

Recipient COMMUNICATION



- Suggestion of gifts, money, favors or gratuities
- Boastful, arrogant attitude
- “Holier than Thou” demeanor
- Comments of relationships with management
- Evasiveness or lack of communication
- Disinterest or lack of questions
- WAY too many questions or requests
- The SAME question over and over
- “Is there any way to get around this?”
- Claiming ignorance of rules
- Too much humor during conversations
- Frequent time extension requests
- Payment advance requests
- Budget alterations immediately following award
- Resistance to audits, inspections and site visits
- Claiming documents were “lost or destroyed”
- Recipient employee relays concern or complaint

ANYTHING that indicates lying, stealing, cheating, waste or abuse!

Recovery Act Concerns

Competition

The Recovery Act encourages fixed price contracts and competition to the “maximum extent possible.” Therefore, be on the lookout for bid rigging, price fixing and any indicators that suggest a violation of fair competition.

Small Business Participation

The Recovery Act encourages funding to Small Businesses. Too often, businesses who are in financial difficulty are tempted to commit fraud. Be VERY aware of communication, performance, and behavioral fraud indicators.

Contract Financing

The Recovery Act allows for agencies to provide financing to contractors who find it difficult to secure cash flow in the current tight credit market. ANY contractor who requests contract financing should be carefully monitored for fraud,

Structuring Contract Deliverables

The Recovery Act permits agencies to structure contract line items to allow invoicing and payments based on interim and partial deliverables, milestones & percent of completion. As such, please be on the lookout for fraud indicators regarding invoices such as: duplicates, copies, and non-verifiable vendors.

Buy American

The Recovery Act requires that projects for the construction, alteration, maintenance, or repair of a public building or public work must utilize iron, steel, and manufactured goods produced in the U.S. unless expressly exempted. Beware of fictitious vendors, product substitution and scams to utilize foreign products without an exemption or waiver.

Large Money, Large Problems

Historically, when agencies are tasked to award large sums of money in a short amount of time the risk for fraud increases. Oftentimes, few select large companies are the only qualified bidders for large projects. Please be aware of market conditions and report any pre-award indicators of bid rigging, price fixing or market allocation.

See more at www.oig.doc.gov



Fraud Indicators



Kirk Yamatani
Special Agent
Recovery Act Oversight Program
U.S. DOC Inspector General
Office of Investigations
(202) 482-0934
kyamatani@oig.doc.gov



Recipient BEHAVIOR

PRE-AWARD

- Collusive bidding or “bid rigging”
 - Suspicious bidding trends & patterns
 - Qualified bidders DO NOT bid
 - Competing bidders drop out
 - Competing bidders become subs
- Price fixing and pricing agreements
- Defective & Inflated Pricing
 - Salaries, consultants
 - Equipment
 - Goods and services
- Background checks indicate poor cash flow
 - (i.e. Dun & Bradstreet)

POST-AWARD

- Limited internal controls
- Excessive changes to personnel
- Claiming the same costs twice – double dipping
- Unexplained increases in costs or claims
- Shifting cost categories or accounts



Recipient BEHAVIOR

POST-AWARD

- Product substitution
- Product overage
- Suspicious or non-verifiable existence of vendors
- Unauthorized personnel with access
- Less than arms length transactions
- Conflicts of interest
- Suspicious, unexpected or unusual activity
- Recipient under investigation by another agency
- Award money runs out too quickly
- Suspicious use of cash transactions
- Filing bankruptcy or financial problems
- Site Visit / Inspection Concerns
 - “Ghost” employees
 - Missing equipment
 - Co-mingled projects
 - Project misrepresentations
 - Business misrepresentations



Recipient PERFORMANCE

BE AWARE OF

- Poor performance
- Tardy reporting
- NO reporting
- Too many errors in reporting
- Repeated errors in reporting
- Missing documents in reporting
- No original documents - only copies provided
- Altered documents
- Duplicate documents
- Too many budget revisions
- NO budget revisions
- Poor accounting system
- Consistent or frequent accounting errors
- Personnel appears to be under or over qualified

FOLLOW YOUR INTUITION!
If a funding recipient gives you a bad feeling it's a red flag. Please contact the OIG immediately to discuss your concerns.