Section of the International Boundary and Water Commission (USIBWC). OIG's mission is to promote economy, efficiency, and effectiveness in their respective programs and operations.

All Department, USAGM, and USIBWC employees, contractors and subcontractors, and grantees are required to cooperate with OIG. They must promptly report any known or suspected fraud, waste, abuse, or other crimes against the integrity of U.S. government programs and operations. Individuals who make such reports are protected from retaliation. To combat fraud, OIG relies on the vigilance of those who conduct the business of the Department, USAGM, and USIBWC. The following list of potential "red flags" or indicators can help such individuals detect potential fraud or other wrongdoing.

Department, USAGM, and USIBWC employees are automatically granted confidentiality when submitting complaints to OIG. However, if an individual chooses to remain anonymous, OIG's ability to ensure proper handling and resolution of the matter may be limited. OIG will not disclose an employee's identity without that employee's consent, unless such disclosure becomes unavoidable during an OIG investigation. Contact information for the OIG Hotline is provided at the end of this document.

Employee Misconduct Red Flags

Criminal/serious noncriminal misconduct on the part of any Department, USAGM, or USIBWC employee.
Red Flags May Include:

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

Public Corruption Red Flags

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 an employee.
- Inexplicable favorable treatment toward a contractor or grantee.
- Employee acting beyond the scope of their 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 above $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 as 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 Red Flags

Typically occurs when a government employee or contractor knowingly and willfully defrauds 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 so that a preselected bidder wins the contract. Competition is either limited or eliminated while prices are manipulated in favor of a few chosen vendors. Schemes can become very elaborate and sophisticated.

Red Flags May Include:

- Prices on contract services increase 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 a contractor charges more than the authorized rate, which results in an overcharge to the government.

Red Flags May Include:

- Timecards/sheets revised to require less information from technical staff or contractors; destroyed/hidden original timecards.
- False claims 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 are billed as direct costs to the government.

Fictitious Vendor Fraud

Typically occurs when a contractor or a government employee with procurement responsibilities submits bills from a nonexistent vendor to the U.S. government. These types of schemes may flourish when oversight is lacking.
Red Flags May Include:

- The vendor's address or phone number is nonexistent 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 made 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 noncompetitive award.
- Sole-source award is above or just below the competitive bidding limit.
- The request for bids is sent to a single 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 government staff and contract personnel.
- The Department does not release information about procurements equally (e.g., some information is shared only with a single contractor).
- 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 Red Flags

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 that have not been incurred or are not attributable to the grant.
- Charging for inflated labor costs or hours, or categories of labor that have not been incurred (e.g., 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 Scheme Red Flags

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.
- Guards self-report very few or no infractions.

Fuel Theft

Red Flags May Include:

- Delivery receipts or invoices that do not match fuel-usage records.
- Delivery receipts or invoices submitted 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 those who serve as intermediaries with post to negotiate the lease.

Warehouse/Commissary

Red Flags May Include:

- Inventory does not reconcile. Overages indicate goods received are not being tracked properly or shortages/missing assets indicate incomplete/inaccurate sales, disposals, or theft.
- Inventory records are incomplete, inaccurate, or out of date.
- Lax warehouse controls (e.g., control of logging items entering or leaving warehouse is limited to one person or a small cohort).
- Excessive purchasing levels; too frequent or negotiated sale of excess government property.
- Same person or persons consistently acquire excess property; successful bidders are close friends or relatives of government employees.
- Recovery rate of cost to sale is low, especially on hard-to-get items such as air conditioners, appliances, automobiles, and spare parts.

Motor Pool (Misue 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 are not maintained or are inconsistent with approved vehicle use.

Cashier Operations

Red Flags May Include:

- Cash levels above operational needs.
- Cash count does not reconcile.
- Cashier reconciliations are infrequent or ineffective.
- Unannounced cash verifications by accountable supervisors are infrequent or ineffective.
- Unreasonable delays occur between discovering discrepancies and reporting them.
- Records are incomplete, disorganized, grossly inaccurate, or missing.
- 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 antifraud activities.
- Reliance on a small number of visa facilitators, such as travel agents.

Trafficking in Persons

Defined by the government as modern slavery for forced labor or commercial sexual exploitation.
Red Flags May Include:

- Contractor or subcontractor holds the employee’s passport or identity documents and they cannot leave voluntarily.
- Contractor or subcontractor uses misleading or fraudulent practices during the recruitment of employees or uses recruiters who do not comply with the local labor laws of that country.
- Contractor or subcontractor charges 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.

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