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## Bangladesh Aquaculture and Nutrition Activity

# Fraud Prevention

It starts with you!



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## Objectives



1

What is fraud?

2

The Global Scale of fraud

3

Why does fraud happen?

4

How do we respond to fraud?

5

The Role of Partners in preventing fraud





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# What is Fraud?



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## Black's Law Dictionary

A knowing misrepresentation of the truth or concealment of a material fact to induce another to act to his or her detriment

## ACFE

Fraud is an act of deception intended for personal gain or to cause loss to another party, even if no gain or loss is in fact caused



As we will examine, Fraud is only one aspect of Financial Crime that we deal with.





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# Three Characteristics of Fraud

Intention

Deception

Private gain



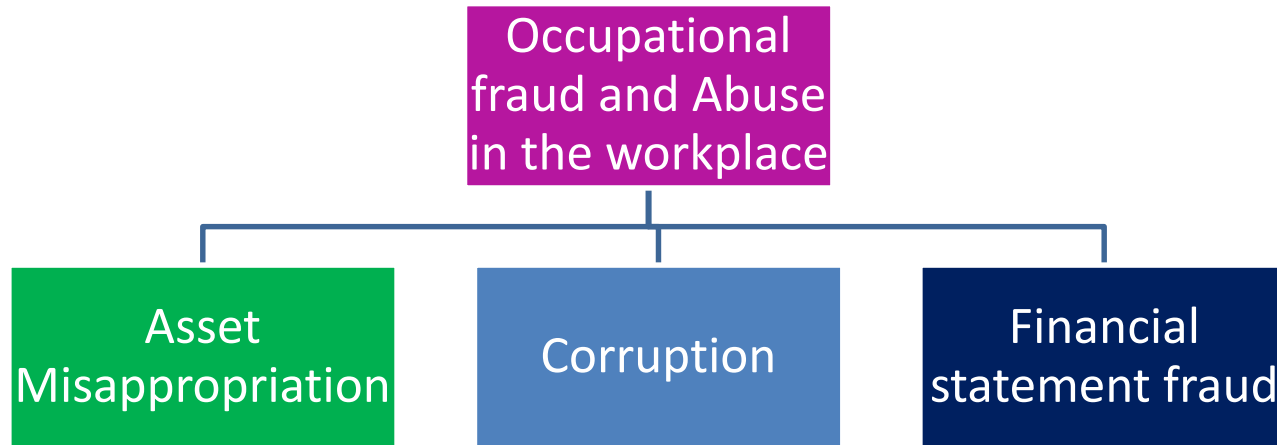
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## Fraud in the workplace





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**Bribery**

**Corruption**

**Nepotism**

**Bank or cheque fraud**

**Embezzlement**

**Kickbacks**

**Facilitation payments**

**Theft**

**Skimming**

**Conflict of interests**

**Misappropriation of assets**

**Procurement fraud**

**Robbery**

**Burglary**

**Forgery**

**Arson**



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## What is corruption?

“The abuse of entrusted power for private gain”

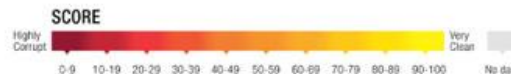
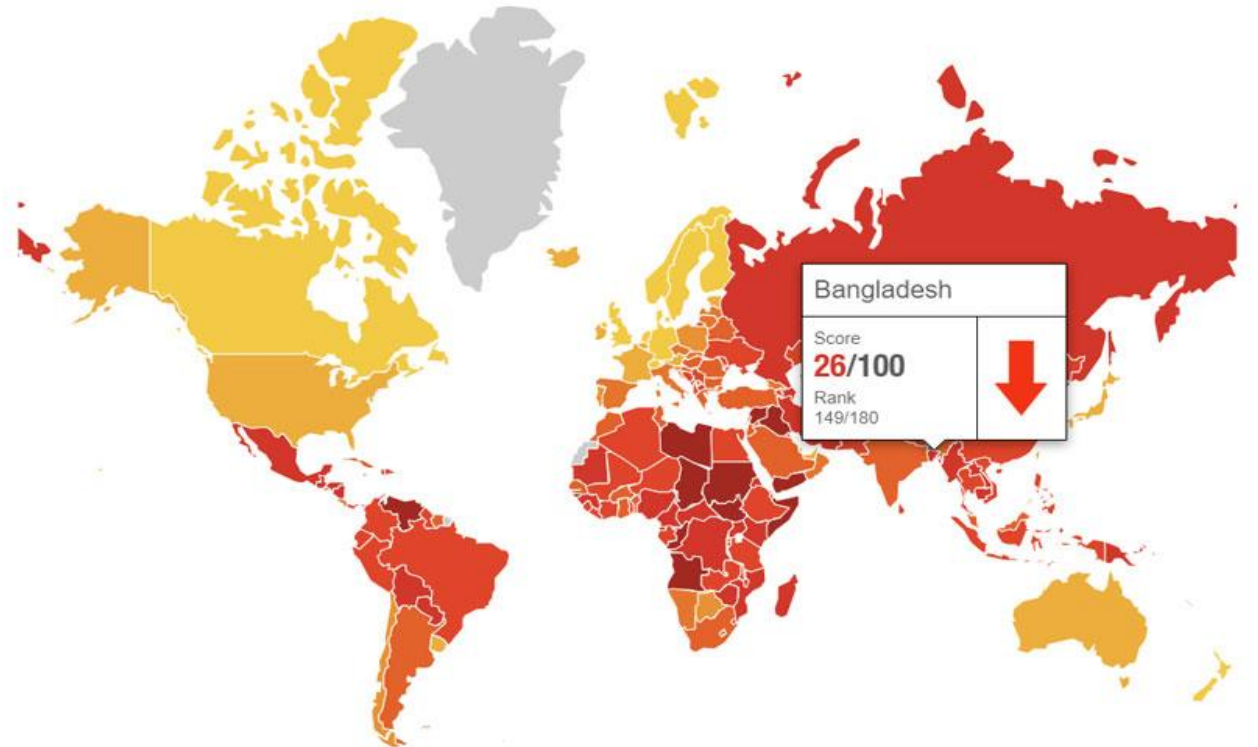






# Corruption Index 2021

The [Corruption Perceptions Index](#), published by [Transparency International](#), displays the perceived level of public sector corruption in 180 countries around the world.







## Bribery

“The offering, promising, giving, accepting or soliciting of an advantage as an inducement for an action which is illegal, unethical or a breach of trust.”





## Kickback

A **kickback** is a form of negotiated [bribery](#) in which a [commission](#) is paid to the bribe-taker in exchange for services rendered. Generally speaking, the remuneration (money, goods, or services handed over) is negotiated ahead of time. The kickback varies from other kinds of bribes in that there is implied [collusion](#) between agents of the two parties, rather than one party [extorting](#) the bribe from the other. The purpose of the kickback is usually to encourage the other party to cooperate in the illegal scheme.



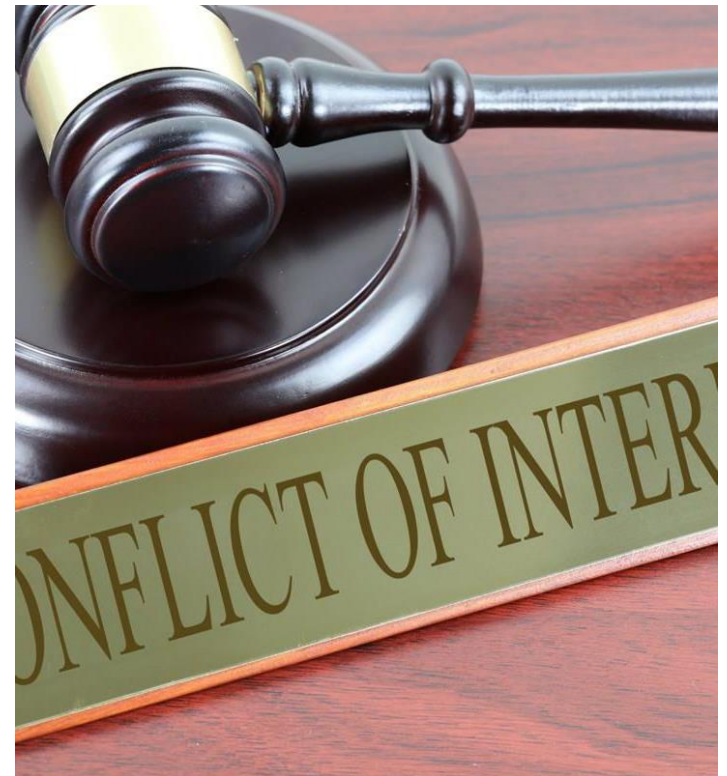


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## Conflict of interest

A conflict of interest is a situation in which a person or organization is involved in multiple interests, financial or otherwise, and serving one interest could involve working against another.



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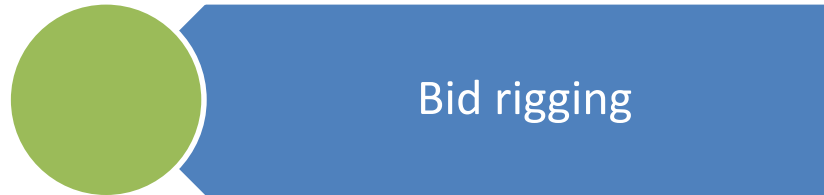




## Procurement fraud

Procurement fraud is a deliberate deception intended to influence any stage of the procure-to-pay lifecycle in order to make a financial gain or cause a loss.

It can be perpetrated by contractors or sub-contractors external to the organisation, as well as staff within the organisation.



Bid rigging



Falsification of invoices



Collusion between suppliers/employees



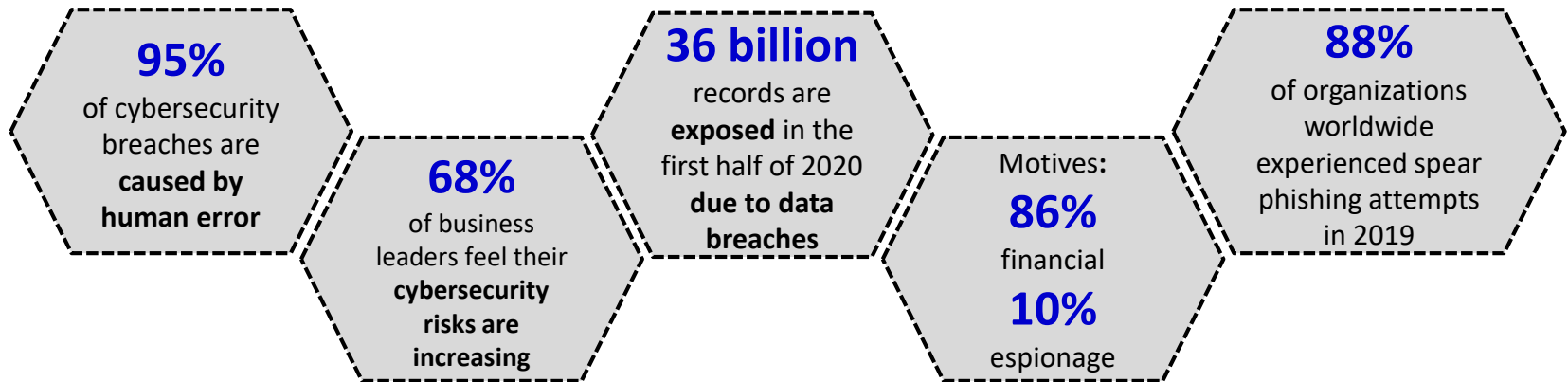
Purchase order/contract variations





## Computer/Internet Fraud

Computer aided activity involving a deliberate misrepresentation of fact or alteration of data to obtain/receive something of value that causes a financial loss to someone or the organisation.





## Widely used methods of computer/internet fraud

### Phishing

The attacker will send a false e-mail pretending to be a legitimate business so that they can deceive the recipient into divulging personal details.

### Hacking

Unauthorized control or access to computer network security systems for illegal purposes by searching for weaknesses in digital devices like computers, smartphones, tablets, or even the entire networks in order to take advantage of system security

### Ransomware

- ❖ Criminal money-making scheme that can be installed by a single click on misleading links in an email, text message, or website.
- ❖ The malware software will infect the computer and display messages demanding a fee to be paid in order for the system to work again.

### Malware

Malware is a term used to describe viruses, worms, Trojans and other harmful computer programs.

### Business Email Compromise

- ❖ One of the most financially damaging online crimes
- ❖ Criminals will send an email that appears to come from a known or trusted source.







## Other examples of fraud in the workplace

| Finance processes   | HR processes                       | Operations support                          | Partnerships                              | Compliance  | Research   |
|---|------------------------------------|---|---|---|--|
| Disbursements, reimbursements and expenses claims schemes | Nepotism                           | Corruption schemes in procurement           | Falsified claims                          | Abuse of diplomatic privileges                        | Plagiarism   |
| Overstatement of expenses                                 | Bribery in the recruitment process | Bid rigging                                 | Falsified outputs                         | Bribery to obtain work permits or government licenses | Falsification/fabrication of data and test results |
| Cash and cheque fraud schemes                             | Payroll schemes                    | Conflict of interest                        | Corruption in partner selection           | Misrepresentation                                     | False statements/conclusions                       |
| Financial statements and cost reporting schemes           | Inflated consultancy costs         | Misappropriation of assets                  | Misappropriation of assets                |   | False representation                               |
| Investment schemes  | Abuse of staff loans               | Fictitious vendor schemes                   | Conflict of interest in partner selection |   | False academic credentials                         |
| Tax fraud   | Misrepresentation                  | Overbilling by vendors                      |   |   | False/fabricated reviews                           |
|   | Benefit fraud                      | Fictitious deliveries of goods and services |   |   |  |
|   |                                    | IT fraud schemes                            |   |   |  |





## Other forms of Unethical behaviour

Behaviour that humiliates or intimidates

Examples might include:

- Verbal aggression or name-calling
- Vandalizing personal belongings
- Sabotaging work
- Spreading malicious rumors
- Humiliating initiation practices / hazing
- Personal attacks
- Aggressive / threatening gestures
- Cyber-bullying

Can come from co-workers, supervisors, employers, external sources

WorldFish have a **zero tolerance** towards bullying , harassment and sexual abuse.





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## Global Scale of Fraud



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## Key findings: ACFE Global report

### KEY FINDINGS

#### OUR STUDY COVERED



**2,504 CASES**  
from  
**125 COUNTRIES**

Causing total losses of more than  
**\$3.6 BILLION**



#### TYPICAL FRAUD CASE

lasts  
**14 MONTHS**  
before  
detection

causes a  
loss of  
**\$8,300**  
per month

#### CFEs ESTIMATE THAT ORGANIZATIONS LOSE

**5%** OF REVENUE TO FRAUD EACH YEAR

MEDIAN LOSS PER CASE:  
**\$125,000**

AVERAGE LOSS PER CASE:  
**\$1,509,000**

#### CORRUPTION

WAS THE MOST COMMON SCHEME IN EVERY GLOBAL REGION

**ASSET MISAPPROPRIATION SCHEMES** are the most common and least costly

**86%** OF CASES

**\$100,000** median loss

**FINANCIAL STATEMENT FRAUD SCHEMES** are the least common and most costly

**10%** OF CASES

**\$954,000** median loss

Organizations with **FRAUD AWARENESS TRAINING** for employees were **more likely** to gather tips through



#### FORMAL REPORTING MECHANISMS

**56%** of tips with training

**37%** of tips without training



**43%** OF SCHEMES WERE DETECTED BY TIP, and half of those tips came from employees



**TELEPHONE HOTLINE** and **EMAIL** were each used by whistleblowers in

**33%** OF CASES



USE OF TARGETED ANTI-FRAUD CONTROLS HAS INCREASED OVER LAST DECADE



**MALE**  
**\$150,000**  
Median loss



**FEMALE**  
**\$85,000**  
Median loss

**Men committed 72%** of all occupational fraud, and also caused larger losses than women

#### HOTLINE

↑ **13%**

#### ANTI-FRAUD POLICY

↑ **13%**

#### FRAUD TRAINING FOR EMPLOYEES

↑ **11%**

#### FRAUD TRAINING FOR MANAGERS/EXECUTIVES

↑ **9%**

A lack of internal controls contributed to nearly



**1/3 OF FRAUDS**

THE PRESENCE OF ANTI-FRAUD CONTROLS IS ASSOCIATED WITH **LOWER FRAUD LOSSES AND QUICKER DETECTION**



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# Why do People Commit Fraud?



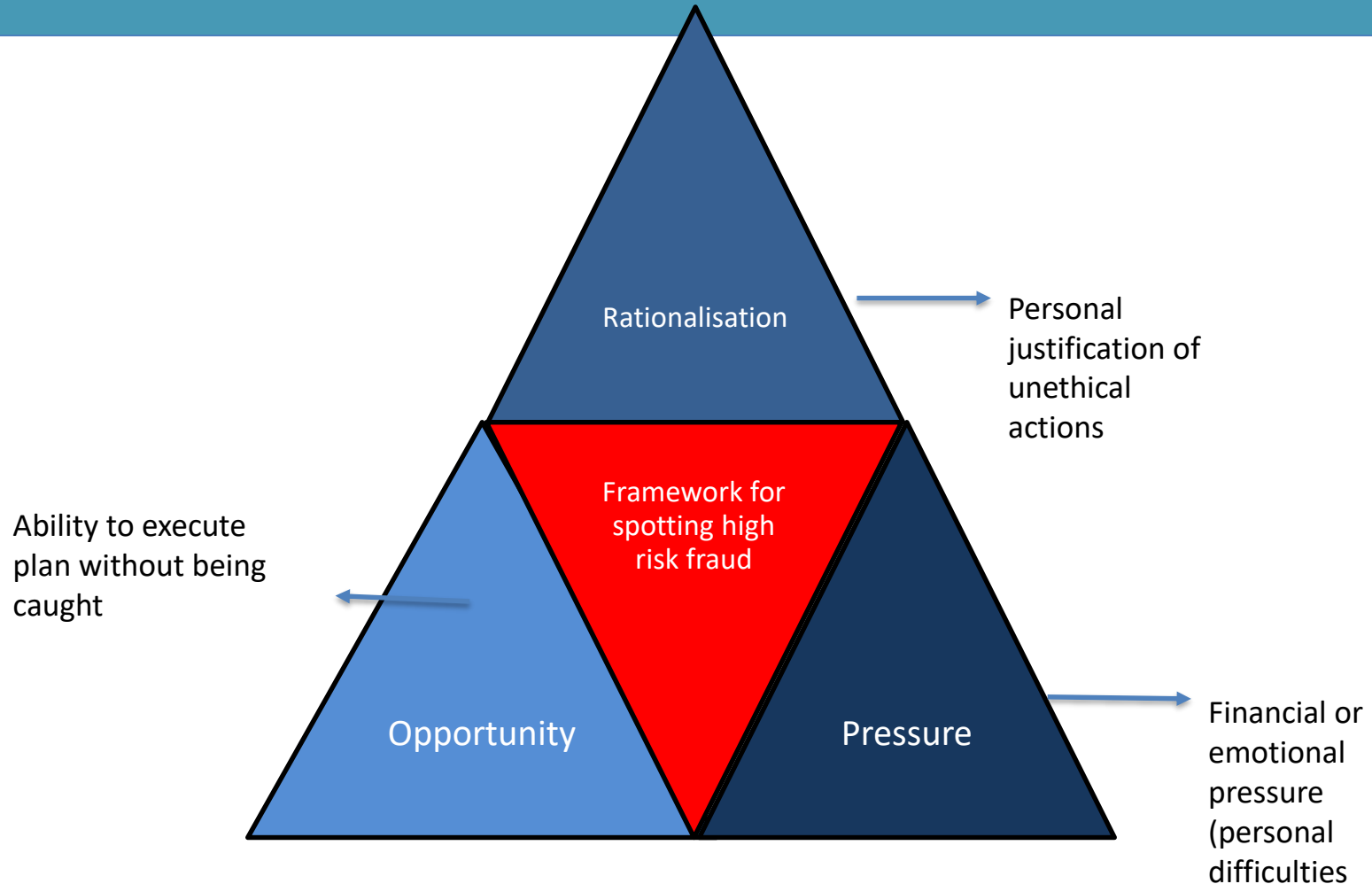
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Donald Cressey's Fraud Triangle is a model for explaining the factors that cause someone to commit fraud. It consists of three components which normally must all be present for fraudulent behavior to occur.



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# What is a "red flag" of fraud and corruption?



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## Red flags

Recognizing fraudsters' behavioral clues can assist organizations in more effectively identifying fraud and minimizing losses

**85%** of **ALL FRAUDSTERS** displayed at least **ONE behavioral red flag** while committing their crime

In **52%** of cases, the fraudster exhibited red flags connected to their **work duties**

In **63%** of cases, the fraudster exhibited red flags connected to their **personal life**

### 6 Keys Warning Signs



**42%**

Living beyond means



**26%**

Financial Difficulties



**19%**

Unusually close association with vendor/customer



**15%**

Control issues, unwillingness to share duties



**13%**

Irritability, suspiciousness, or defensiveness



**13%**

"Wheeler-dealer" attitude

\* Data above derived from the 2020 Report to the Nation prepared by the ACFE







## Red flags

Other red flags to watch out for in order to spot possible fraud are:

### BEHAVIORAL

- Unusual work schedules (week-ends, long hours, never takes vacation)
- Inconsistent illogical explanations of discrepancies
- Lack of response to phone calls or e-mails
- **Family/Personal problems**
- Past employment-related problems

### PROCESS

- Complaints receive from project/program beneficiaries
- Consistently late or incomplete reports
- Lack of open communication between related parties

### TRANSACTIONAL

- Rate of spending does not correlate with grant activity
- Provides copies rather than original documentation
- Timesheets that appear altered or include work hours when office was closed
- Missing or incomplete documentation





## Potential Consequences of Fraud

Direct Financial Loss.  
Donor stopping the  
funding

Lost Time to Rectify the  
Problem, (staff wages etc.)

Diversion of Management  
Resources

Cost of External Resources

Donor Reputation impact

Negative Impact on Staff  
Morale

Possible Loss of Valuable  
Staff Members

Loss of Management  
Confidence

Consequential Financial  
Loss

Unwanted attention and  
intervention  
from international  
oversight agencies, donors,  
governments etc.





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# How do we respond to Fraud?

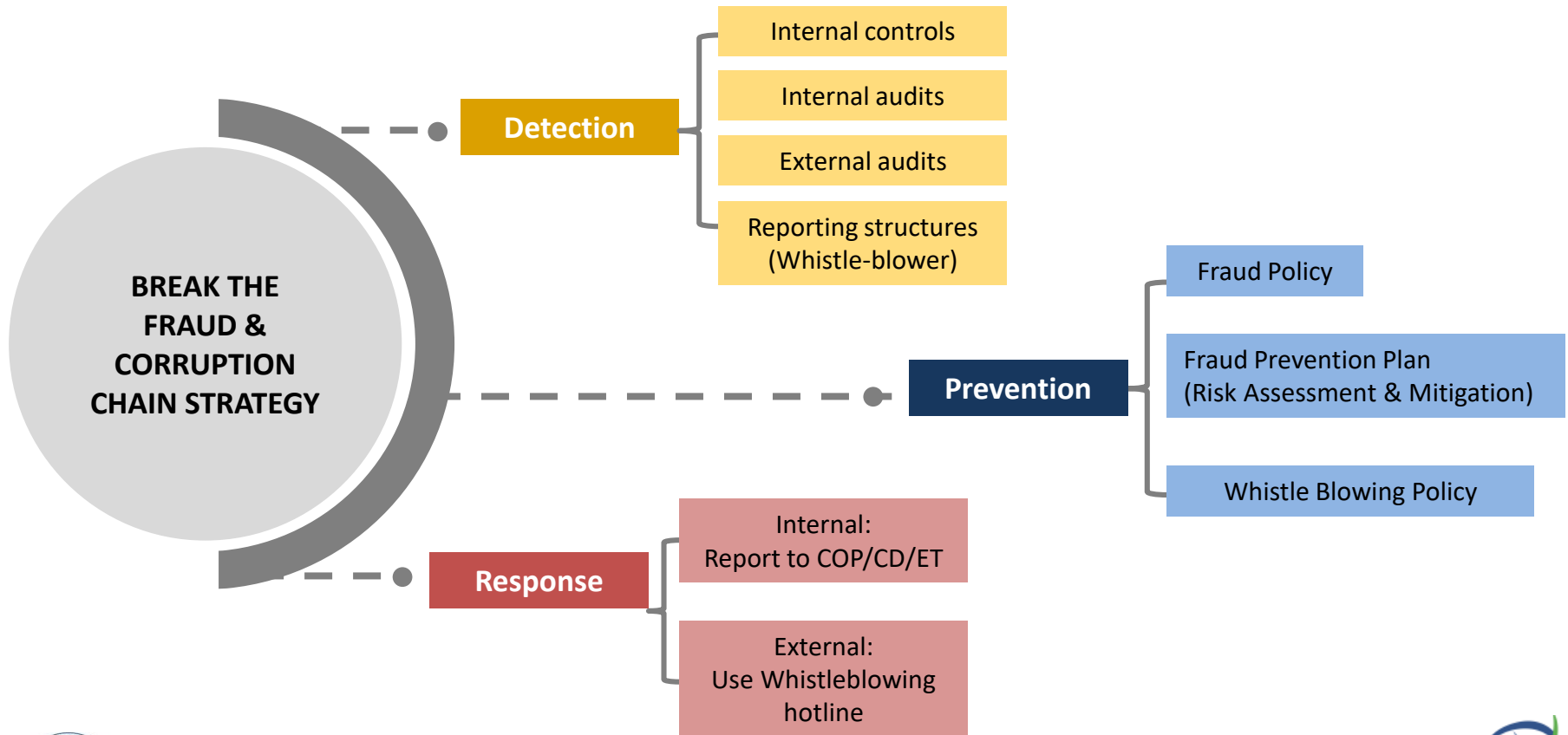


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# Fraud Risk Management Strategy





## Why internal control is necessary?

Safeguarding assets /funds (protect donor assets against loss or misuse)

Prevent, detect, and correct errors and irregularities.

Avoid cost of investigations and other related costs

Promote efficiency and cost effectiveness

Provide reliable financial/statistical reports

Protect employees

Maintain employee morale

Avoid public embarrassment and loss of public confidence

Prevent whistleblower and citizen complains





## Role of Project Focal and Finance Focal

- Understand policies and maintain compliance
- Maintain proper communication channel and documentation of the communication
- Maintain password protection on sensitive documents
- Justification for any kind of deviation from initial plan
- Conduct surprise field visits and monitor field movements
- Ensuring that deliverables are documented as per requirement and properly signed by relevant signatories.
- Ensure segregation of duties and proper dissemination of information





## Role of Senior Management

- Background and credit check during requirement and procurement
- Have procurement committee
- Review and update policies (if needed) annually.
- Segregation of duties and rotation in delegation.
- Provide capacity building training
- A bi-monthly or quarterly follow up with projects
- Provide a guideline containing clear understanding on internal risk mitigation strategy





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# The Role of Partners in Preventing Fraud



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## Best practice for sub-grantees

01

Do you have an anti-fraud policy in place?



03

Do you provide fraud prevention training for your staff?.



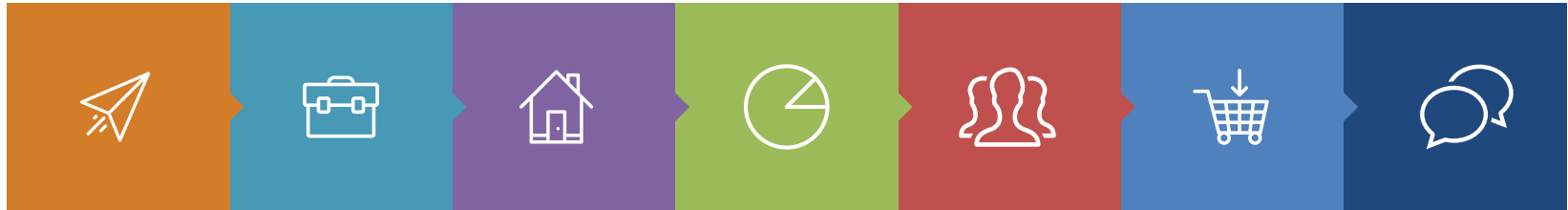
05

Are employees required to complete conflict of interest annually?



07

How do you handle allegations of fraud?



02

Do you have a code of conduct in place and are all your staff aware of it?



04

What internal controls do you employ to identify corruption, fraud and theft?



06

Is there adequate separation of duties between finance, compliance and procurement?.





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# Guideline on Compliance and Fraud Prevention by

U.S. Agency for International Development  
Office Of Inspector General

<https://oig.usaid.gov/sites/default/files/2018-10/OIG-Fraud-Prevention-and-Compliance-Handbook-103018.pdf>



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## WorldFish Policies

- Anti-Harassment, Discrimination and Bullying Policy
- Anti-Fraud and Anti-Corruption Policy
- Whistleblowing Policy

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Whistleblowing Policy

Document Summary & Version Control

| Policy Title          | Document ID | Version | Effective Date | Review Date |
|-----------------------|-------------|---------|----------------|-------------|
| Whistleblowing Policy | WFPOL-001   | 1.0     | 1/1/2010       | 1/1/2015    |

| Issue Date | Summary of Changes | Author | Reviewer |
|------------|--------------------|--------|----------|
|            |                    |        |          |
|            |                    |        |          |

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Anti-Harassment, Discrimination and Bullying: Policy and Procedures

Document Summary & Version Control

| Policy Title  | Document ID | Version | Effective Date | Review Date |
|---|-------------|---------|----------------|-------------|
| Anti-Harassment, Discrimination and Bullying: Policy and Procedures | WFPOL-002   | 1.0     | 1/1/2010       | 1/1/2015    |

| Issue Date | Summary of Changes | Author | Reviewer |
|------------|--------------------|--------|----------|
|            |                    |        |          |
|            |                    |        |          |





# How to report your concerns?

Protect our organization by reporting fraud, corruption, and bad business practices

## Line Manager

- Your first port of call
- Speak with a more senior manager or your Head of Department or Country Director if you believe your manager is involved

## WorldFish Official Email

[worldfish.whistleblowing@cgiar.org](mailto:worldfish.whistleblowing@cgiar.org)

## CGIAR Ethics Email

[ethics@cgiar.org](mailto:ethics@cgiar.org)

[wfbanaproject@cgiar.org](mailto:wfbanaproject@cgiar.org)

## CONFIDENTIAL Whistle-blower Service

### Lighthouse Services

- Web - [www.lighthouse-services.com/worldfish](http://www.lighthouse-services.com/worldfish) and click on "Report an Incident"
- Phone - Find and dial your country number before dialing 800-603-2869
- Email - [reports@lighthouse-services.com](mailto:reports@lighthouse-services.com)





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**DOES SOMETHING FEEL WRONG?**

**THEN IT'S RIGHT TO QUESTION IT.**

**TAKE TIME TO STOP AND THINK**

TOGETHER LETS..

**STOP**



**FRAUD**



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## Indicators of Fraud (Red flags)

- Key documents missing
- No separation of financial duties
- Accounting system in disarray
- Lack of policies that establish controls
- Inadequate monitoring to ensure these controls work as intended
- Ineffective accounting, information technology or internal audit staffs
- Documentation that is photocopied or lacking essential information
- Unusual employee behavior
- Tips or complaints about fraud (whistle blower)
- Lack of established code of ethical conduct
- Unwilling to share responsibility to manage relationships with a vendor or a partner or another third party





## Indicators of Fraud (Red flags)

- Poorly documented needs assessment for purchases
- Requests for 'urgent' purchases at financial year-end, when there is pressure to spend budgets
- Purchase specifications too narrow or precise, so that only one supplier can qualify
- Subjective criteria for evaluating vendor compliance with specifications
- Vendor contracts split into multiple tenders just below the threshold for competitive bidding
- Contract amounts with vendors just below the threshold for senior management review
- Limited bid advertising for purchases
- Drastic changes in pricing from previous contracts or from market levels
- Unusual bid patterns indicating possible collusion





## Indicators of Fraud (Red flags)

- Repeat contract awards to the same supplier(s) or the lowest priced bidder being bypassed for a costlier supplier
- Unjustified 'sole-source' contracts (without competition)
- Bidding processes involving direct negotiation with suppliers
- Unjustified change orders to contracts after award
- Goods not matching the sample provided with the bid
- Goods with imminent or past expiry dates
- Unexpected staff departure
- Resistance to adopt automation
- Big construction/refurbishment projects
- Significant adverse changes e.g. staff redundancies

