



UNITED STATES DEPARTMENT OF STATE  
AND THE BROADCASTING BOARD OF GOVERNORS  
*OFFICE OF INSPECTOR GENERAL*

# FRAUD INDICATORS

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The integrity of the personnel and programs of the Department of State and the Broadcasting Board of Governors is the responsibility of every individual employee. While the Office of Inspector General (OIG) is primarily responsible for combating fraud, the OIG depends upon the vigilance of the people who conduct the business of the Department and BBG. In that spirit, OIG has put together the following list of indicators to help employees detect potential fraud. Many of these indicators represent “lessons learned” from previous cases of fraud that were investigated by OIG. We encourage employees to review these indicators and become familiar with them so that they’ll know what to look for as they conduct their business.

Employees who encounter potentially fraudulent activities are encouraged to report it through their chain of command or to contact the OIG Hotline as appropriate. Department of State and Broadcasting Board of Governors employees who contact the OIG Hotline are granted confidentiality. The contact information for the OIG Hotline is provided at the end of this document.

## PROCUREMENT AND CONTRACTING

### *Kickbacks, Bribery and Conflicts of Interest*

- Costs for services or goods purchased are inflated above local market rate; 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.
- Someone other than the vendor or vendor employees picking up and cashing vendor checks.
- High stock levels and inventory requirements; Continued purchase of items declared excess; Procurement deviation from best quality/price.
- Stock ownership by USG employees in contractor’s or subcontractor’s company; USG dependents or relatives employed by contractor or subcontractor; Pre-payment for products to be delivered (unless authorized by contract)
- Contract costs submitted, approved and/or paid for ineligible costs; Local contracts not available in English; Substantial unexplained affluence on the part of a government employee or dependent.

### ***Collusive Bidding or Price Fixing***

- 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; Unexplained discontinuation of discounts previously granted to the government.
- 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.
- Apparent rotation of low bids among contractors; Statements by a contractor that “it is (or isn’t) their turn; Certain contractors always bid against one another, or never do.
- Bids not logical (e.g., higher prices for local delivery); Identical bids for certain line items from several companies; All bidders change prices at the same time and to the same extent; Identical errors in calculations, mistakes, typos.

### ***Contracting Procedure***

- Face of contract reads “fixed price” when description of services or goods is related to a cost basis.
- Improper definition of needs or vague specifications on request for bids; Contract price increases shortly after award of contract with add-on amendments; Contractors assist in preparing specifications for jobs on which they later bid; Requests for bids published in obscure papers, prepared during holidays, with an inadequate synopsis; Late bids consistently accepted from certain contractors or by same government employee(s); Improper handling and storage of sealed bids or bids opened prior to closing of announcement.
- Small purchase or split purchase orders used to benefit favored suppliers; Backdated, after-the-fact award justifications.
- Same bidder repeatedly wins contracts with little or no competition; unauthorized person approving less than full competition.

- Hiring of former government employees to perform the same job as government employees, except under a Personal Services Contract (PSC).

### ***Product Substitution and Delivery***

- Delivery of brands different than ordered; comments that goods are “equivalent” to the order; Goods delivered much sooner than expected; Goods on top of box different from goods at the bottom of the box; Perished or poor quality goods accepted.
- Changes, deletions, and/or additions to paperwork and invoices accompanying delivered goods; Out-of-date price schedules; Inadequate inspection of goods or services made by unauthorized or non-objective employee.
- Use of untrained workers when skilled technicians were expected and paid for.

### ***Cost Mischarging Schemes***

- Time cards/sheets revised to require less information from technical staff or contractors; Destroyed/hidden original time cards.
- Time cards prepared in pencil rather than in ink; Obvious changes made to cards; Apparent identical signatures on time cards.
- Employee/company time records inconsistent; Labor costs passed from one contractor to next or charged inconsistently to USG.
- False claims being submitted for payment.
- “Ghost employees” included in claims.
- Corporate overhead costs being billed as direct costs to the government.
- Actual costs for goods are inflated beyond what is allowed in the contract.

## **ADMINISTRATION**

### ***Warehousing/GSO/Commissary Activities***

- Inventory does not reconcile; Inventory records incomplete, inaccurate, out of date; Sales documents do not track fund transfers.

- Lax warehouse controls (e.g., same person logs items entering or leaving warehouse).
- Excessive purchasing levels; Too frequent or negotiated sale of excess USG property.
- Same person or persons consistently acquires excess property; Successful bidders close friends or relatives of USG employees.
- General Service Officer (GSO) or staff acquires property for their own use.
- Recovery rate of cost to sale low, especially on hard to get items such as air conditioners, appliances, automobiles, spare parts.

### ***Leased Housing***

- Final leases not approved by OBO, RSO; consistently negotiated by FSNs; Leases especially favorable to lessors despite local market conditions and USG capital improvements; Lessors have close family, clan or working relationships with negotiators.
- Other agencies, governments, or private businesses, pay less for comparable housing.
- Lease agreements are always at or near maximum allowable cost.
- GSO is overly involved in the leasing process.

### ***Motor Pool***

- Unauthorized/unreimbursed use of USG vehicles; Dedicated vehicles available to unauthorized persons, including spouses.
- Logs for vehicle mileage and fuel consumption not maintained or inconsistent; Fuel usage not accounted for from delivery through consumption; Dip sticks not used to verify metered or measured deliveries; Fuel pumps inaccurate or consistently “broken,” and repair/service records not maintained.

### ***Accommodation and Reverse Accommodation Exchanged***

- Post personnel not cashing checks for local currency where multiple or black market exchange rates exist; Unauthorized persons have access to accommodation exchange.

- Excessive reverse accommodation exchange for post personnel through lax, nonexistent or outdated post regulations (e.g., “rubber-stamped” or lax timing and limits on currency exchange allowed for automobiles sales and/or personal property).

## **PERSONNEL**

### ***Common Employee Fraud***

- Unreimbursed personal telephone calls or use of GOVs; Improper exchange rates on Official Residence Expenses (ORE) expenditures; Payment for more servants than authorized; inadequate ORE residence inventories; Misuse of APO/pouch facilities.
- Use of government employees for personal purposes.
- Fraudulent benefit claims (i.e., separate maintenance allowance, educational allowance).

### ***Time and Attendance***

- Inaccurate, corrected, or missing time cards; Excessive overtime or questioned time; Employees certifying their own time card. (Note: Post management and supervisors should be apprised of and address issues such as employee abuse of breaks, tardiness, etc. Supervisor refusal/inability to address situation should be referred to OIG.)
- Home leave, R&R, etc. or applications for leave do not match pay records.
- Employee handling money, visas, or contracting, who takes little or no leave and/or has a reputation for “never missing work.” May indicate either dedication or be a “red flag” that the employee is afraid to let someone else handle files.

### ***Travel Vouchers***

- Excessive local cost (e.g., mileage, taxis, other transportation expenses); Consistent alterations or certifying “lost” receipts.
- Vouchers for expenses that, nature of event indicate would be paid for by another source (e.g., guest speakers’ airfare and hotel).
- Employees receiving “free” services on trips; Circuitous travel by dependents.

- Claim for full reimbursement without receipts or in where actual lodging in USG quarters or with friends/family is logical.

### ***Representational Vouchers***

- Claims for reimbursement for unauthorized events or entertainment; Receipt dates do not match time frame of events; and/or reimbursement claimed for events paid for by another source.
- Reimbursement of ORE at unofficial exchange rates; Failure to pay 3.5% of salary for ORE benefits by using differential exchange rates.

## **CASHIER OPERATIONS**

- Cash count does not reconcile; Lack of frequent and effective cashier reconciliations; Lack of frequent and effective unannounced cash verifications by accountable American officers for principal Class B Cashier and each subcashier under the jurisdiction of the State Department.
- Unreasonable delays between discovering discrepancies and reporting them to either the department or to the controlling FSC.
- Large number of items or repetitive items “in transit” at the time of the verifications; Replenishment vouchers not submitted on time and/or without proper documentation.
- Untimely cashing of replenishment checks or deposits of cash or other items; Pre-numbered, sequential receipts not routinely provided for collections by the cashier(s); Lacking control and inventory of pre-numbered receipts and other accountable forms; Repeat purchases by purchase order using duplicate or photocopies of receipts.
- Incomplete, disorganized, grossly inaccurate or missing records; Disregard or absence of disbursement limits, whether by time frame (so much per day) or amount (only X amount of dollars or local currency per transaction).
- No segregation of cashiering for cash boxes; Lax security in regard to cashier areas, safes and cash boxes; General disorganization in cashier areas; Inadequate courier controls and records.
- Increase in numbers of claims for reimbursement; Change in appearance of claims.

- Altered, inadequate or missing documentation.
- Non-serial numbered transactions.

## **CONSULAR OPERATIONS**

- Casual behavior in regard to safeguarding all accountable and/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 and/or alien registration; Infrequent or inadequate reconciliation of visa issuances and/or consular services with consular receipts.
- Appearance that American officers have abdicated their responsibilities, especially in the areas of visa issuance and antifraud activities, to FSNs; Excessive reliance upon a small number of visa facilitators, such as travel agents.

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**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:**

<http://oig.state.gov>

**Email:**

[oighotline@state.gov](mailto:oighotline@state.gov)

**Mail:**

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

Slug cables to “OIG Channel.”

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

- What is the problem?
- Who is involved?
- When, where and why did it happen?
- Is there any documentation?

***All communications with the OIG are confidential.***