



## OFFICE OF INSPECTOR GENERAL U.S. ENVIRONMENTAL PROTECTION AGENCY



## OFFICE OF INVESTIGATIONS

# FRAUD

## WHO WE ARE

Each federal agency has an independent Office of Inspector General charged with preventing and detecting fraud, waste, and abuse. Within the U.S. Environmental Protection Agency's OIG, the Office of Investigations handles allegations of wrongdoing involving organizations or individuals that receive awards from, conduct business with, and work with the EPA or the U.S. Chemical Safety and Hazard Investigation Board.

## WHAT DO WE DO

We audit and investigate allegations of fraud, waste, or abuse from EPA and CSB employees, grantees, contractors, and others.

## FRAUD, WASTE, AND ABUSE

### PREVENTION, DETECTION, AND REPORTING

#### What is Fraud?

Generally, fraud is an intentional deception or false representation of a material fact designed to induce a person or entity, such as the US or the EPA, to act detrimentally by giving up money or something of value.

#### What is Waste?

Waste is the extravagant, careless, or needless expenditure of government funds; the consumption of government property that results from deficient practices, systems, controls, or decisions; or other improper practices.

#### What is Abuse?

Abuse is the intentional or improper use of government resources. Examples include misuse of rank; position; authority; or physical property, such as tools, vehicles, or computers.

## GENERAL FRAUD INDICATORS

General fraud indicators are applicable to many areas. The list presented below is not meant to be all-inclusive and should not limit the consideration of other factors.

- Missing or inadequate internal controls
- Management override of internal controls
- Lack of written policies and procedures
- Overly complex organizational structure
- High turnover rate
- Reassignment of personnel
- Termination of key personnel
- "Missing" files, reports, and invoices
- Altered documents
- Missing approval signatures
- Lack of separation of duties
- Discrepancies in handwriting
- Delays in production

**Fictitious Vendor Fraud** – Typically occurs when a government employee with procurement responsibilities or an outsider submits bills from a nonexistent vendor to the government. These types of schemes may flourish when there is lack of oversight.

#### Red flags:

- 📄 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 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.

**Collusive Bidding or Price Fixing** – Occurs when bidders secretly agree to submit high bids to let a preselected 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:**

- Prices on contract services increase by identical increments over a period of time.
- Prices are 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 are found among bidders.
- Repeated awards are granted to same entity or 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:**

- Timecards/sheets are revised to require less information from technical staff or contractors, or original timecards are destroyed or hidden.
- False claims are submitted for payment.
- “Ghost employees” who no longer or never worked 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.

**Unjustified Sole-Source Award** – Occurs when a procurement official, in collusion with a vendor, improperly awards a contract that has not been competed or supported with an adequate explanation.

**Red flags:**

- 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:**

- Improper relationships exist between the government and contract personnel.
- The government releases information about procurements to one contractor but not others.
- Adequate market research is not conducted to determine the appropriate contracting method and criteria necessary to ensure the product or services will meet the government’s needs.

## WHAT TO DO IF YOU SUSPECT FRAUD, WASTE, OR ABUSE

- ✓ Do contact the OIG Hotline.
- ✓ Do discuss your concerns with the OIG.
- ✓ Do seek answers to your questions in the normal course of business.
- ✓ Do cooperate with the OIG and expect to be contacted and involved.
- ✗ Don’t “tip off” subjects of actual or pending investigation.
- ✗ Don’t feel compelled to “prove” a case or intent.
- ✗ Don’t “stop” your normal course of business unless otherwise directed.

## REPORT SUSPECTED FRAUD ACTIVITY

### HOTLINE Contact Information:

- Phone: (202) 566-2476 or (888) 546-8740
- Email: [OIG\\_Hotline@epa.gov](mailto:OIG_Hotline@epa.gov)
- Online:

HOTLINE



FORM

### Federal Employee, Contractor, or Grantee?

If you are a federal employee, you are required to adhere to the Standards of Ethical Conduct for Employees of the Executive Branch. These standards include the requirement to disclose waste, fraud, abuse and corruption to the appropriate authorities. 5 CFR 2635 101(b)(11).

If you are an EPA contractor or a grantee, or an employee of a contractor or grantee, note that these standards of conduct, by definition, apply only to employees of the Executive Branch. However, other similar but separate obligations apply to contractors and grantees.

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