



U.S. ENVIRONMENTAL PROTECTION AGENCY  
Office of Inspector General

# FRAUD, WASTE AND ABUSE

Prevention, Detection and Reporting

## **EPA Inspector General Hotline**

1200 Pennsylvania Avenue, NW (2431T)

Washington, DC 20460

(888) 546-8740

(202) 566-2599 (fax)

OIG\_Hotline@epa.gov



## UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

### Office of Inspector General

#### WHO WE ARE

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The Office of Inspector General is an independent office within the EPA that helps the agency protect the environment in a more efficient and cost-effective manner. We consist of auditors, program analysts, investigators and others with extensive expertise.

#### WHAT WE DO

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We perform audits, evaluations and investigations of the EPA and its contractors, grantees and recipients of other federal funds to promote economy and efficiency, and to prevent and detect fraud, waste and abuse. We also maintain the OIG Hotline.

#### WHY WE DO IT

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We strive to be the best in public service and oversight for a better tomorrow. By helping the agency operate more economically, effectively and efficiently, we contribute to improved environmental quality and human health. We strive to provide solutions to problems that ultimately result in making America a cleaner and healthier place.

*“There is no kind of dishonesty into which otherwise good people more easily and frequently fall than that of defrauding the government.”*

Benjamin Franklin

# FRAUD, WASTE AND ABUSE

## Prevention, Detection and Reporting

### Fraud, Waste and Abuse...What are these?

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#### What is Fraud?

Simply – fraud is a false representation about a material fact.

It is any intentional deception designed to deprive the United States, or the EPA, unlawfully of something of value, or to secure from the United States, or the EPA, for an individual, a benefit, privilege, allowance or consideration to which he or she is not entitled.

#### What is Waste?

It is the extravagant, careless or needless expenditure of government funds, or the consumption of government property that results from deficient practices, systems, controls or decisions. The term also includes improper practices not involving prosecutable fraud.

#### What is Abuse?

It is the intentional or improper use of government resources. Examples include misuse of rank, position or authority and misuse of resources such as tools, vehicles or copying machines.



# How Can I Tell if Fraud, Waste and Abuse are Occurring?

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You can tell if fraud, waste and abuse are occurring by looking for “fraud indicators.” These are clues that may warrant further review of a specific area or activity.

Fraud indicators include:

- Lack of internal controls.
- High turnover of personnel.
- Unexplained entries or altered records.
- Unusually large amounts of payments for cash.
- Inadequate or missing documentation.
- Non-serial number transactions.
- Unauthorized transactions.

Sometimes these occurrences are fraud and sometimes they are merely indicators of weak or poor business practices; however, weak or poor business practices also can lead to opportunities to commit fraud.

## What Can I Do to Avoid Trouble?

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- If you suspect any irregularities, or a criminal act, contact the EPA OIG immediately.
- Establish regular, open and clear lines of communication with your contractors, awardees or recipients. Know who they are and what they do.
- Follow established agency policies, procedures, rules and regulations.
- Keep current on training and applicable regulations.
- Correct any audit or program evaluation findings promptly.
- Ensure contractor, awardee and recipient accountability.
- Conduct site visits, examine work performed and ensure compliance with terms of a contract or grant.
- Ensure that all work is being performed as outlined and planned.
- Protect government information, resources and equipment under your control.

Above all else, if you have any questions or concerns, ask your EPA OIG contact. We are here to assist you. We want you to succeed.

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.



# Common Fraud Schemes ...

## What to Look for From Suppliers, Vendors, Contractors or Subcontractors

### Prohibited Practices Before the Award of a Contract or Grant

#### Bribery, Gratuities and Kickbacks

Giving or receiving a thing of value for the purpose of influencing an official act or an award.

- Acceptance of inappropriate, high-value gifts or services from suppliers, contractors or awardees.
- Overly friendly interaction between a government employee and a contractor or awardee.
- Sudden unexplained increase in wealth.

#### Ethics and Standards of Conduct Violations

Federal government personnel using their official duties to garner personal or financial gain.

- Soliciting or accepting gifts from prohibited sources.
- Abuse of authority or position.
- Government personnel providing information to one or a few competitors that gives them an undue advantage.
- Government personnel negotiating for employment with a company or private organization in which they have participated personally and substantially on a matter at work that has a direct connection to the company or organization.
- Misuse of government time, equipment, IT resources and information.

#### Unbalanced Bidding

Contracting personnel providing a favored bidder with information in the bid process.

- Particular line item bids appear to be unreasonably low.
- Change orders issued soon after a contract award in which line items have been deleted or modified.
- Bidder is close to a government procurement official or directly participated in drafting the contract specifications.

## Prohibited Practices After the Award of a Contract or Grant

### Defective Pricing

Contractor's failure to disclose all facts that affect its cost for pricing products or services.

- Not disclosing significant cost issues that will reduce contractor's proposed costs.
- Indications of falsification or alteration of supporting data.
- Denial of the existence of historical records.

### Cost Mischarging

Improper allocation of costs to a contract or charging at higher than allowed rates.

- Labor time and charges inconsistent with project progress.
- Time cards completed by management and not individual employees.
- Inability to produce time cards immediately when requested.
- Lower level work being done by high level wage earners.

### Product Substitution

Contractors deliver goods that do not conform to contract requirements without informing the government.

- Falsification of test results or delivery of counterfeit products.
- Providing foreign-made products where domestic products are required.
- Using one coat of paint instead of two, or using watered loads of concrete.

### False Statements and Claims

Knowingly and willfully falsifying or concealing a material fact, knowing the same contains any materially false statement or entry.

- Discrepancies between reported facts and supporting documentation.
- Inability or refusal to provide supporting documentation.
- Site inspection reveals less progress on the site than reported.



## Whistleblower Protection

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A whistleblower is an individual who believes that his or her organization is engaged in or willfully permits unethical or unlawful activities, and reports it.

The Whistleblower Protection Act provides protection rights to federal employees. Under the act, federal employees may seek protection from the Office of Special Counsel and the Merit Systems Protection Board.

*“Any employee of any non-Federal employer . . . may not be discharged, demoted, or otherwise discriminated against as a reprisal for disclosing; Mismanagement, Waste, A danger to public Health or Safety, or any Violation of law, rule, or regulation.”*

Additional information about whistleblower protection may be found at the Office of Special Counsel website: [www.osc.gov](http://www.osc.gov).

## Computer Crimes

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Computer fraud includes knowingly accessing a computer without authorization; exceeding authorized access; obtaining information from any department or agency of the U.S. government to further an intended fraud; and accessing prohibited sites.

## What You Should Do if You Suspect Fraudulent Activity, Waste or Abuse

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- ✓ **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** feel compelled to “prove” a case or intent.
- ✗ **Don't** “tip off” subjects of an actual or pending investigation.
- ✗ **Don't** “stop” your normal course of business unless otherwise directed.