

GAO Topic of the Month – January 2024

Reporting Fraud



Background

Per SAAM 0530, *Fraud, Theft, Waste and Abuse*, all state agencies have a responsibility to timely report suspected instances of fraud, theft, waste and abuse. The purpose of this SAAM is to clarify agency responsibilities to effectively implement internal controls that aid in the prevention and detection of fraud, theft, waste or abuse, along with the requirements for reporting. This policy applies to any fraud, theft, waste, or abuse or suspected fraud, theft, waste, or abuse involving any employee (including management), consultant, vendor, contractor, outside agency, or person doing business with an agency or in any other relationship with an agency.

SAAM 0530, Fraud, Theft, Waste and Abuse

State financial policy does not tolerate any type of fraud or theft and all instances must be reported to the GAO, the Auditor General, and the Attorney General. Any State employee, contractor of the State, or other individual who observes or receives a report of an activity that is suspecting of involving fraud, theft, waste or abuse related to State activities is required to report it to the GAO, the Auditor General, the Attorney General, and, as may be relevant, the applicable law enforcement organization (collectively herein, the appropriate authorities) within one (1) business day.

Fraud, theft, waste and abuse impact the State's financial statements and can have legal and financial consequences. Do not assume someone else has reported it. Either confirm that it has been properly reported or make the required report.

What is Fraud, Theft, Waste and Abuse?

FRAUD

Fraud is defined in the SAAM 9505, *Glossary*, as,

Any intentional act or omission designed to deceive others, resulting in the victim suffering a loss and/or the perpetrator achieving a gain. The use of one's occupation for personal enrichment through the deliberate misuse or misapplication of the employing organization's resources or assets.

The principal types of fraud include:

- breach of fiduciary duty;
- bribery;
- concealment of material facts;
- theft of money or physical property;
- theft of secrets or intellectual property, and

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- other statutory offenses.

Fraud is also a dishonest and deliberate course of action that results in obtaining money, property, or an advantage to which a State employee or an official committing the action would not normally be entitled. Fraud is also intentional misleading or deceitful conduct that deprives the State of its resources or rights. A mere mistake or error generally will not constitute fraud unless made with negligent disregard for the truth.

Examples:

- Falsifying financial records to cover up theft.
- Theft or misuse of State money, equipment, supplies, or other materials.
- Intentionally misrepresenting the costs of goods or services provided.
- Falsifying payroll information.
- Use of State equipment or property for personal gain.
- Submitting false claims for reimbursements.
- Soliciting or accepting a bribe or kickback.
- Intentional use of false weights or measures.

THEFT

Theft is defined in the SAAM 9505, *Glossary*, as, “The act of taking something from someone unlawfully. An example of theft is taking home a printer belonging to the agency and keeping it for personal use.”

Theft crimes are crimes that involve the unauthorized taking of the property of another with the intent to deprive them of it permanently. Larceny is the most common type of theft and involves the taking of the property of another without their consent.

Examples:

- Stealing cash or checks
- Stealing work equipment such as computers, monitors, phones, etc.

WASTE

Waste is defined in the SAAM 9505, *Glossary*, as, “The loss or misuse of State resources that results from deficient practices, system controls, or decisions. An example of waste is not taking advantage of an available prompt pay discount.”

Waste is the needless, careless, or extravagant expenditure of State funds, incurring of unnecessary expenses, or mismanagement of State resources or property. Waste does not necessarily involve private use or personal gain but likely signifies poor management decisions, practices, or controls.

Examples:

- Purchase of unneeded supplies or equipment.
- Purchase of goods at inflated prices.
- Failure to reuse or recycle major resources or reduce waste generation.

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ABUSE

Abuse is defined in the SAAM 9505, *Glossary*, as, “The intentional, wrongful, or improper use of resources or misuse of rank, position, or authority that causes the loss or misuse of resources, such as tools, vehicles, computers, copy machines, etc.”

Abuse is the intentional, wrongful, or improper use or destruction of State resources or seriously improper practice that does not involve prosecutable fraud. Abuse can include the excessive or improper use of an employee’s or official’s position in a manner other than its rightful or legal use.

Examples:

- Failure to report damage to State equipment or property.
- Using one’s position in one State agency to gain an advantage over another State resident when conducting personal business in another State agency.
- Serious abuse of State time, such as significant unauthorized time away from work or significant use of State time for personal business.
- Abusing the system of travel reimbursement.
- Receiving favors for awarding contracts to certain vendors.

Reporting Fraud, Theft, Waste and Abuse

When reporting suspected fraud, theft, waste or abuse please make sure to include sufficient details including but not limited to:

- The nature of the suspicious activity.
- How the suspicious activity became known to the informant (i.e., by direct observation, though communication with another, etc.).
- The name, names or group of individuals involved in the suspicious activity.
- The date, time, place and other particulars related to the suspicious activity.
- The name of the employee, agency, vendor, contractor, consultant or grant recipient. What type of government funding is involved?
- The first and last names of all involved parties.
- A detailed explanation, to include who, what, where, when, how and nature of the fraud.
- Who else has this been reported to? (e.g. other agencies, law enforcement, federal offices, etc.) Include specific details who, when, how, etc.
- Your first and last name, title, agency, phone number and email address. While the SAAM allows for an informant to choose to disclose his identity or remain anonymous, if the agency is reporting fraud, theft, waste, or abuse, a contact will be necessary in order to obtain additional information and for follow-up.

Provide as much information as you can. If necessary, you can provide additional updates as the situation continues to evolve or change.

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Failure to Report - Consequences

Failure to comply with policy subjects an employee to possible disciplinary action, as appropriate, including and up to immediate termination. Failure to comply by a consultant, vendor, contractor, outside agency, or person doing business with the State or in any other relationship with the State could result in cancellation of the underlying contract or other relationship between the entity and the State. Fraud, theft, waste, and abuse also have impact on risk and the State's financial statements, and therefore need to be reported as soon as possible.

Conclusion

Any State employee, contractor of the State, or other individual who observes or receives a report of an activity that is suspecting of involving fraud, theft, waste or abuse related to State activities is required to report it to the GAO, the Auditor General, the Attorney General, and, as may be relevant, the applicable law enforcement organization within one (1) business day.

Resources

SAAM 0530, *Fraud, Theft, Waste and Abuse*

SAAM 0515, *Code of Conduct for Employees Engaged in Accounting, Financial and Budgeting Activities*

SAAM 9505, *Glossary*