



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



OIG

Office of Inspector General

U.S. Department of State • Broadcasting Board of Governors

QUICK FACTS

About Inspectors General

Created by the Inspector General Act of 1978 (IG Act), Inspectors General are structurally unique within the Federal Government. The IG Act creates independent units within each agency to combat fraud, waste, and abuse in the programs and operations of that agency. To this end, each Inspector General (IG) is responsible for conducting, supervising, or coordinating audits, inspections, evaluations, investigations, and other activities relating to the programs and operations of its agency.

Each IG must also keep the agency principal and Congress fully and currently informed about problems and deficiencies relating to the administration of agency programs and operations. The IG Act contains a variety of statutory guarantees of independence for the Office of Inspector General (OIG) to ensure the objectivity of oversight work and to safeguard against efforts to compromise that objectivity or hinder OIG operations.

By law, Inspectors General are tasked with promoting economy, efficiency, and effectiveness and preventing and detecting fraud, waste, and abuse in those programs and operations.

Independence and the Relationship With Agency Management

Congress created OIGs to strike a workable balance for IGs and agency principals. This balance is accomplished through a number of provisions of the IG Act.

If the agency head is committed to running and managing the agency effectively and to rooting out fraud, abuse, and waste at all levels, the Inspector and Auditor General can be his strong right arm in doing so, while maintaining the independence needed to honor his reporting obligations to Congress.

-Senate Committee on Homeland Security and Governmental Affairs

IG Independence

The IG Act specifically prohibits agency management officials from supervising the Inspector General. This organizational independence helps limit the potential for conflicts of interest when an audit or investigative function is placed under the authority of the official whose programs are being scrutinized. The IG Act insulates IGs against reprisal and promotes independent and objective reporting.

IG Access to Agency Principal

The Inspector General is required to have direct and prompt access to the agency principal when necessary to perform his or her functions and responsibilities. This helps ensure that the agency principal is directly and promptly alerted to serious problems and abuses within the agency.

IG Reports to Congress

The IG Act creates a dual-reporting obligation for IGs—to keep both Congress and the agency principal fully and currently informed about deficiencies in agency programs and operations, and to assist the agency in correcting those deficiencies. Many OIGs also submit to Congress agency- and program-specific reports. In addition, IGs brief their agency principals on important audits, investigations, and other issues; testify before congressional committees; respond to Questions for the Record; and regularly field requests and brief members of Congress and their staffs. The following are two key reports produced by OIG:

- **Semiannual Reports.** Section 5 of the IG Act requires IGs to issue semiannual reports detailing significant problems and deficiencies OIG identified during the 6 months preceding April 1 and October 1, listing current recommendations, and summarizing prosecutorial referrals made during the period. The report also details any significant disagreements with agency management concerning OIG recommendations. By law, the IG submits the report first to the agency principal no later than April 30 and October 31 of each year. The agency principal must prepare a companion report detailing manage-

ment's actions in response to OIG findings and recommendations. Upon receipt of the semiannual report, the agency principal has 30 days to add comments and the companion report and to transmit both to the appropriate Committees of Congress.

- **Seven-Day Letter.** Section 5(d) of the IG Act authorizes IGs to report immediately to the agency principal particularly serious or flagrant problems, abuses, or deficiencies relating to the administration of programs and operations. Within 7 days, the agency principal must transmit the report and any comments to the appropriate Committees or Subcommittees of Congress. The Seven-Day Letter is a powerful tool used in compelling circumstances requiring immediate congressional attention.

Overseeing OIG

Who oversees the Inspector General? The IG Act has several mechanisms to ensure IG accountability. First, all OIG reports (including semiannual reports) are published on the OIG website and are open to public scrutiny, except for reports containing classified or other sensitive information that may not be released. These reports reveal important information on the acceptance and implementation of OIG recommendations. Second, OIG audit offices are subject to external peer review for compliance with Government Auditing Standards, established by the Government Accountability Office, at least once every 3 years. OIGs that exercise statutory law enforcement authorities under the IG Act are also subject to mandatory peer review of their Offices of Investigations every 3 years.

Structure and Administration

OIGs are responsible for auditing and investigating fraud, waste, and abuse in compliance with Federal auditing and investigative standards. Many OIGs also have offices that perform inspections or evaluations of their agencies' programs and operations in accordance with standards set forth by the Council of the Inspectors General for Integrity and Efficiency. OIGs are also responsible for identifying vulnerabilities and recommending programmatic changes to strengthen controls and mitigate risk.

OIGs have considerable latitude to organize their offices, but must comply with the IG Act's staffing requirements.

Establishment IGs (presidentially appointed and Senate confirmed) are required to designate the following positions:

- **Assistant Inspector General for Auditing (AIGA).** The AIGA is responsible for supervising the performance of audits relating to programs and operations of that agency.
- **Assistant Inspector General for Investigations (AIGI).** The AIGI is responsible for supervising investigations of that agency's programs and operations.
- **Whistleblower Ombudsman.** The Whistleblower Ombudsman is responsible for helping to prevent agency managers from taking action against employees or contractors for making complaints or disclosing information to OIG.

The IG Act also requires all IGs to obtain independent legal advice from a general counsel who reports directly to an IG.

OIG Budget

The IG Act promotes independence through individual reporting of OIG budgets. Section 6(f) requires that each OIG's requested budget be separately identified within each agency's budget. Section 6(f)(3) authorizes OIGs to comment to Congress on the sufficiency of their budgets if the amount proposed in the President's budget would substantially inhibit the IG from performing the duties of the office.

Access to Agency Records and Subpoenas

The IG Act recognizes that access to records is critical to effective OIG investigations, audits, and other inquiries, and establishes broad authorities to support this need:

- **Agency Records.** IGs are given a broad statutory right of access to all records available to their agencies, including confidential interagency memoranda. If an agency employee refuses to provide records to OIG, the IG must immediately report this to the agency principal, and include the incident in the semiannual report to Congress.
- **Subpoenas.** The IG Act gives IGs broad authority to subpoena all relevant documents and information necessary for the performance of functions assigned by the IG Act. The subpoenas are enforceable in Federal district court.

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

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