



FRAUD ALERT

Fraud Alerts are designed to help Peace Corps staff, contractors, and volunteers spot, identify, and alert OIG to possible schemes to defraud the Agency.

Kickback Schemes Affecting Purchasing and Service Contracts

Be on the Lookout for Kickbacks

Kickbacks involve an illegal financial benefit provided to an individual with purchasing or approval authority in exchange for preferential treatment. This preferential treatment in procurement may include steering contract or vendor awards, approving inflated invoices, manipulating vendor selection, or otherwise compromising the integrity of the procurement process.

In a typical scheme, a vendor secretly inflates prices or misrepresents services in order to generate the margin used to fund the illicit payment to the approving official.

The Peace Corps spends millions of dollars each year on contracted services and supplies; kickback schemes not only erode the transparency of the acquisition process but represent a direct loss to advancing the Agency's mission.

Here are some tips to help identify and prevent potential kickbacks:

Identifying Red Flags

- 🚩 **Vendors** for commonly found items are **located unusually far away from the office**, despite proximate alternatives.
- 🚩 The **employee** who selected the vendor **insists they be the only individual who contacts the contractor**. The employee also requires all communication to go through one contractor point of contact, bypassing standard customer service channels (i.e. customer service hotlines).
- 🚩 **Purchases** routinely fall **at or just below, post's established procurement minimum threshold** for requiring competitive quotes.
- 🚩 **Contract/purchase awards deviate from normal price competitive expectations** (e.g., not awarded to the lowest bidder) without sufficient, documented justification.
- 🚩 **Minimal or no web presence** of the selected vendor (particularly for larger service contracts).
- 🚩 **Employees** involved in vendor/contractor selection **appear to exhibit a lifestyle inconsistent with their known income**.
- 🚩 When a **staff member involved in the procurement process has familial or friendship ties** with the **potential vendor**.

Preventive Measures

1. **Conduct unannounced audits** at all levels of Post's Established Procurement Thresholds, particularly for transactions lacking competitive quotes or involving repetitive sole source and/or cash purchases.
2. **Minimize cash purchases**.
3. For commonly found items, **alternate vendors**.
4. **Conduct contractor/vendor checks** against Embassy blacklists before award or continued engagement.
5. Exercise appropriate due diligence by **verifying potential bidders' registration** with local authorities (also make a note of the recency/ date of registration). In some cases, employees involved in quote selection have colluded with a vendor to fabricate fictional bids with non-existent companies before the procurement process.
6. **Report it!** Alert Peace Corps OIG if you suspect fraud.

