



OFFICE OF PUBLIC INTEGRITY

Fraud, Waste and Abuse

(Prevention, Detection, Reporting)

8/20/2010



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

Benjamin Franklin



Robert J. Duffy, Mayor
City of Rochester, NY

ACKNOWLEDGEMENT

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Fraud, Waste, and Abuse

Prevention, Detection, and Reporting

Fraud, Waste, and Abuse...What is it?

Fraud

Simply – fraud is a false representation about a material fact. It is any intentional deception designed to deprive the City of Rochester, unlawfully of something of value or to secure from the City for an individual a benefit, privilege, allowance, or consideration to which he or she is not entitled.

Waste

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

Abuse

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

How can I tell if fraud, waste, and abuse are occurring?

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

- No separation of duties.
- 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.

While the above occurrences are indicators of fraud, they could also be indicators of weak or poor business practices without actual fraud occurring; such indicators can often lead to opportunities to commit fraud.

As a City employee, what can I do to avoid trouble?

- If you suspect any irregularities, or criminal acts, contact the OPI 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 City policies, procedures, rules and regulations.
- Keep current on training and applicable policies.
- Correct any audit or program evaluation findings promptly.
- Ensure contractor, awardee, or recipient accountability.
- Conduct site visits, examine work performed and ensure recipient compliance with terms of contract or grant.
- Ensure that all work is being performed as originally outlined and planned.
- Protect City information, resources, and equipment under your control.

Above all else, if you have any questions or concerns, ask your OPI contact.

We are here to assist you. We want you to succeed. As a City employee, you are duty bound to report Fraud, Waste, Abuse, and Corruption under the Standards of Conduct:

“Employees Shall Disclose Waste, Fraud, Abuse, and Corruption to Appropriate Authorities.”

Standards of Conduct Violation

All City employees are expected to adhere to certain standards of conduct which, if violated, could adversely reflect on the City. Such prohibited conduct includes, but is not limited to:

- Official or moral misconduct.
- Soliciting or accepting gifts from outside sources.
- Abuse of authority or position.
- Misuse of City time, equipment, IT resources, and information.

Computer Crimes

Computer fraud includes anyone who knowingly accesses a computer without authorization; exceeds authorized access; obtains information from any department of the City of Rochester to further an intended fraud; or to access prohibited sites.

Whistleblower Protection

A whistleblower is an individual that believes his or her organization is engaged in or willfully permits unethical or unlawful activities and reports it. The City of Rochester’s Whistleblower Protection Policy provides protection rights to all City employees. Under this policy, employees may seek protection from the Office of Public Integrity and/or Corporation Counsel.

COMMON FRAUD SCHEMES...

What to look for from your suppliers, vendors, contractors, or subcontractors

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Prohibited practices before the awarding 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 government employee and contractor or awardee.
- Sudden unexplained increase in wealth.

Conflict of Interest and ethics Violations

- City personnel using their official duties to garner personal or financial gain.
- Acceptance of gifts from a vendor or contractor.
- City personnel providing proprietary information to one, or a few competitors.
- City personnel negotiating for employment with a company that they have an official interest in or with.

Unbalanced bidding

- Particular line item bids appear to be unreasonably low.
- Contracting personnel providing a favored bidder with information in the bid process.
- Change orders issued soon after contract award deleting or modifying line items. Bidder is close to a government procurement official, or directly participated in drafting the contract specifications.

Prohibited practices after the awarding 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 cost 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 which do not conform to contract requirements without making proper notifications.
- 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 False 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.

Change Orders

- Abnormal number of change orders submitted by contractor.
- Change orders submitted for payment without prior approval.

What should you do if you suspect fraudulent activity, waste, or abuse?

- ✓ **do** contact the Office of Public Integrity (Hotline, E-mail, and/or Phone).
- ✓ **do** discuss your concerns with the Office of Public Integrity.
- ✓ **do** seek answers to your questions in the normal course of business.
- ✓ **do** cooperate with the Office of Public Integrity and expect to be contacted and involved.
- ✗ **don't** feel compelled to “prove” a case or intent.
- ✗ **don't** “tip off” subjects of actual or pending investigation.
- ✗ **don't** “stop” your normal course of business unless otherwise directed.

Contact information:

Confidential Hotline # - 428-9340

Office of Public Integrity
85 Allen Street, Suite 100
Rochester, New York 14608

(Phone) 585-428-7245

(Fax) 585-428-7972

Email: OPI@cityofrochester.gov