

OIG Fraud Red Flags

A list of the most common fraud “red flags” noted by the Office of Inspector General (OIG).

<p style="text-align: center;"><u>Misuse of Grants Funds</u></p> <ul style="list-style-type: none"> • Using Federal funds for non-grant expenditures • Insufficient working capital • High debt • Difficulty in collection receivables • Consistently late financial reports • Payments to creditor/vendors slow or late • Operating in a crisis mode • Making expenditures without grant approval, i.e., budgeted • Charging non-approved staff salary to grant • Close association with suppliers • Payments to family members • Payments for personal expenditures • Grant funds drawn down in excess of actual needs • Grant funds drawn down well before end of year 	<p style="text-align: center;"><u>Embezzlement</u></p> <ul style="list-style-type: none"> • Unusually high personal debts • Living beyond one’s means • Alcohol/drug/gambling problems • Not allowing access to the records • Not taking vacation or time off • Vendor complaints are slow or no payments • Lack of documentation for payment of invoices • Double payments • Ghost employees • Payments to family members • Subject to civil judgments (debt collections/bankruptcy) • Boilerplate reports/receipts • Lack of oversight/controls, i.e., trust employee • Checks being made out to cash
<p>False Statements (enable other offenses)</p>	
<p style="text-align: center;"><u>Grant Application</u></p> <ul style="list-style-type: none"> • Falsely claiming 501(c)(3) status • Key staff positions • Fiscal requirements/match • Unclear goals and objectives <p style="text-align: center;"><u>Program/Progress Reports</u></p> <ul style="list-style-type: none"> • Consistently late reports • Numerous versions/submissions • Undefined goals and objectives 	<p style="text-align: center;"><u>Financial Reports</u></p> <ul style="list-style-type: none"> • Consistently late reports • Lack of documentation • Failed to meet grant match • Boilerplate reports • No signature • Numerous versions/submissions
<p>Theft</p>	
<p style="text-align: center;"><u>Property</u></p> <ul style="list-style-type: none"> • No inventory controls • Supplies missing for no reason • Purchasing item not used by organization 	<p style="text-align: center;"><u>Funds</u></p> <ul style="list-style-type: none"> • Lack of controls on petty cash (no receipts for expenditures) • Checks being made out to cash • Payments for personal expenditures

<u>Timesheet Fraud</u>	
<ul style="list-style-type: none"> • Lack of oversight/controls • Allowing volunteer/members to hand carry timesheets • Alteration and obliterations (whiteout/eraser marks) • Incomplete sheets (blank blocks) • None or missing signatures • Copies appear to have been made at one-time 	<ul style="list-style-type: none"> • Hours claimed don't match service performed • Holiday/weekend hours recorded when site is closed • Approval signatures by unauthorized individuals • No sub-site oversight/verification • Claiming prohibited/unallowable service • Excess training/administrative hours
<u>Grantee Staff</u>	
<ul style="list-style-type: none"> • Claimed 100% to grant, but working on non-grant projects 	
<u>Childcare</u>	
<ul style="list-style-type: none"> • Receiving childcare subsidies from another source • Unauthorized provider (varies by state) • Claiming childcare for time not performing service 	<ul style="list-style-type: none"> • Payments mailed to member's address • Children not living with member • Brings children to service site • Member not serving full-time
<u>Education Awards</u>	
<u>Certification</u>	<u>Use by Member</u>
<ul style="list-style-type: none"> • Reason for payment not marked on voucher • Blank or unreadable information • Requesting payment to an unauthorized source 	<ul style="list-style-type: none"> • Bookstore merchandise (return/resale) • Enrolling for courses then dropping (refund) • Directing payments to unauthorized source, i.e., car/home payments
<u>Volunteers</u>	<u>VISTA Non-Attendants</u>
<ul style="list-style-type: none"> • Not receiving authorized reimbursements 	<ul style="list-style-type: none"> • Member absent from site for no explained reason • Member holding employment

Things to Know:

- Interviewing staff and members can tell the real story.

Question to Ask:

- How involved is the Board of Directors?
- Is there real oversight?