

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

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

**Things to Know:**

- Interviewing staff and members can tell the real story.

**Questions to Ask:**

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