YOUR ROLE IN IDENTIFYING AND REPORTING INSTANCES OF FRAUD IN THE ASAP II ACTIVITY

ASAP II WEBINAR

JULY 20, 2023

WELCOME ALL

1. Please let us know where you are from **in the chat.**

2. Please use the **Q&A box to ask questions** and the chat box for answering questions asked by the presenters.

3. The presentation for today's webinar will be saved on ASAP's website at **www.intrahealth.org/asap-resources**

ASAP I
April 1, 2019 to May 30, 2022

ASAP II
May 31, 2022 - January 30, 2024

PURPOSE

Rapidly prepare Local Partners to have the capabilities and resources to serve as Prime Partners for USAID/PEPFAR programming, in compliance with USAID and PEPFAR procedures, for PEPFAR program implementation.

70% of USAID PEPFAR funding to local prime partners.

STRATEGIC OBJECTIVES

1. Strengthen Local Partners as they transition to receive PEPFAR funding as a USAID Prime Partner to comply with regulations.

2. Prepare Local Partners to directly manage, implement, and monitor PEPFAR programs, and maintain consistent PEPFAR program achievement and quality.

ASAP II-SUPPORTED COUNTRIES

Angola

Cameroon

Côte d'Ivoire

DRC

eSwatini

Ethiopia

Lesotho

Malawi

Namibia

Nigeria

South Sudan

Uganda

Zimbabwe

ASAP I additional countries:

Kenya

Mozambique

South Africa

Tanzania

Zambia

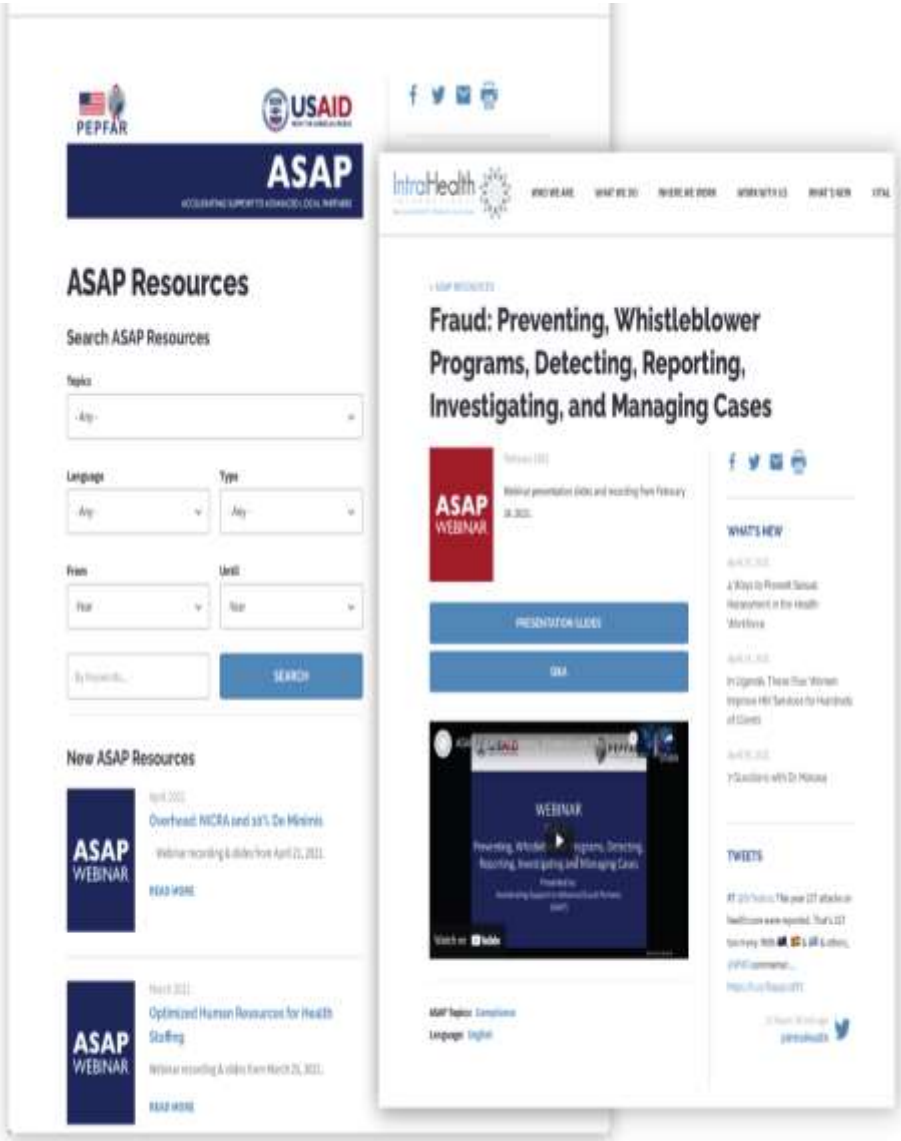
18 TOTAL COUNTRIES

KEY RESULTS from ASAP I & II

ASAP has supported **126** local organizations in **18** countries

113 local partner organizations

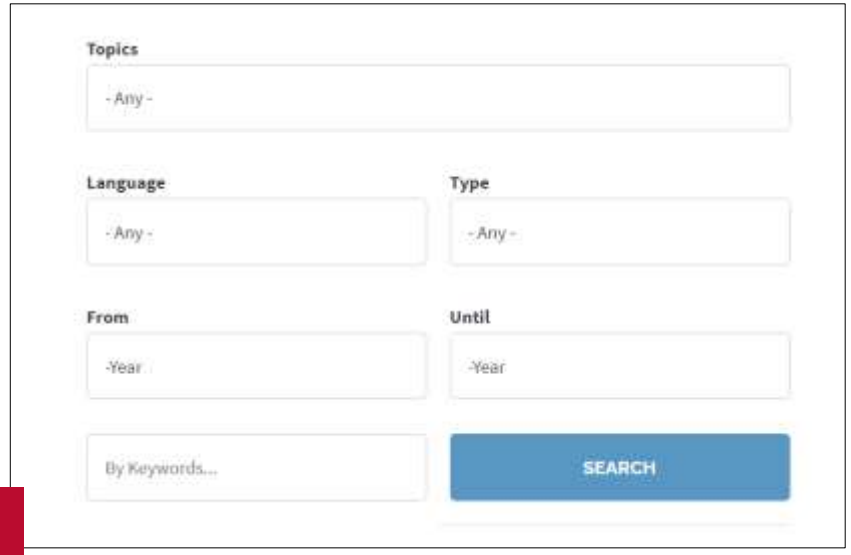
13 local government partners



VISIT

www.intrahealth.org/asap-resources

USAID/ASAP has broadcasted **93 webinars** for more than **21,000 attendees** in **76 countries**.



AVAILABLE IN 3 LANGUAGES

UPCOMING WEBINARS

August 17- Procurement and Property Management Compliance Issues

August 31- USAID Financial Policies, Internal Controls and Compliance

September 28- USG Rules and Regulations: Cost Principles

COMMUNITIES OF PRACTICE

Active CoPs:

- English Monitoring and Evaluation
- English Leadership and Governance
- French Finance, Management and Compliance
- French Leadership and Governance
- Portuguese Finance, Management and Compliance
- Portuguese Monitoring and Evaluation

Upcoming CoP Meetings

August 17- Portuguese Monitoring and Evaluation

September 14- Portuguese Monitoring and Evaluation

Link to register: https://foundation.eventsair.com/usaid-asap/ll-cop-2023-intake/Site/Register

INTRODUCTIONS

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AGENDA AND LEARNING OBJECTIVES

I. Defining Fraud and its Importance

II. Your Role in Combating Fraud and Corruption

I. Identifying Fraud And Corruption

II. Combatting Fraud And Corruption

III. Reporting Fraud And Corruption

III. What Happens When Fraud Is Detected or Reported

I. The Role of the Partner Organizations

II. The Role of the USAID Inspector General

IV. Additional Resources To Learn More

Section 1: Defining Fraud and its Importance

“Corruption, embezzlement, fraud, these are all characteristics which exist everywhere. It is regrettably the way human nature functions, whether we like it or not. What successful economies do is keep it to a minimum.”

Alan Greenspan

WHAT IS FRAUD?

Fraud is intentional or criminal deception or misrepresentation for financial or personal gain.

Major types of fraud include:

MISREPRESENTATION

Providing false or misleading information with the intention to deceive or mislead others,

Examples: procurement and accounting fraud

FALSIFICATION

Alteration or fabrication of documents, records, or data to misrepresent the truth.

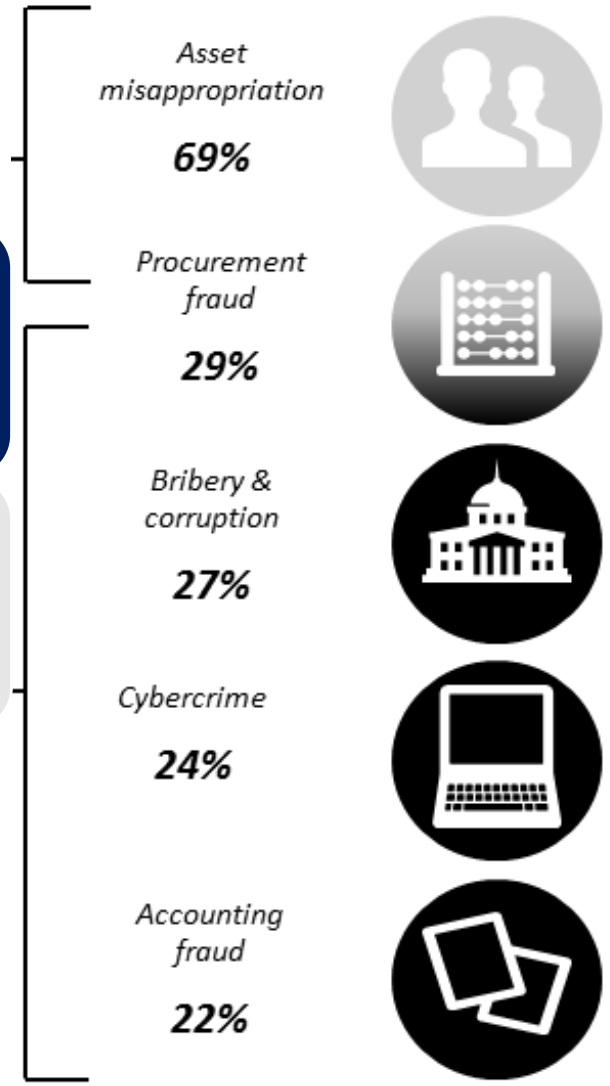
Examples: Asset misappropriation and bribery

CONCEALMENT

Intentionally hiding or suppressing information that should be disclosed.

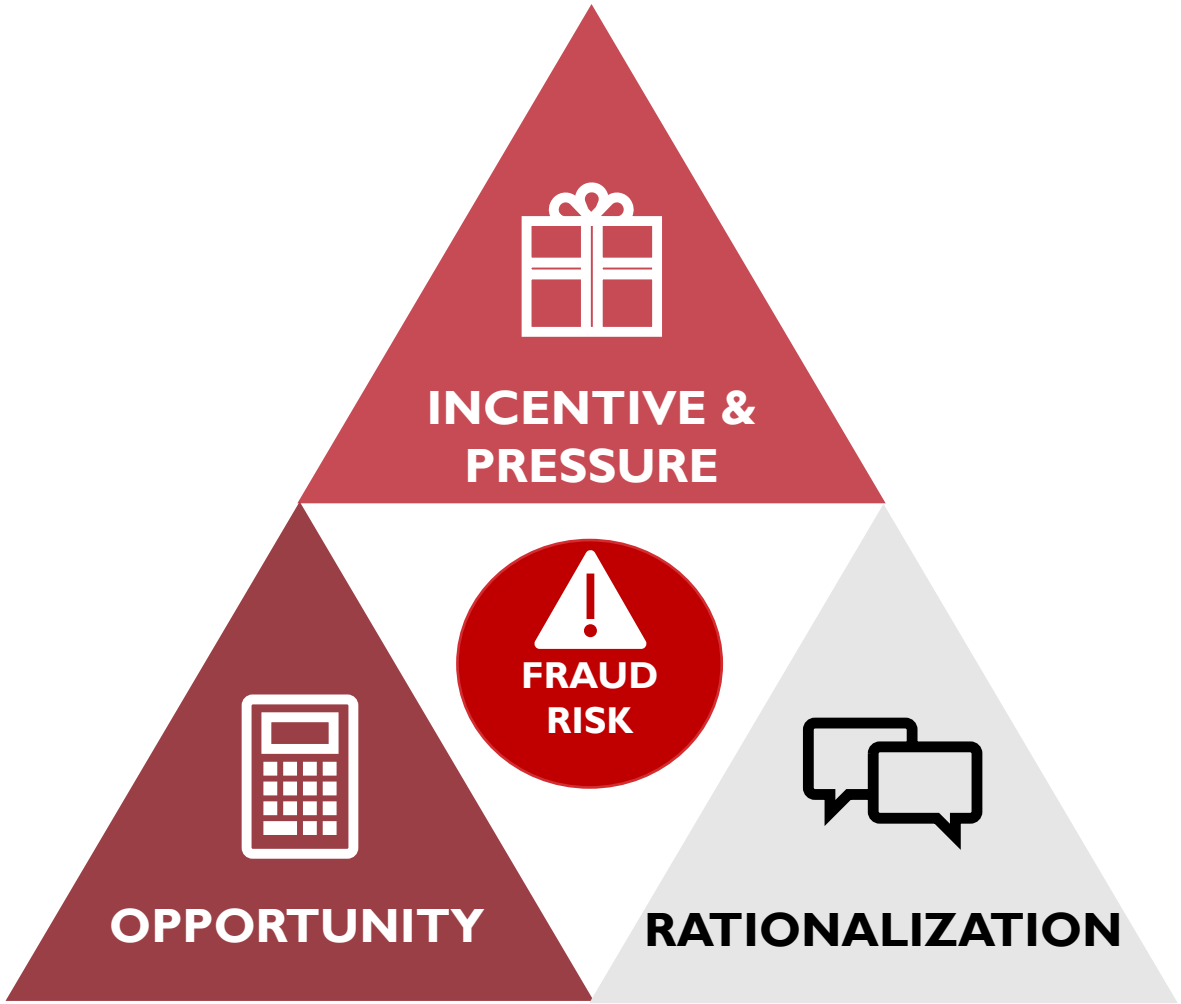
Examples: Corruption and cybercrime

Five types of frauds consistently reported



Source: Association of Certified Fraud Examiners (ACFE) Reports to the Nations

WHY DOES FRAUD OCCUR?



1. **OPPORTUNITY:** access to resources or information enabling fraudulent acts without detection.

2. **RATIONALIZATION:** actions are justified as necessary or acceptable due to personal circumstances.

3. **PRESSURE:** significant pressures may compel individuals to engage in fraudulent activities.

By understanding and addressing these three components, individuals and organizations can implement preventive measures, enhance internal controls, and develop effective fraud detection strategies to minimize the risk of fraud and corruption.

WHAT ARE THE KEY IMPLICATIONS OF FRAUD?

Financial

Legal

Reputation

Damage to employee/personal morale & decline in productivity

Loss of trust

KNOWLEDGE CHECK #1 AND Q&A

What are some implications of fraud and corruption?

A. The program will have fewer funds and resources to provide essential services

B. Stakeholders will lose trust

C. Employee morale may suffer

D. There may be legal ramifications, including criminal and civil penalties

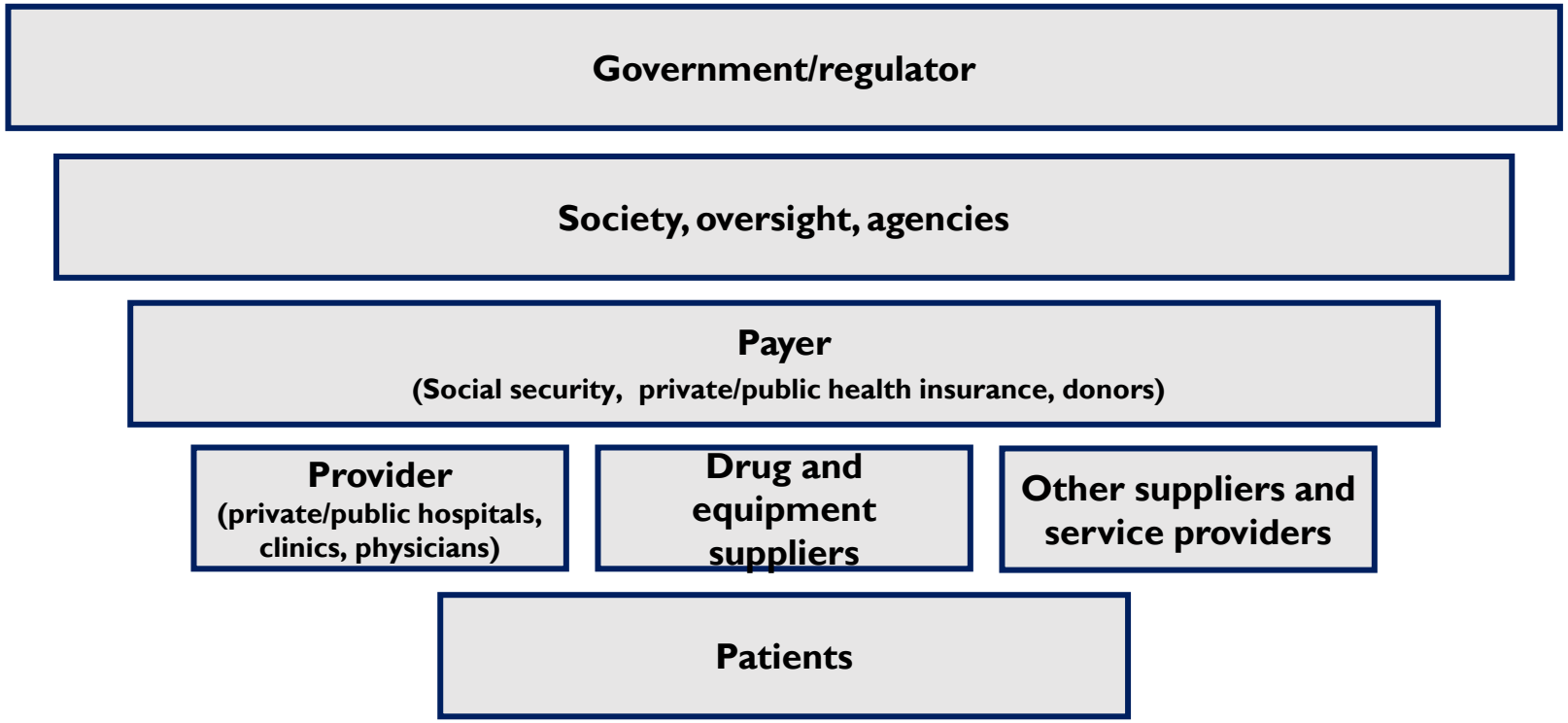
E. All of the above

Section II: Your Role in Combating Fraud and Corruption

Section II: Your Role in Combating Fraud and Corruption

Part 1: Identifying Fraud and Corruption

WHAT ARE THE SOURCES OF FRAUD?



Health sector fraud and corruption spans from regulatory bodies, to administrative functions, such as health sector procurement, logistics and hiring, and extending all the way down to the service delivery level in the relationship between patients and providers.

WHAT ARE THE MAIN TYPES OF FRAUD TO LOOK OUT FOR?

TYPES OF FRAUD	ILLUSTRATIVE EXAMPLES
Informal Payments	Project contractor requests additional payments from vendors or suppliers in exchange for awarding them contracts.
Theft	Employee responsible for project inventory, such as medical supplies or construction materials, steals items for personal use or to sell them on the black market.
Data Manipulation	Data is manipulated to inflate project achievements and outcomes, presenting false information to USAID for reporting purposes.
Absenteeism and Ghost Workers	Project contractor creates fictitious individuals on the payroll who do not actually work on the project and divert those funds to themselves.
Conflict of Interest	Project team member awards contracts to a company owned by a close relative violating conflict of interest policies and undermining fair competition in the procurement process.
Kickbacks	Supplier or contractor provides bribes to a purchaser or decision-maker in exchange for gaining an unfair advantage or securing a contract.

WHAT ARE SOME EXAMPLES OF THE EFFECTS AND INDICATORS OF FRAUD?

EFFECT	INDICATOR
Informal payments restrict access to the poor	Patients reporting being asked to pay informal fees
Theft, embezzlement, and bribery limit access to medicines and equipment	Unexplained inventory variance
Low efficiency due to fraud in procurement	Overpriced commodities
Absenteeism limits access to health personnel	Health workers engage in private practice during hours assigned in public health facility
Diminished impact of initiatives	Unnecessary middleman or broker involved in contracts or purchases

WHAT KIND OF FRAUD SCENARIOS EXIST?

SCENARIO

Theft during the transportation of large volumes of drugs was caught through employees querying missing items and identifying modified shipment records.

PREVENTATIVE STEPS

- Transparency
- Strengthening governance and oversight
- Implementing and enhancing policies
- Protecting whistleblowers
- Utilizing technology and data
- Enforcing consequences and sanctions

WHAT KIND OF FRAUD SCENARIOS EXIST?

SCENARIO

Informal payments have been prevalent due to low salaries for healthcare staff, resulting in patients feeling the need to make additional payments for services.

PREVENTATIVE STEPS

- Increase health worker salary
- Enhanced workload management
- Strengthen communication and education
- Strengthen Anti-Corruption measures
- Foster a culture of transparency and accountability

KNOWLEDGE CHECK #2 AND Q&A

What are some common types of fraud to look out for?

A. Informal payments and kickbacks

B. Theft

C. Data manipulation

D. Absenteeism and ghost workers

E. All of the above

Section II: Your Role in Combating Fraud and Corruption

Part II: Combatting Fraud and Corruption

HOW DO YOU COMBAT FRAUD?

Prevent

Design and implementation of the infrastructure that prevent corruption and fraud from occurring, **e.g., governance, policies, preventative and detective controls, training and communications.**

Detect

Focus on the factors that impact or lead to corruption and fraud, such as **risk assessments, design of detective processes, technology applications, data, and controls such as spot checks, mapping fund flows, etc.**

Respond

Focus on what happens after corruption or fraud is alleged or detected, including the **design of investigative approaches, undertaking discovery, investigation and/or qualitative evaluation and analysis, and reporting.**

WHAT ARE SOME APPROACHES TO IDENTIFYING AND COMBATTING FRAUD?

1 POLICIES AND PROCEDURES

2 DEFINED PROCESS AND CONTROLS

3 MONITORING

4 REPORTING

5 ASSURANCE

At the Program Level:

A. Identify the stakeholders

B. Analyze relevant types of fraud and corruption risks

C. Determine if policies and procedures are adequate

D. Comply with code of ethics and policies and procedures

E. Perform risk-based testing of policies, procedures and internal controls

WHAT ARE SOME APPROACHES TO IDENTIFYING AND COMBATTING FRAUD?

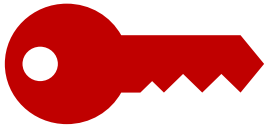
CODE OF ETHICS

1. Defines the core values of the organization
2. Establishes ethical standards of conduct
3. Requires compliance with laws and regulations
4. Defines individual responsibilities, expectations, and behavior
5. Requires instances of unethical conduct to be reported
6. Defines potential sanctions for violating the Code of Ethics
7. Requires that personal and organizational conflicts be disclosed and managed
8. Outlines whistleblower protections

FRAUD POLICY

1. Defines the organization's policy and risk appetite toward fraud and corruption
2. Establishes ethical standards and expectations regarding fraud and corruption
3. Requires compliance with laws and regulations
4. Outlines roles, responsibilities, procedures and controls to identify, evaluate, prevent, detect, and respond to fraud and corruption
5. Defines reporting mechanisms and requirements
6. Defines procedures for investigating alleged instances of fraud and corruption
7. Defines potential consequences and disciplinary measures
8. Outlines whistleblower protections

WHAT IS YOUR ROLE IN IDENTIFYING AND COMBATTING CORRUPTION?



YOUR ROLE IN COMBATTING FRAUD AND CORRUPTION

1. Adhere to and promote the highest standards of ethical conduct
2. Know what policies you need to follow
3. Understand and implement fraud and corruption prevention approaches
4. Report concerns promptly
5. Promote information on how to report fraud to OIG

KNOWLEDGE CHECK #3 AND Q&A

Which of the following are not ways of identifying and preventing fraud and corruption?

A. Adhere to the Code of Ethics

B. Segregate duties and responsibilities

C. Ignore the fraud policy

D. Report concerns promptly

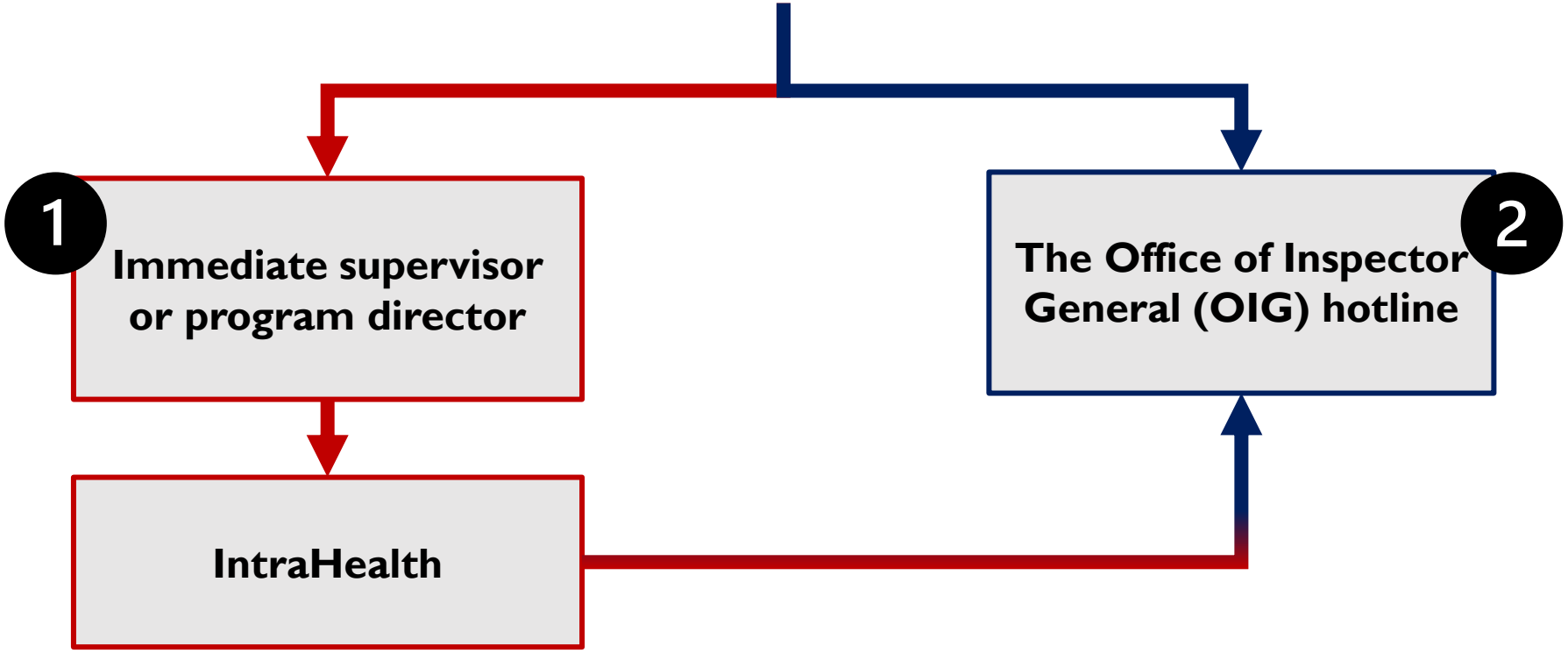
E. Promote information on how to report to the OIG

Section II: Your Role in Combating Fraud and Corruption

Part III: Reporting Fraud and Corruption

WHERE SHOULD YOU REPORT FRAUD?

If fraud is suspected, you should report to:



To report fraud, go to:

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

OTHER CRITICAL MATTERS THAT MUST BE REPORTED

Trafficking in Persons Incidents

Trafficking in persons, aka human trafficking, is a crime and a human rights abuse. It commonly takes place in the form of **sex trafficking**, **labor trafficking**, and **child soldering**.

Material Support to U.S. Sanctioned Entities

It is generally prohibited to engage in transactions or provide material support to countries, groups, or persons sanctioned by the U.S. government.

To view the sanction lists, please visit:
https://sanctionssearch.ofac.treas.gov/

WHAT SHOULD YOU REPORT?

DESCRIPTION OF FACTS

SUPPORTING EVIDENCE

WHEN AND WHERE

PARTIES INVOLVED

FINANCIAL DETAILS

CONTACT INFORMATION

WHAT PROTECTIONS EXIST WHEN A MATTER IS REPORTED TO THE OIG?

Employees of Government contractors, subcontractors, grantees, and subgrantees cannot be **discharged, demoted, or otherwise discriminated against** as long as they reasonably believe the information they disclose is evidence of fraud, waste, and abuse.

KNOWLEDGE CHECK #4 AND Q&A

When reporting to the OIG you must disclose your name when submitting a report to the Hotline.

A. True

B. False

Section III: What Happens When Fraud is Detected or Reported

Section III: What Happens When Fraud is Detected or Reported

Part I: The Role of the Partner Organization

WHAT CAN ORGANIZATIONS DO WHEN ALLEGED FRAUD IS DETECTED?

- Report the incident to senior management or the board (if applicable)
- Investigate the incident to determine the facts and circumstances
- Take appropriate disciplinary action
- Review and update policies, procedures, and controls
- Refer the matter to the USAID Office of Inspector General and other law enforcement for further investigation

REPORT INSTANCES OF FRAUD TO THE OIG PROMPTLY

If fraud (or other illegal matters) has occurred, or is suspected, **the incident must be promptly reported to the OIG**.

To report fraud, go to:
https://oig.usaid.gov/report-fraud

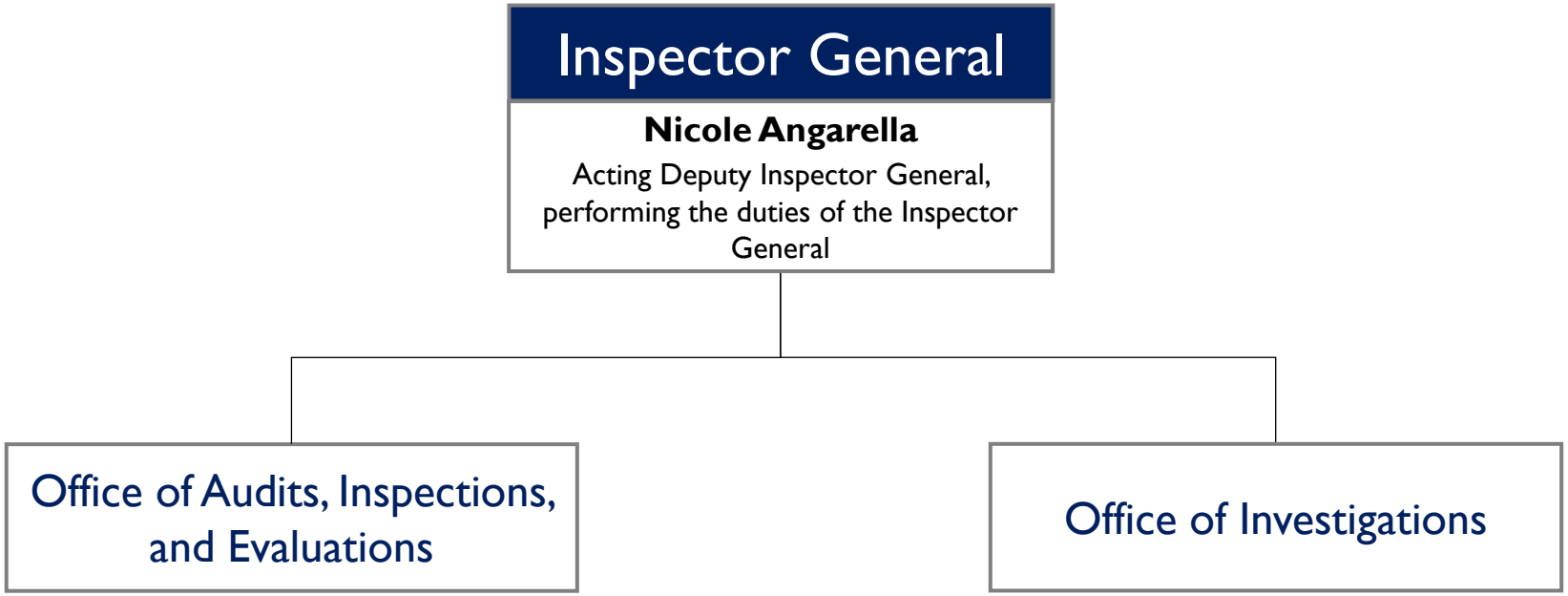
Section III: What Happens When Fraud is Detected or Reported

Part III. II: The Role of the Inspector General

THE ROLE OF THE USAID INSPECTOR GENERAL

*"To **safeguard** and **strengthen** U.S. foreign assistance through timely, relevant, and impactful **oversight**."*

DIFFERENT FUNCTIONS OF THE OIG AND WHAT THEY DO



WHAT HAPPENS WHEN SOMETHING IS REPORTED TO THE OIG?

If misconduct is substantiated, the USAID OIG Office of Investigations will initiate an investigation into the alleged misconduct and will gather information and other evidence, including taking sworn statements from persons involved in the matter.

The OIG is required by law to refer cases to the U.S. Department of Justice if reasonable grounds exist to believe that a violation of Federal criminal law has occurred and has the discretion to refer a case that merits civil action.

WHAT ARE THE CONSEQUENCES OF FRAUD?

Program Impact:

- Inability to provide necessary program services
- Reduced ability to achieve program objectives and outcomes
- Loss of reputation by donors and other stakeholders
- Loss of current and future USAID funding

Criminal, Civil, and Other Penalties:

- Termination of employment
- Prison time for perpetrators
- Fines
- Restitution and disgorgement
- Potential to be charged with other-related crimes (e.g., tax-related charges, wire fraud, etc.)

RIPPED FROM THE HEADLINES - RECENT INCIDENCES INVOLVING FRAUD

2023 **Theft**

In May 2023, USAID temporarily halted providing food assistance in the Tigray region of Ethiopia because of rampant theft.

2023 **Falsifying Invoices**

The Human Resources Director of a NGO plead guilty to a scheme to deliver goods and services that were unauthorized to third-party organizations. The Human Resources Director could potentially face 20 years in prison.

KNOWLEDGE CHECK #5 AND Q&A

Which function within the OIG is responsible for investigations for instances of Fraud?

A. Office of Audits, Inspections, and Evaluations

B. Office of Investigations

Additional Resources

U.S. Strategy on Countering Corruption

USAID Anti-Corruption Policy

USAID Anti-Fraud Plan

USAID Global Health Anti-Corruption Integration Handbook

U.S. Whistleblower Statute - 41 U.S.C. § 4712

Always refer to your organization's policies and procedures

A FINAL WORD WHEN IT COMES TO FRAUD AND CORRUPTION…

See Something

Say Something

Q&A

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ASAPII

ACCELERATING SUPPORT TO ADVANCED LOCAL PARTNERS II

Thank you for your time.

USAID

FROM THE AMERICAN PEOPLE