NME IG   
WHAT IS FRAUD, WASTE AND ABUSE?

Fraud   
A dishonest and deliberate course of action that results in the obtaining of money, property or an advantage to which the person committing the fraud would not normally be entitled.  It is the intentional misleading or deceitful conduct that deprives another of his/her resources or rights.  Fraud always involves intent and some violation of trust.

Waste   
Waste occurs when someone makes careless or extravagant expenditures, incurs unnecessary expenses, or grossly mismanages resources.  This activity results in unnecessary costs.  It may or may not provide the person with personal gain.  Waste is almost always a result of poor management decisions and practices or poor accounting controls.

Abuse   
Abuse most often involves an employee exploiting "loopholes" in policies and procedures for personal benefit.  Abuse is very close to fraud, but is often not prosecutable as such.  Abuse includes, but is not limited to the misuse or destruction of resources, using the power of an official position inappropriately, or any other seriously improper practice that cannot be prosecuted as fraud.

Mismanagement   
A collective term covering acts of waste and abuse. Extravagant, careless, or needless expenditure of Government funds or the consumption or misuse of Government property or resources, resulting from deficient practices, systems, controls, or decisions. Abuse of authority or similar actions that do not involve criminal fraud .

*Example 1*

* An employee attends a training conference in Hawaii . (Acceptable)
* The employee chooses the Hawaii location even though the same conference will be held in Seattle and travel costs will be cheaper. (Waste)
* The employee stays at a very expensive resort instead of at the hotel hosting the conference. (Abuse)
* The employee submits multiple travel reimbursement requests for the training trip to Hawaii . (Fraud)

*Example 2*

* The head researcher on a project buys some needed camping equipment for an outdoor project even though most of the research team believes other needed equipment should be bought first. (Acceptable)
* The camping equipment was purchased even though some older camping equipment was available that would still meet the team's needs and safety requirements. (Waste)
* The research team uses the equipment for research, but also uses it for their own hiking, hunting, and fishing trips. (Abuse)
* The head researcher purchases the camping equipment, resells it, and pockets the cash. (Fraud)

*Example 3*

* An employee works some manager-approved overtime in order to complete a project that is on a strict deadline. (Acceptable)
* The manager requires the employee to work the overtime even though there is no good reason to have the employee do so. (Waste)
* The employee knows that overtime of under one hour per week will not be questioned, so she regularly works a half hour extra simply to earn extra pay or comp time. (Abuse)
* The employee adds extra time to her timesheet even though she didn't work the hours (Fraud)

*Example 4 of Mismanagement*

* The housing authority took advantage of a new loophole to give away 20 houses built with a $1.3 million grant. People on the waiting list were bounced, and the houses went to housing-authority staff, board members and their families.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

***WHAT DOES IT COST?***

Determining the total cost of fraud, waste and abuse is most likely an impossible task. Fraud and abuse often involve concealment, which means much of the activity goes unreported and/or undetected.

According to the "2004 Report to the National" put out by the Association of Certified Fraud Examiners, it is estimated that 6% of an organization's total revenues is lost to occupational fraud and abuse. Keep in mind, this rate is based on only known cases of fraud and does not include activities that are wasteful.

Costs associated with fraud, waste and abuse result in decreased wages, higher costs to customers, lower profits and fewer resources available for new programs or the expansion of old ones.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

PREVENTING FRAUD, WASTE AND ABUSE

It is difficult to stop all fraud, waste, and abuse.  However, a number of things can be done to help eliminate some of this activity.  For example:

* Reduce opportunities through strong internal control
* Create a sense of honesty and ethics in your area.
* Report fraud, waste, and abuse when it is detected
* Require employees to look for ways to eliminate this activity

Many fraudsters steal because they feel unappreciated or because they have a financial or other problem they are reluctant to share with others.  Listening to your coworkers, employees, and others as well as recognizing their achievements creates a more enjoyable workplace and it helps to prevent fraud by eliminating some of the feelings that contribute to a person's decision to steal.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

***ANONYMITY AND CONFIDENTIALITY***

Reports or tips can be made anonymously to your local IG Coordinator or anyone on the IG Team.   If you want to maintain your anonymity do not provide personally identifiable information. All information received by us is treated as "sensitive" and information will only be revealed to persons on a "need to know basis."

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

***THINK BEFORE YOU SPEAK***

Before making an allegation of fraud, waste or abuse, be reasonably certain of any claims. False allegations can seriously and negatively impact the accused individual's life and reputation. They can also damage the reputation of the Command.