

Reporting Possible Fraud

As discussed above, many NGOs are reluctant to address the risk of fraud because of the cost and distraction from their primary objectives, and many are reluctant to report possible fraud because of embarrassment and the perceived negative impact on funding. Funders are now cracking down on compliance and reporting requirements, and the failure to report can have consequences more serious than the underlying offenses.

1. Reporting requirements

Report Fraud | Office of Inspector General - USAID
The Office of the Inspector General (OIG) Hotline accepts tips, allegations, and disclosures from all sources about potential fraud, waste, abuse, or mismanagement regarding programs and operations

<https://oig.usaid.gov/report-fraud>

USAID Inspector General: Prompt Reporting of Fraud, Abuse Critical in Humanitarian Aid Programs

<https://oig.usaid.gov/node/1457>

2. Articles

a. Corruption: a challenge that doesn't escape the humanitarian sector

The risk of fraud and corruption in the aid sector has become such that benefactors are placing increasingly stringent requirements in programming, control, and compliance with existing standards. They are demanding that NGOs implement more technical, more transparent, and more effective procedures against all types of corruption.

<http://alternatives-humanitaires.org/en/2016/11/23/corruption-a-challenge-that-doesnt-escape-the-humanitarian-sector/>

Strong anti-fraud measures and responses to fraud reduce the risk of harsh actions by funders, as explained in the Nichols Liu article below

b. Being a Good Partner to USAID: The Importance of an Effective Ethics and Compliance Program to Mitigate Risk of Disallowances, Investigations, and Debarment



<https://nicholsliu.com/being-a-good-partner-to-usaid-the-importance-of-an-effective-ethics-and-compliance-program-to-mitigate-risk-of-disallowances-investigations-and-debarment/>

What do you include in the report to your funders?

Background - Give a short description of the project and where the allegation came from.

As a result of a severe locust infestation 1 million Sudanese refugees moved to the Ethiopian border. Feed the Kids (FTK) has been awarded a \$100 million USAID contract to provide emergency food and sanitary kits to the refugees. Early this year, an anonymous source called the FTK hotline stating that suppliers had conspired to overprice all items in the sanitation kit.

Executive Summary – Most people won't read past this section. Make it as short and complete as possible.

A market study comparing the contract price of items in the sanitation kit to the local market, showed, on average, the items were overprice by 300%. The FTA procurement officer, when interviewed, could not explain what happened and was very evasive. He resigned the next day and his whereabouts are unknown. Once it was clear that a fraud scheme had been uncovered, the review was stopped upon further consultation with USAID.

Methodology – Give a brief description of how you conducted the review/investigation.

Investigators from FTK headquarters traveled to Ethiopia where they reviewed emails, procurement records, telephone records, conducted a local market survey, interviewed local vendors and interviewed several local FTK employees.

Investigative Details – Include pertinent investigative details such as:

Summaries of record reviews; spread sheets; summaries of interviews; other pertinent information

Conclusion – Give a short fact based summary of what was found.

Investigation showed that FTK personnel likely conspired with others to inflate the cost of items in the sanitation kits. A local market survey showed the sanitation items were overpriced by approximately 300%.

Recommendations – Recommend a plan that will allow the organization to keep as much control as possible.

The evidence collected to date shows that fraudulent activity is highly likely in the FTK sanitation kit procurement process. FTK recommends it hire outside investigators to thoroughly investigate this matter and provide a timely detailed report of their findings. Alternatively, USAID/OIG investigate this matter itself.