

Fraud Awareness Training

U.S. Department of the Interior
Office of Inspector General

Opening Screen

This program was developed by the Association of Certified Fraud Examiners and the Department of the Interior Office of Inspector General. References in the videos to commercial products, services, or trade names do not constitute an endorsement by the OIG, Department of the Interior, or the Government

Onscreen image: Logos of the Department of Inspector General, U.S. Department of the Interior and the Association of Certified Fraud Examiners

Title Screen

Fraud Awareness Training

U.S. Department of the Interior
Office of Inspector General

Section 1: U.S. Department of the Interior

Onscreen image: Picture of Yosemite National Park showing a running stream through a pine forest.

Who We Are

- Manages U.S. natural and cultural resources
- Led by the Secretary of the Interior
- Employs 70,000 people
- Includes nine technical bureaus

Onscreen image: Pictures of the nine bureaus of the Department of the Interior

Audio: The U.S. Department of the Interior—or DOI—is a Cabinet-level agency that manages America's vast natural and cultural resources. Led by the Secretary of the Interior, the department employs 70,000 people, including expert scientists and resource-management professionals, in nine technical bureaus.

What We Do

DOI Mission: Protecting America's Great Outdoors and Powering Our Future

- Protect America's natural resources and heritage
- Honor our cultures and tribal communities
- Supply the energy to power our future

See the DOI's Mission Statement here:

<http://www.doi.gov/whoweare/Mission-Statement.cfm>

Audio: From more than 2,400 operating locations, our employees, along with more than 280,000 volunteers, carry out Department of the Interior's mission of protecting America's great outdoors and powering our future. We also raise billions in revenue annually from energy, mineral, grazing, and timber leases, as well as recreational permits and land sales.

For more information, the Department's full Mission Statement is available on the web at the address indicated.

Section 2: Introduction to the Office of Inspector General

Onscreen image: Picture of the Statue of Liberty

Authority

The OIG is charged with independent oversight of the integrity and accountability of the DOI's programs, operations, and management.

The DOI OIG derives its authority from the Inspector General Act of 1978, as amended, and provides oversight of Interior bureaus by:

- Conducting audits and investigations
- Promoting economy, efficiency, effectiveness, and
- Preventing and detecting fraud and abuse.

Audio: Under the provisions of the Inspector General Act of 1978 (as amended), the Office of Inspector General—or OIG—is charged with independent oversight regarding the integrity and accountability of the programs, operations, and management of the Department of the Interior. Among other things, the OIG is authorized to conduct audits and investigations of DOI programs and to prevent and detect fraud and abuse in such programs and operations.

You can read the full text of the Inspector General Act by clicking the "Attachments" button in the top right corner of your screen and accessing the PDF file titled "Inspector General Act."

What the OIG Does

Video: [Video of Mary Kendall, Deputy Inspector General, addressing the camera, includes scenes of Ms. Kendall and other employees working at their desks.] The mission of the Office of Inspector General is to provide independent oversight and promote excellence, integrity, and accountability within the programs operations and management of the U.S. Department of the Interior. We are a highly motivated organization of approximately two hundred and seventy employees conducting independent oversight and responding in the best interest of American tax payers to ensure that the U.S. Department of the Interior earns the public's trust. We are alert to waste, fraud and mismanagement, whether expressed as administrative waste or criminal activity, and we use a range of audit and investigative tools to ensure that the Secretary, the Congress and the Public are fully and currently informed about problems and deficiencies relating to the programs and operations of the department. The office of Inspector General accomplishes its mission by performing audits, investigations, evaluations, inspections and other review of the department's programs and operations. We independently and objectively identify risks and vulnerabilities that directly affect or could impact D.O.I's mission and the vast responsibilities of its bureaus and entities. As a Government contractor you too are important in the fight against fraud, waste and abuse. Please pay close attention to the following program. It will explain how you can help your company and the Department of the Interior serve the public better.

Results of Government-Wide OIG Activity to Fight Fraud

- \$84.8 billion in potential savings from audit recommendations
- 473,870 hotline complaints processed
- 6,031 successful prosecutions
- 963 successful civil actions
- 5,637 suspensions and debarments

Click the "Attachments" button located in the top right corner for a copy of the Progress Report to the President.

Audio: Fraud is a significant risk to the U.S. Government across all bureaus and agencies. These numbers show the impact of fraud as reflected in the annual activity results of the Inspector General Community as reported in a recent Progress Report to the President. The full OIG Progress Report to the President can be accessed by clicking the "Attachments" button in the top right corner of your screen.

Section 3: What Is Fraud?

Onscreen image: Picture of geyser erupting at Yellowstone National Park

What Is Fraud?

- Fraud is a silent crime that costs trillions of dollars in damage worldwide each year.

- *Fraud* can be defined as “an intentional misrepresentation which causes the suffering of damages and usually monetary losses.”

Onscreen image: Picture of dictionary open to the word “fraud” and pencil pointing to it

Audio: Fraud is often a silent crime. There are no exciting chase scenes, smoking guns, or bleeding victims. Nevertheless, fraud is a serious crime. Yearly, fraud costs trillions of dollars in damage worldwide. It costs you, too.

But what is fraud? As a general concept, fraud can be defined as an intentional misrepresentation which causes the suffering of damages and usually monetary losses. It includes cheating for profit or gain. Fraud is characterized by acts of guile, trickery, concealment, or breach of confidence, which are used to gain some unfair or dishonest advantage involving money, property, or services.

What Is Fraud? (2)

This program will focus on fraud that affects the Government, perpetrated by Government employees, or contractors, recipients, concessioners or lessees, such as those involving:

- Kickbacks or bribes
- Falsified internal reports or information
- Fraudulent overtime
- False statements
- Stolen Government or commercial proprietary information
- False invoices

Audio: Although the majority of the Government’s contractors, recipients, concessionaires, lessees, and Government employees are honest, there are those that don’t play by the rules. The OIG is committed to stopping fraud regardless of how it occurs. Some of the most common schemes we investigate include:

- The taking or paying of kickbacks or bribes
- Falsifying internal reports or information
- Claiming overtime when it is not due
- Providing false information to the Government
- Stealing proprietary information, and
- Falsifying invoices or work done for the Government

What Is Fraud? (3)

Employees, contractors, recipients, and the Government, all owe duties to help guard against the threat of fraud.

Onscreen image: Picture of three individuals outside in a city setting looking at a binder

Audio: Fraud harms the Government organization, as well as the people who work there. Government employees owe a duty to avoid conduct that is detrimental to the agency. Government contractors and vendors owe a duty to deal honestly and fairly with the agency. Similarly, the Government organization owes a duty to its employees and contractors to be honest in its activities.

Consequences of Fraud

Introduction Slide:

Defrauding the Government can result in fines and significant prison sentences.

Contractors can also be subject to administrative sanctions, including:

- Solicitation withdrawal
- Suspending payments upon discovery of fraud
- Contract termination for default, convenience, or cause
- Exclusion from future awards through suspensions and debarments

Click the tabs to the left for more information.

Onscreen image: Picture of hands grasping prison bars

Audio: Fraud is a Federal crime. The U.S. Code contains a number of related provisions that punish false or fraudulent statements, oral or written, made to various Federal agencies and departments. Being convicted of these actions can result in fines and several years' imprisonment. Contractors can also be subject to administrative sanctions, such as:

- Solicitation withdrawal
- Suspending payments upon discovery of fraud
- Contract termination for default, convenience, or cause
- Exclusion from future awards through suspensions and debarments

Click the tabs to the left for more information.

Solicitation Withdrawal Slide:

The Federal Acquisition Regulation (FAR) sets forth a detailed procedure for voiding and rescinding contracts, if a Federal agency receives information that a contractor engaged in illegal conduct concerning the formation or award of the contract (e.g., bribery, conflicts of interest, and disclosure or receipt of contractor bid, proposal, or source-selection information) (FAR Subpart 3.7).

Onscreen image: Picture of a folder being handed from one person to another

Suspending Payments upon Discovery of Fraud Slide:

An agency head can reduce or suspend payments to a contractor, when the agency head determines there is substantial evidence that the contractor's request for advance, partial, or progress payments is based on fraud (FAR 32.006).

Onscreen image: Picture of a man holding a binder

Contract Termination for Default, Convenience, or Cause Slide:

Relating to Federal procurements, the Government has a contractual right to terminate a contract for default because of the contractor's actual or anticipated failure to perform its contractual obligations (e.g., when fraud is present on a contract) (FAR 12.403 and 49.401).

Onscreen image: Picture of folder with papers inside

Exclusion from Future Awards Slide:

Suspensions and debarments are administrative sanctions that disqualify contractors from Government contracting and subcontracting (FAR 9.4) or exclude participants from non-procurement awards such as grants, cooperative agreements, concessions, and leases (2 C.F.R. Part 180).

Video: [Video of Stanley Stocker, Debarment Program Manager, addressing an off-camera interviewer] From our Shop we can make recommendations to the Debarring official for exclusion for a temporary period or for - - which is called suspension, or for longer period, which is typically a three year period of debarment. Now they can be even longer than that, depending on the seriousness of the misconduct, and it can be related to both misconduct and poor performance. Anything that risks the Federal Government funds we want to address. And it's really the same thing we do with our own money. If we know someone has a history, either of poor performance, or misconduct, we're not likely to go ahead and spend money with them in the future, and that's basically what we do, and again we make the recommendations the department debarring official makes those final determinations. Well if you're excluded by the Department of Interior, then you're excluded across the Federal Government. If you get on that list, which is at EPLS.gov formerly, now it's at SAM.gov then you can't get any Federal Government award either on the procurement side contracts or the non-procurement side, Grants, corporate agreements across the Federal Government. So it's a very serious sanction, but we remind people that it's not punishment, it's the way we protect the Federal Government programs.

Section 4: Fraud Schemes and Violations

Onscreen image: Picture of Washington Monument in Washington, D.C.

Fraud Schemes and Violations

Introduction Slide:

Fraud in Government contracts can take many forms. Some of the most common schemes include making false statements, bribing Government employees, colluding with other vendors, engaging in conflicts of interest, and improperly billing or performing under the contract.

As you know, each of these schemes costs the Government (and subsequently the taxpayers) money. Just as important is the fact that engaging in many of these schemes is a Federal crime.

Click on the tabs to the left to learn more about each scheme.

Onscreen image: Picture of people at a conference table looking at papers

Audio: Fraud in Government contracts can take many forms. Some of the most common schemes include making false statements, bribing Government employees, colluding with other vendors, engaging in conflicts of interest, and improperly billing or performing under the contract.

As you know, each of these schemes costs the Government (and subsequently the taxpayers) money. Just as important is the fact that engaging in many of these schemes is a Federal crime.

Click on the tabs to the left to learn more about each scheme.

False Statements and False Claims Slide:

Section 1001 of Title 18 of the U.S. Code encompasses three broad categories of offenses that prohibit individuals, Government contractors, recipients, and others from engaging in conduct involving false statements to Government officials. In short, Section 1001 prohibits individuals from *knowingly* and *willfully*:

- Falsifying, concealing, or otherwise covering up a material fact by any trick, scheme, or device
- Making materially false, fictitious, or fraudulent statements or representations
- Making or using a writing or document with knowledge that said document contains materially false, fictitious, or fraudulent statements

The statute covers both oral and written statements, whether sworn or unsworn. Moreover, it applies to false statements that are not made to the Government, if the statements result in false statements to the Government. Section 3729 of Title 31 of the U.S. Code addresses the submission of false claims. A false claim occurs when an individual makes or presents a false, fictitious, or fraudulent claim to a Government official, knowing such claim was false, fictitious or fraudulent and did so with the specific intent to violate the law or conscious that what he was doing was wrong.

Video: [Edward Baugh, Special Agent, speaking to offscreen interviewer] When we're interviewing contractors and people that do business with the Government to include Government employees. It's a felony if you give us a false statement, either written or oral when we interview you, which is a violation of eighteen USC one thousand-one.

Bribery Slide:

Generally, bribery occurs when a contractor or individual gives, offers, or promises anything of value, such as money or a job, to a Government official in exchange for an act or omission of an act, or to collude in committing a fraud (18 U.S.C. § 201). Theft or bribery concerning programs receiving Federal funds is addressed under 18 U.S.C. § 666.

At its heart, a bribe is a business transaction, albeit an illegal or unethical one. A person "buys" something with the bribes he pays—influence over the recipient.

Bribery is a corruption scheme because it involves collusion among those involved in the purchasing process. These schemes usually attack the purchasing function of the victim company, so it makes sense that employees with purchasing responsibilities often commit these frauds. Purchasing employees frequently have direct contact with vendors, and therefore have an opportunity to establish a collusive relationship.

Video: [A. J. Benavidez, Special Agent, speaking to an offscreen interviewer] A bribe is an offer to solicit anything of value in exchange for performing an act for a public official as a recipient. An example of providing something of value could be tickets to a sporting event, actual money, or travel expenses for a vacation to a Government procurement official in exchange for that official doing something for the contractor. That could be seen as a bribe. Also, a procurement official might solicit a bribe by saying something like, "I see your company is competing for a contract and I have a role in that final determination. I could see your company winning this award if I were to get a little help with my daughter's tuition".

Collusion Among Contractors or Participants Slide:

American consumers have the right to expect the benefits of free and open competition—the best goods and services at the lowest prices. The Government often relies on a competitive bidding process to achieve that end. The competitive process only works, however, when competitors set prices honestly and independently. When competitors collude, prices are often inflated, and the customer is cheated. Price fixing and bid rigging are forms of collusion and are illegal. In bid rigging, contractors or participants collude and manipulate their bids to affect the outcome of the selection process.

These schemes may be prosecuted under the Sherman Act (15 U.S.C. § 1 et seq.) or under other provisions, such as 18 U.S.C. § 1341, which involves frauds and swindles, and 18 U.S.C. § 371, which deals with conspiracies to commit offenses or defraud the United States.

Video: [A. J. Benavidez, Special Agent, speaking to an offscreen interviewer] A Government policy is that we will have full and open competition in all acquisitions. When companies or individuals compete on a particular award and conspire on pricing, they give the appearance of competition, but in fact there was no competition and this is a corruption of our procurement integrity process.

Conflicts of Interest and Impartiality Slide:

A Government employee's position, title, or authority might offer the opportunity to further the employee's own private interests or the interests of friends, relatives, or persons with whom the employee is affiliated in a nongovernmental capacity. An employee might have access to nonpublic Government information that could benefit those interests, and will have access to Government property. The public might lose confidence in the integrity of Government if it perceives that an employee is using public office to serve a private interest, and it expects that Government information, property, and time will be used to serve the public's interests. Government employees are required to act impartially and may not make improper use of their Government position, title, or authority.

Collusion among contractors and Government procurement officials generally takes the form of one of the following schemes:

- **Requirements recognition:** Generally, procurement actions begin with the procuring entity making a determination of its requirements. These initial determinations include assessments of the types and amounts of goods or services required to meet the entity's needs. Fraud occurring during this phase of the procurement process might result in decisions to purchase excessive or possibly unnecessary goods or services.
- **Specifications:** Specifications schemes (also known as *bid tailoring schemes*) occur during the presolicitation phase. An employee with procurement responsibilities, often in collusion with a supplier or contractor, tailors bid specifications to give an unfair advantage to a certain contractor.
- **Bid manipulation:** Bid manipulation occurs when a procuring employee manipulates the bidding process to benefit a favored contractor or supplier. These schemes occur in the solicitation phase and might be orchestrated to eliminate competitive bidding, causing the contract to be awarded to a particular supplier. They include such things as inappropriately accepting late bids, altering received bids, extending bid opening dates without justification, opening bids prematurely, improperly disqualifying legitimate bids, and offering sole-source awards when there are other qualified competitors.

Video: [Laura Daly, Special Agent, speaking to an offscreen interviewer] We worked an investigation in which the contracting officer who was working for the Government in charge of the contract was also working for the contractor providing the services, so she would submit the invoices to the Government, and then she herself was certifying those invoices on the Government side, as well.

Performance Schemes Slide:

There are a number of different fraud schemes that occur during the award and performance stage of the procurement process, including:

- **Invoicing schemes:** Vendors manipulate invoices to generate false payments.
- **Non-conforming goods or services:** Also known as *product substitution* or *failure to meet contract specifications*, these frauds involve attempts by contractors to deliver goods or services to the procuring entity that do not conform to the contract specifications.
- **Change order abuse:** Change order abuse involves a corrupt contractor submitting a low bid to win the contract, but then increasing prices with subsequent change orders. Similarly, a dishonest contractor, acting in collusion with contracting personnel, can use the change order process to improperly extend or expand contracts and avoid rebidding.
- **Cost mischarging:** Cost mischarging occurs during the performance stage of the procurement process when a contractor charges the procuring entity for costs that are not allowable, not reasonable, or cannot be allocated to the contract directly or indirectly. Typically, cost mischarging schemes occur on cost-reimbursement contracts paid based on incurred costs, but they can also occur on fixed-price contracts if contract changes and equitable adjustments are reimbursed on incurred costs.

Video: [A. J. Benavidez, Special Agent, speaking to an offscreen interviewer] Performance schemes are ways that unscrupulous contractors try and defraud the Government after work under the contract has begun. They usually involve the contractor asking for more money or trying to change the scope of work.

For example, in a cost mischarging scheme a company improperly allocates cost for materials or labor to a contract they do not belong to, so they can receive payments they are not entitled to increase their profits. By doing this, they violate the False Claims Act as this is a wrongful allocation of costs and results in false statements.

Labor and Payroll Schemes Slide:

Deliberate violations of the Davis Bacon Act or the Service Contract Act are frequently found where companies pay less than the Federally required prevailing wage for their labor work force. In some instances, contractors falsify weekly certified payroll reports to indicate they are paying the wage, or they pay the mandated wage and then demand the employees kickback a portion of their pay.

Video: [Voice of A. J. Benavidez, Special Agent, video of folders, person using whiteout to change a document, copying a document at a copier, and then signing a contract at a desk] Deliberate violations of the Davis Bacon Act or the Service Contract Act are frequently found where companies pay less than the Federally required prevailing wage for their labor work force. In some instances, contractors falsify weekly certified payroll reports to indicate they are paying the wage, or they pay the mandated wage and then demand the employees kickback a portion of their pay.

Section 5: Corporate Compliance and Ethics

Onscreen image: Picture of redwood trees from Redwood National Forest

Code of Business Ethics and Conduct

Introduction Slide:

The FAR requires Government contractors in some instances to have a written Code of Business Ethics and Conduct. The FAR also provides several other components of effective compliance and ethics programs that are required of these contractors. Even for contractors unaffected by these requirements, the provisions laid out in FAR 52.203–13 identify best practices that can help in the prevention and detection of fraud.

Click on the arrow in the top right corner to navigate through the pages for more details.

Audio: The Federal Acquisition Regulation requires Government contractors in some instances to have a written Code of Business Ethics and Conduct. The FAR also provides several other components of effective compliance and ethics programs that are required of these contractors. Even for those contractors and recipients for whom these requirements do not apply, however, the provisions laid out in FAR 52.203—13 identify best practices that can help in the prevention and detection of fraud.

Click on the arrow in the top right corner to navigate through the pages for more details.

Rule on Compliance and Ethics Slide:

Onscreen image: Picture of a stack of documents

FAR 52.203–13

- Written Code of Business Ethics and Conduct
- Code available to all employees involved in performance of contract
- Exercise due diligence to prevent and deter improper conduct
- Organizational culture that encourages ethical conduct and commitment to compliance

- Timely disclose to OIG and Contracting Officer when contractor has evidence of violations of criminal law involving fraud, conflict of interest, bribery, or gratuity violations or a violation of the civil False Claims Act

Rule on Compliance and Ethics Slide (2):

Onscreen image: Picture of people at a board room table looking at documents

FAR 52.203–13

- Fully cooperate in Government audits, investigations, and corrective actions
- Reasonable steps to communicate compliance standards and procedures
- Internal controls to facilitate discovery of improper conduct
- Assign oversight responsibility at high level
- Periodic reviews of policies, procedures, and controls
- Monitoring and auditing to detect violations

Internal Controls System Slide:

Onscreen image: Picture of woman reading a document

FAR 52.203–13

- Periodic evaluation of effectiveness of program and internal controls
- Periodic assessment of compliance risks
- Establish internal reporting system that allows for anonymous reports
- Establish consistent system of disciplinary action

The full text of FAR 52.203–13 can be viewed here:

www.acquisition.gov/far/current/html/52_200_206.html#wp1141983

Hotline Posters Slide:

Onscreen image: Hotline poster that reads:

Fraud Hotline

United States Department of the Interior

Office of Inspector General

Report Fraud, Waste and Mismanagement in the Programs and Operations of DOI Bureaus and Offices

www.doi.gov/oig.cfm

1-800-424-5081

Contractors must display DOI OIG Hotline posters if performing contracts awarded for \$3 million or more and exceeding 120 days in performance.

www.doi.gov/oig.cfm

Click the “Attachments” button located in the top right corner for a copy of the DOI Acquisition Policy.

Summary Slide:

Listen as Stanley Stocker, Debarment Program Manager in the Recovery Oversight Office, emphasizes the advantages of implementing a compliance program in accordance with the Federal Sentencing Guidelines.

Video: [Stanley Stocker, Debarment Program Manager, speaking to offscreen interviewer] I think one of the great advantages of using a compliance program, and a great way to look at what should be in a compliance program are the Federal Sentencing Guidelines. They really lay out what a good compliance program should look like, and the reason it’s beneficial for a company to have that- - it’s sort of like an insurance policy. If there’s an instance of misconduct, that doesn’t mean that you don’t have a good program, but if there is an instance of misconduct, and the Government will come to you and say, so what have you done in the past to make sure that your company is not likely to engage in this conduct or poor performance? Then if you can point to the fact that you have a hotline, or you have a really engaged board of governors, who know that compliance is very important, that can make all the difference. In essence, if you’ve tried to protect the Federal Government funds, then if something does go wrong, the Government will take that into consideration.

Mandatory Disclosure Rules

DOI contractors are required to make timely notifications when credible evidence exists of certain violations of criminal law, violations of the civil False Claims Act, or overpayments in connection with the award or performance of contracts. This applies to contractors performing contracts awarded for \$5 million or more and exceeding 120 days in performance.

Audio: DOI contractors are required to make timely notifications when credible evidence exists of certain violations of criminal law, violations of the civil False Claims Act, or overpayments in connection with the award or performance of contracts. This applies to contractors performing contracts awarded for \$5 million or more and exceeding 120 days in performance.

Mandatory Disclosure Rules (2)

Contractors must disclose, in writing, any credible evidence that a principal, employee, agent, or subcontractor of the contractor has committed a violation of Federal criminal law involving fraud, conflict of interest, bribery, or gratuity violations (found in Title 18 of the United States Code); or a violation of the civil False Claims Act (31 §U.S.C. 3729-3733), in connection with the award, performance, or closeout of a Government contract or a subcontract awarded thereunder to the Department of the Interior. Disclosures must be made by a senior officer or manager authorized to speak for the contractor.

Audio: Contractors must disclose, in writing, any credible evidence that a principal, employee, agent, or subcontractor of the contractor has committed a violation of Federal criminal law involving fraud, conflict of interest, bribery, or gratuity violations; or a violation of the civil False Claims Act in connection with the award, performance, or closeout of a Government contract or a subcontract.

Mandatory Disclosure Rules (3)

An online contractor disclosure submission system is available. Contractors are invited to email the DOI OIG at CtrSubmissions@doioig.gov, or you may call 1-800-424-5081 for additional information regarding compliance with this requirement.

Audio: To assist in making these disclosures, an on-line contractor disclosure submission system is available.

Section 6: Fraud Detection

Onscreen image: Picture of the Grand Canyon National Park showing a large canyon

Warning Signs of Procurement Fraud (Interaction)

Introduction Slide:

All employees should be alert to behaviors that could be a sign of fraud. You might recognize people who fall into some of these categories:

- Rule breakers
- Big spenders
- People with financial problems

Click on the tabs to the left to learn more about these behavioral characteristics.

Onscreen image: Image of a person holding money

Audio: All employees should be alert to behaviors that could be a sign of fraud. You might recognize people who fall into some of these categories:

- Rule Breakers
- Big Spenders
- People with Financial Problems

Click on the tabs to the left to learn more about these behavioral characteristics.

Rule Breakers Slide:

Steve Comisar is a repeat fraud offender who has been caught conducting crimes that range from corruption to extortion to probation violations. His first jail sentence—for an advance-fee fraud—was 46 months, and he’s currently serving a 143-month sentence for various crimes.

Video: [Steve Comisar, Convicted Fraudster, speaks to offscreen interviewer] What makes me different is most people will say I’d never want to try something like this. I’d never want to do this. Most people are scared. That’s why most people don’t make very much money. Because they’re scared to take a risk and take a chance. ... I took a risk. I wanted to have money. I wanted to have power. I wanted it all. It’s just that my problem was I didn’t realize that everyone eventually gets caught.

Big Spenders Slide:

Kenneth Kemp was a controller at a manufacturing company, when he decided to write himself a company check for \$50,000. He was caught and paid restitution, only to be hired as the controller at a canning company shortly thereafter and commit the same offense. When his check-writing scam exceeded \$100,000, the external auditors started to put the pieces together. He was convicted and served eight months in prison.

Video: [Kenneth Kemp, Convicted Fraudster, speaks to offscreen interviewer] This is greed. It was living a life that was very high above my needs, my, my means. Uh, I, I literally do not, when I think back and of course it was years ago, uh, and I hope I’m a little more mature today than I was then. But I, I can’t understand people not seeing so much change in my life. I mean there was a new car purchase. There was, uh, all kinds of materialistic things that people should have been able to see that was changing in my life.

People with Financial Problems Slide:

Randy Pierce was an IT professional who stole computer parts from his employer to help cover back taxes and personal debts. His scheme was uncovered when a purchaser of the stolen parts tried to sell them back to Randy’s employer, who recognized the components as part of the

batch that went missing. Though his personal take from the scheme was only \$5,500, he was sentenced to 25 years in state prison.

Video: [Randy Pierce, Convicted Fraudster, speaks to offscreen interviewer] So then, you know, I get this thing in the mail from the IRS ... for a huge delinquency, you know, of fifteen thousand, fourteen thousand, something like that. Taxes owed ... And this went on and on and on trying to just track down what is, all I was trying to find out was what's the reason for the, for the charge. So that if I'm supposed to pay it I'll pay it but I'm not going to just carte blanche pay it. So this was going on for a couple of years and I finally get, you know, some notices in the mail they're fixing to garnish wages and levy liens against the house and stuff like that. So you know, I'm in one of these like scared modes like I don't know where to turn. I can't turn to my family. My family doesn't have that kind of money so I can't turn to them nor would I probably want to turn to them. I'm just not that way. Uh, so I called a friend of mine up and, you know, Larry and I have been friends for years and said - Hey can you loan me some money. He said - Yeah, I can loan you some money. So he loaned me I think about five thousand dollars, four or five thousand dollars and that's what got everything started. After I got the money it's like okay I need my money back. Well I don't have the money. ... So he's back on me wanting the money and the IRS is wanting the money, he's wanting his money back. So, you know, I just bought a house and so everything was just kind of tumbling. And so all I did I said - Let me send you some parts see if they're worth anything.

Fraud Indicators (Interaction)

Introduction Slide:

Listed below are some common fraud indicators. The presence of an indicator, however, does not necessarily mean that fraud is or has occurred. Please contact the OIG if you see any of the following red flags so that they can be reviewed.

- Organizational and personal conflicts of interest
- Duplicate or inflated invoices
- Inadequate, missing, or altered records
- Employees not taking leave
- Unexplained inventory variances
- Transactions billed out of sequence
- Failure to follow internal controls/ignoring controls
- Changes to scope of contract or numerous change orders
- Improperly allocated costs

Click on the tabs to the left or more information.

Audio: It is essential that all of us are alert to potential warning signs of procurement fraud. These include things like:

- Organizational and personal conflicts of interest
- Duplicate or inflated invoices
- Inadequate, missing, or altered records
- Employees not taking leave
- Unexplained inventory variances
- Transactions billed out of sequence
- Failure to follow internal controls/ignoring controls
- Changes to scope of contract or numerous change orders, and
- Improperly allocated costs

Click on the tabs to the left for more information.

Organizational and Personal Conflicts of Interest

Video: [A. J. Benavidez, Special Agent, speaking to an offscreen interviewer] Conflicts of interest can be personal or organizational and are the result of improper relationships. Organizational conflicts of interests may develop when a company is awarded a contract to develop a statement of work or specification requirements for a Government award, and then later on they compete to win the actual execution of the performance of that contract. Additionally, a conflict can arise when proprietary information is obtained from a Government official without proper authorization.

Inadequate, Missing, or Altered Records

Video: [Laura Daly, Special Agent, speaking to an offscreen interviewer] If you see things that seem suspicious, or just don't add up even if you're not sure whether they are actual fraud, definitely let us know because even small things such as maybe missing documents, or altered records, or maybe multiple changes to a contract could really be a piece of- - of fraud that's occurring.

Employees Not Taking Leave

Video: [Hannibal Ware, Region Audit Manager, speaking to an offscreen interviewer] One thing that we noticed is and that you may need to look at as a contractor is that you have someone in your procurement department, your accounting department, and they seem to be doing great work and you've offered them on more than one occasion to be promoted, but they constantly decline. They don't want to be removed from auditing department. You might look at that on the surface and say, well, they're just real comfortable in their job and that might very well be the case. But it's something to be cognizant of, it's something that raises one of those red flags. That you could say, it's kind of strange this person will get more benefits, more money, but they just don't want to leave that procurement office or that accounting office and they never take vacation. They never take leave, they're never sick, then you may want to take a closer look as to what they're doing.

Transactions Billed Out of Sequence

Video: [Hannibal Ware, Region Audit Manager, speaking to an offscreen interviewer] Another thing to look out for is invoices that are out of sequence because folks have a tendency to go to the back of the book where they don't think it's going to be caught, and they'll pull out an old - an old receipt for example. Submit that as part of their invoice for a - you know - to - to be repaid or reimbursed for whatever cost they incurred. Those are some of the things that we would need to look at.

Changes to Scope of Contract or Numerous Change Orders

Video: [Hannibal Ware, Region Audit Manager, speaking to an offscreen interviewer] Another example of a red flag that a contracting officer - a contractor may want to look for is those instances where you - you had somebody come in at a price that seemed a little bit low and you're selecting them based on that. Well, now you're recognizing that they are change orders. It's not a change in the scope of work, but it's a change in the cost, or on the time. Those kind of things raise a red flag, because you've - basically you're rebuilding your contract to probably where your price should have been in the very first place.

Inadequate Segregation of Duties

Video: [Hannibal Ware, Region Audit Manager, speaking to an offscreen interviewer] One of the things we see, primarily with small companies and amazingly and alarmingly with some of the more larger contractors as well is that they have one person - one person that's doing almost everything. And I'll give you an example, you have somebody that's required to seek submission of bids and they're also required to review the bids, they're required to select the person who's going to get the job, whether it's a sub or - or - or whatever, and they're also required to review the invoices, bill payments - bill payment documents when they come in and they are responsible for writing the check that goes to the contractor that they selected. That's a huge red flag.

Section 7: Fraud Prevention

Onscreen image: Picture of cliff at Big Bend National Park

Government Policies and Codes of Conduct

As a general rule, DOI employees may not, directly or indirectly, solicit or accept a gift:

1. From a prohibited source; or
2. If it is given because of their official position.

For more information on this and other rules governing DOI employees, please see the Ethics Guide for DOI Employees by clicking the "Attachments" button located in the top right corner.

Audio: It is also important that Government contractors understand the rules that Government employees are required to follow.

For example, DOI employees, as a general rule, may not, directly or indirectly, solicit or accept a gift:

- (1) From a prohibited source; or
- (2) If it is given because of their official position.

If an employee seeks or accepts such gifts in violation of the rules, this conduct should be reported to the OIG.

For more information on this and other rules governing DOI employees, please see the Ethics Guide for DOI Employees by clicking the “Attachments” button located in the top right corner of your screen.

Prohibited Source

A “prohibited source” includes any person, company, or organization that has business with the agency, is seeking to do business with the agency, conducts operations that are regulated by the agency, or has any interests that might be affected by the performance or non-performance of the employee’s official duties.

Audio: A “prohibited source” includes any person, company, or organization that has business with the agency, is seeking to do business with the agency, conducts operations that are regulated by the agency, or has any interests that might be affected by the performance or non-performance of the employee’s official duties.

Section 8: How to Report Wrongdoing

Onscreen image: Picture of water flowing over rocks in the forest from Shenandoah National Park

Hotline Reporting (Interaction)

Introduction Slide:

- Reports can be made anonymously.
- Federal laws protect against retaliation for reporting wrongdoing.
- For more information, see www.doi.gov/oig.cfm.

Click the tabs below for options available to report wrongdoing.

Onscreen image: Picture of a man using the phone

Audio: The OIG maintains a hotline to facilitate the reporting of allegations of fraud, waste, abuse, mismanagement, or misconduct in the U.S. Department of the Interior programs or operations. There are several different ways to report wrongdoing, and they are available 24 hours a day.

Anyone who suspects wrongdoing is encouraged to make a report.

Reports can be made to the OIG anonymously. Additionally, there are Federal laws that (in some cases) offer protection from retaliation for people who report fraud or other types of wrongdoing. For more information, contact the OIG or view the webpage indicated on your screen. You are also encouraged to seek legal counsel regarding what specific protections may apply in your circumstances.

Click on the tabs to the left for more information.

How to Report Slide:

Telephone

1-800-424-5081

Fax

(703) 487-5402

(Attention: Hotline Operations)

U.S. Mail

U.S. Department of the Interior

Office of Inspector General

1849 C Street, NW

MS-4428

Washington, DC 20240

Attention: Hotline Operations

Why You Should Report

Video: [Robert A. Knox, Assistant Inspector General, speaking to offscreen interviewer] There are several reasons why an employee of a firm should want to report fraudulent behavior they witness. The first is, fraud is a crime, and when that fraud occurs in the course of contracting with the Federal Government it's a Federal crime. I think the second reason is that these Federal contracts are paid with U.S. tax dollars. Employees of companies are tax payers. They should be as concerned as anyone about how those dollars are being used and make sure that they are not being stolen, and the last reason I think that it's important for us to think about is the employee themselves and their relationship to the firm. Everyone wants to be proud of who they work for. The integrity of that company should matter to that employee, and if they're

working for a firm that is stealing Government- - stealing money from the United States Government, they should do something about it.

Section 9: Conclusion

Onscreen image: Picture of cliffs and boulders from Canyonlands National Park

Conclusion

Video: Fraud costs the Government millions if not billions of dollars each year. Both the Government and its contractors are mission partners in serving the nation and maintaining public trust. It takes all of us working together to make this mission a success. We are all responsible for protecting Government resources and taxpayer dollars from mismanagement and fraud. Thank you for your attention during this program. For further training and information about identifying and preventing fraud, please contact us.

Contact Information

For more information, please contact the Headquarters Office:

Department of the Interior
Office of Inspector General
1849 C Street, NW, MS 4428
Washington, DC 20240

Phone: 202-208-5745

Fax: 202-208-6062

Email: info@doioig.gov

Version 1.1

Audio: For more information, please contact the Department of the Interior using any of the methods indicated on your screen.