



SIGAR Special Inspector General for Afghanistan Reconstruction



SIGAR Fraud Awareness Brief (FAB)

Current as of 01 March 2012
SIGAR

This briefing is at the
UNCLASSIFIED
level
FOR PUBLIC RELEASE



SIGAR Authority

- **National Defense Authorization Act for FY2008 (PL 110-181) defines SIGAR's mission as:**
 - **Operations**
 - Conduct and supervision of audits and investigations relating to the programs funded with amounts appropriated or otherwise made available for the reconstruction of Afghanistan.
 - **Oversight**
 - Recommendations on policies designed to promote economy, efficiency, and effectiveness in the administration of the programs and operations; and prevent and detect, waste, fraud, and abuse.
 - **Interagency**
 - Provides Secretary of State and the Secretary of Defense information about problems and deficiencies relating to the administration of reconstruction programs and the necessity for and progress on corrective action.



What is Afghanistan Reconstruction?

- **Afghanistan Reconstruction includes:**

- Any major contract, grant, agreement, or other funding mechanism entered into by any department or agency of the U.S. government that involves the use of amounts appropriated, or otherwise made available for reconstruction of Afghanistan





Funds Supporting the Afghanistan Reconstruction Effort:





Types of Reconstruction Spending

- **The building or re-building of the physical infrastructure of Afghanistan**
- **The establishment or re-establishment of political and/or societal institutions in Afghanistan**
- **The construction and development of the Afghan National Security Forces (ANSF)**
 - Includes both the Afghan National Army (ANA) and all sub-sets of the Afghan National Police (ANP)



SIGAR Audit Directorate

- **Core functions include:**
 - Conducting audits , inspections, and forensic reviews of reconstruction activities in Afghanistan
 - SIGAR's audits range from assessments of program direction to narrower examinations of specific contracts or aspects of contract and program management
 - SIGAR's inspections are quick-impact assessments to determine whether infrastructure projects have been properly constructed, are being used as intended, and can be sustained
 - Forensic reviews identify anomalies that may indicate fraud



SIGAR Special Inspector General for
Afghanistan Reconstruction

SIGAR Investigations Directorate (ID)

- **Core functions include:**
 - Promptly responding to allegations of fraud, waste, or abuse
 - Developing sources of information
 - Conducting thorough investigations
 - Analyzing crime trends
 - Conducting threat assessments and target analysis

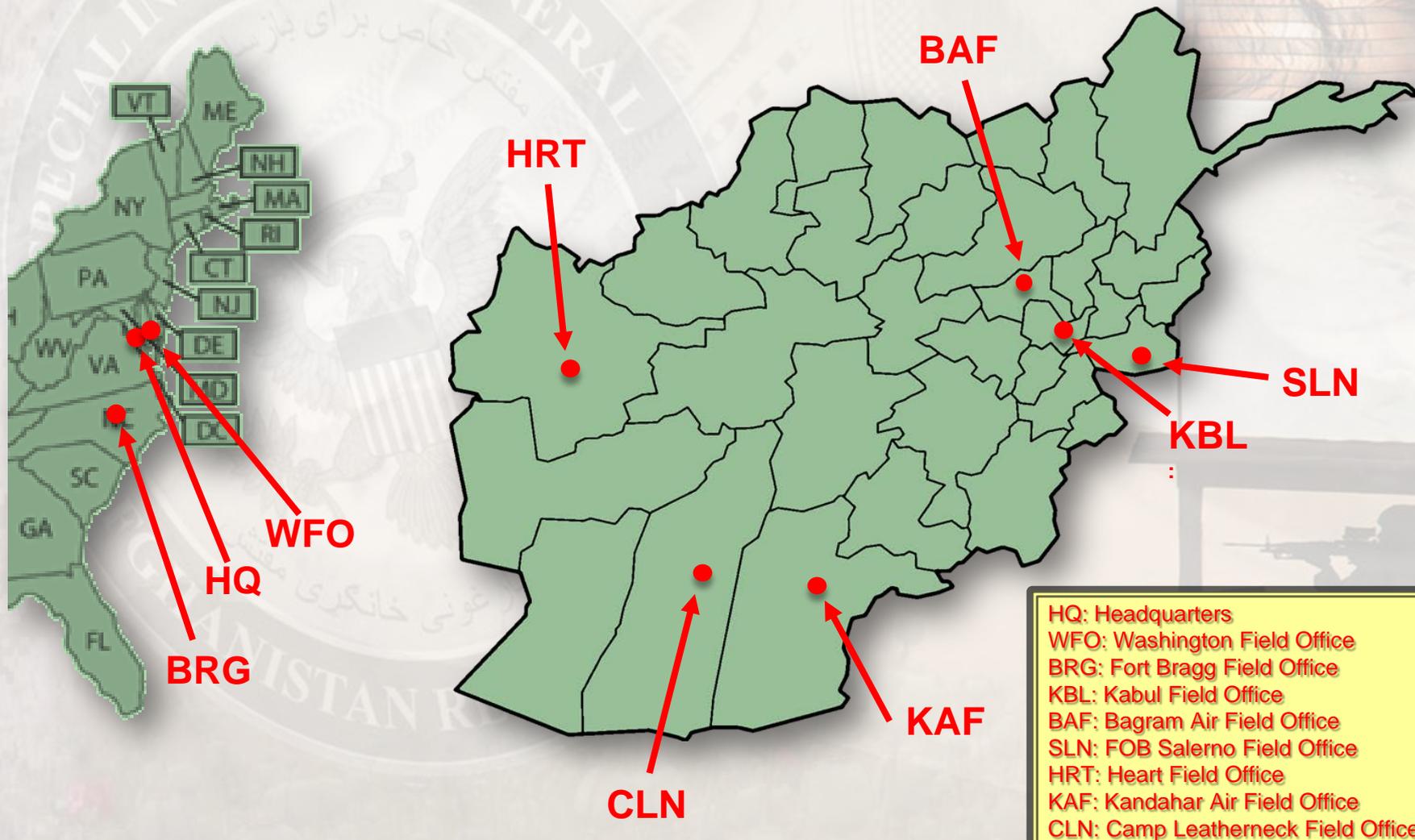




SIGAR ID Office Locations

United States

Afghanistan





The SIGAR Hotline

- **How to file a complaint?**
 - Complaints may be reported by phone, fax, e-mail, webform or in-person
 - Phones are answered during business hours with 24/7 voicemail support; English, Dari, and Pashtu language services are available.
 - In-person, walk-in complaints may be submitted to any SIGAR Agent or Field Office
- **The better the information provided, the quicker and more thorough resolution of the complaint**
- **SIGAR refers matters not within its purview to the appropriate IG or agency**



SIGAR Suspension & Debarment Program (SDP)

- **Designed to “bridge the gap” between investigators, auditors, and a Suspension or Debarment Official (SDO) regarding Afghanistan fraud cases.**
 - Administrative decision by the responsible Agency SDO to prevent an individual/company from receiving any further contracts, grants, task orders, modifications involving funding.
 - May continue to perform on present contracts and be paid.
- **Referrals will be made directly to the applicable SDO**
 - Any party may refer a matter for suspension or debarment under the FAR and Non-Procurement Regulations ;
 - Eliminates delays based on agency case backlogs;
 - Allows for a focused program leveraging the expertise of SIGAR and partner agencies.



Law Enforcement Activities

- **SIGAR Investigations works in coordination with the following agencies:**
 - FBI, DEA, IRS CID, HSI, DCIS, USACIDC, AFOSI, NCIS, USAID OIG, DoS OIG, with additional support from state and local law enforcement.
- **Task force membership in the following:**
 - International Contract Corruption Task Force (ICCTF)
 - Homeland Security Investigations (HSI) Bulk Cash Transfer Initiative
 - Major Crimes Task Force (MCTF)
 - Combined Joint Investigative Agency Task Force (CJIATF) / “Shafafiyat”
 - Supports investigation/prosecution of Afghan subjects under Afghan law
 - Task Force 2010 (TF2010)



Combating Fraud in Afghanistan

Photo: Insufficient riverbed preparation (substandard construction) for Guryak Bridge footings resulting in a partial collapse.



What is Fraud?

- **An intentional misrepresentation which causes the suffering of damages and usually monetary losses**
 - Fraud is cheating for profit
 - Fraud is characterized by acts of:
 - Guile, trickery, concealment, or breach of confidence used to gain unfair or dishonest advantage involving money, property or services



Motivations for Fraud

CRESSEY'S HYPOTHESIS

Opportunity

The Fraud
Triangle

Pressure

Rationalization



Motivations for Fraud (Cont'd)

- **Pressure**

- Dissatisfaction increases likelihood of fraud
 - i.e. perceived lack of appreciation may motivate an employee to commit fraud against his or her employer

- **Opportunity**

- Inadequate internal controls
 - i.e. failure to ensure that the individual responsible for purchasing does not serve in the same role as the person responsible for receiving.

- **Rationalization**

- Fraudulent act is viewed as non-criminal
 - i.e. a sense of entitlement; I work her therefore I'm entitled to take home office supplies, make long distance phone calls, use my government credit card for personal purchases, etc.



Challenges With Fraud

- **Not every instance of non-compliance is a fraud-specific intent**
- **Often involves processes we are unfamiliar with**
- **Demonstrating damage may be difficult**
- **Sophisticated / corporate subjects**
- **Extended time required to conduct investigations**



Separating Mistakes from Fraud



Mistake

Gross
Negligence

Criminal
Act

- **Mistake** – Not amounting to gross negligence or criminal act
- **Gross Negligence** – Failure to perform or act appropriately
- **Criminal Act** – Intentional commission of a crime



Common Contract Fraud Violations

- **Product Substitution: 18 USC, 1001, False Statement**
 - Involves suppliers, prime contractors, or sub-contractors substituting contract specified materials, goods, and services with items that do not meet the required specifications
- **Cost Mischarging: 18 USC 1001, False Statement: 18 USC 287, False Claim**
 - Intentional falsification of any records such as invoices or timesheets by falsely claiming the cost of labor or materials to the government
- **Defective Pricing: Truth in Negotiations Act (TINA), PL 87-653**
 - Contractor intentionally fails to submit current, accurate, and complete pricing data on a negotiated contract thereby falsely representing costs



Common Contract Fraud Violations (cont'd)

- **Bribery: 18 USC 201**

- Occurs when an individual gives, offers, or promises anything of value to any public official in exchange for an official act

- **Kickbacks: 41 USC 54**

- Means any money, fee, commission, credit, gift, gratuity, thing of value, or compensation of any kind which is provided, directly or indirectly, to any prime contractor, prime contractor employee, subcontractor, or subcontractor employee for the purpose of improperly obtaining or rewarding favorable treatment in connection with a prime contract or in connection with a subcontract relating to a prime contract.



Common Contract Fraud Violations (cont'd)

- **Gratuities: 18 USC 201-208**

- A gratuity occurs when a public official accepts anything of value from a prohibited source such as:

- Contractor
- Subcontractor
- Subordinate

- **Conflicts of Interest: Between public responsibilities and private interests: 18 USC 201-208**

- Eleven Federal Statutory prohibitions and related regulations
 - Present or former officers or employees of the Federal Government



Common Contract Fraud Violations (cont'd)

- **Theft of Public Funds: 18 USC 641**
 - Occurs when an individual embezzles, steals, or knowingly converts to his or her own use or to the use of another, any money, voucher, record, or item of value of the United States Government
- **Violation of Anti-trust Law: Sherman Anti-Trust Act, 15 USC 1**
 - Involves conspiracy among contractors or sub-contractors to confer on bids among themselves or limit their competition on bidding for government contracts
 - Includes bid suppression or limiting, complementary bidding, and geographic division of the market



Common Contract Fraud Violations (cont'd)

- **False Claims: 18 USC 287**
 - Contains both criminal and civil penalties
 - Provision for *Qui Tam* which allows a “whistleblower” to report fraud and recover up to 50% of damages awarded to the USG



Criminal Prosecutorial Remedies

- **Indictments**
 - Possibility of multiple counts per type of crime (i.e. every time a bribe/kickback is received represents a separate count)
- **Convictions**
 - Acts are mutually exclusive, and not lumped together
- **Restitution**
 - Recoveries can be up to the full amount of loss
- **Fines**
 - Can be greater than the amount of the fraud
- **Imprisonment**
 - Average offense is punishable by more than 3 years imprisonment
- **Uniformed Code of Military Justice (UCMJ) Actions**
 - All military members can be subject to prosecution within the military judicial system
 - Non-judicial punishment may also be leveraged (Article 15)



The Importance of SIGAR's Work

- **Ensuring warfighters receive needed equipment, supplies, services, and weaponry**
- **To ensure the effectiveness of the US reconstruction programs in Afghanistan**
- **Returning recovered funds to the U.S. Treasury**
- **Ensuring soldier safety, readiness, and quality of life**
- **Deterrence of fraud, waste, and abuse through indictments, convictions, recoveries, and suspensions/debarments.**

SIGAR HOTLINE

DON'T LET IT GO TO WASTE

REPORT FRAUD
INVOLVING
U.S. RECONSTRUCTION DOLLARS TO
SIGAR
THE SPECIAL INSPECTOR GENERAL
FOR AFGHANISTAN RECONSTRUCTION

IN AFGHANISTAN:
0700107300 (cell)
318-237-3912 x7303 (DSN)

IN UNITED STATES:
+1-866-329-8893 (int'l line)
94-312-664-0378 (DSN)

<http://www.sigar.mil>
sigarhotline@state.gov
sigar.pentagon.inv.mbx.hotline@mail.mil



SIGAR HOTLINE