SAMPLE AUTOMATED FRAUD REPORTS

Common fraud indicators in infrastructure projects that can be detected by automated systems include those listed below. The indicators can be prioritized and color coded as follows:

COLORED CODED SCHEMES AND INDICATORS

RED: Real-time BLOCKS or ALERTS of apparent improper transactions, e.g., a bid submitted by a debarred company or different bids from the same IP address

BROWN: Pre-programmed REPORTS for other common procurement fraud schemes, waste, or abuse

PURPLE: Other less common reports that can be listed in a HANDBOOK or ONLINE GUIDE for auditors, investigators, or other users

BLUE: Links to online public records, including telephone and address information

PROCUREMENT FRAUD SCHEMES AND INDICATORS

Bid rigging

- Procurement official's contact information is same as bidder's contact information
- Shorter notice to submit bids than rules require
- Sole source awards greater than sole source limits
- Split purchases
- Multiple purchases just below procurement threshold
- Award to only one evaluated bidder
- Award to other than the low bidder
- Unusually high line-item bid, followed by change order increasing quantities
- Unusually low line-item bid, followed by change order removing or reducing line item
- Winning bid price the same as cost estimate

Collusive bidding

- Different bids from the same IP address
- Bidders with the same contact information
- Unusual bid patterns, e.g., bids an exact percentage apart
- Sequential bid securities
- High price bids, e.g., bids that exceed the confidential owner's estimate by > 30 percent
- Pattern of rotation of winning bidders
- Same bidders always bid, win, and lose
- Losing bidders become subcontractors
- Unusual bid patterns, e.g., "6-9-17 bid pattern"
- Bids not in conformity with prior legitimate bid patterns
- Distant bidders that are cheaper than local bidders
- Losing bidders that cannot be found in corporate registries or directories or on the internet

CONSTRUCTION FRAUDS SCHEMES AND INDICATORS

Failure to meet contract specifications: substitution of inferior quality materials

- Contractor’s payment requests do not match:
  - Contract specifications
    (Price, Quantity and Quality specs)
  - Supervision report
  - Subcontractor/supplier contract, invoice
  - Subcontractor/supplier delivery record
  - Contractor record of receipt
  - Payment to subcontractor/ supplier
  - Contractor payment application
  - Approval by site representative
  - Test certificate
  - Site measurements
  - Equipment records
  - Bill of Quantities
  - Delivery tickets
  - Independent test and inspection results

Shell Company Vendors

- Vendor located at a non-business address or not listed on the internet
- HR/vendor matches (employee and vendor list the same cell phone number, etc.)
- Vendor not on approved vendor list
- Sole source purchases above competitive threshold
- Multiple purchases just below competitive threshold
- Split purchases
- Segregation of duties violations (same person orders, approves, and receives purchases)
- SPQQD factors present
- Vendor provides variety of disparate goods or services in contrast to existing vendor norms
- Prompt payment in contrast to the existing payment norm

Phantom Vendors

- Vendor not listed in corporate registries or directories or on the internet
- Vendor located at non-business address
- Paid vendor not on approved vendor List
- HR employee record/vendor record match
- “Fuzzy match” vendors with different bank accounts
- High number or percentage of sequential invoice numbers
- Broken sequence invoice numbers
- Purchases just below competitive thresholds
- Split purchases
- Small initial purchase
- Vendor provides hard-to-verify goods, works, or services (per product code)

PAYMENT FRAUD SCHEMES AND INDICATORS

False, inflated, and duplicate invoices

False invoices:

- Invoice information does not match purchase order, receiving, or payment information
- Sequential invoice numbers
- Broken sequence invoice numbers
- Outliers in price, quantity
- Missing information on invoice

Inflated invoices:

- Invoice price, quantities greater than the purchase order price, etc.
- Total payments greater than total invoice amounts

Duplicate invoices:

- [i]Invoices with same dates, quantities, amounts and description