

FRAUD REDUCTION REPORT

Government leaders are under increasing pressure, with limited resources and more public scrutiny, to reduce or eliminate fraud, waste, abuse, misconduct, and improper payments in federal programs and operations. Fraud in the Federal Government is a serious problem that wastes taxpayer dollars, prevents Federal programs from carrying out their intended purpose and serving target populations, and creates potential national security risks. Congress and Federal agencies have been working to combat fraud and reduce improper payments by creating policies and legislation that will give agencies the tools that they need to target and prevent fraud.

The Fraud Reduction and Data Analytics Act of 2015 (Public Law No. 114-186) required OMB to establish guidelines for Federal agencies to establish financial and administrative controls to identify and assess fraud risks and design and implement control activities in order to prevent, detect, and respond to fraud, including improper payments. Agencies were required to design and implement control activities in order to prevent, detect, and respond to fraud including improper payments under the Act.

To help managers combat fraud and preserve integrity in government agencies and programs, GAO identified leading practices for managing fraud risks and organized them into a conceptual framework. The GAO's *Framework for Managing Fraud Risk in Federal Programs*, and other leading practice materials, provided a foundation for the Department's fraud reduction program. Following are examples of some of the accomplishments in each of the three phases: Prevention, Detection, and Response.

Prevention:

An Internal Controls Fraud Working Group consisting of members representing the Office of Management Controls, the Regional Bureaus, Logistics Management (A/LM), the Foreign Service Institute, Regional Bureau representatives,

and the International Cooperative Administrative Support Services Service Center collaborated to develop a framework to increase awareness of identifying fraud risk factors. Results included improved training, increased awareness to reduce vulnerabilities, and the development of three case studies based on frauds that were discovered at Posts regarding vehicle fuel debit card theft, government purchase card embezzlement, and time and attendance fraud.

Detection:

In FY 2016, A/LM began a fraud analytic forensics program which developed a system-based data analytics tool along with a three point data forensics plan to identify, combat, and prevent non-compliant behavior and potential fraud at post. The team implemented the plan starting with the Department's personal property and it analyzed 3.4 million assets worth \$2.4 billion across 244 posts. In FY 2017, the forensics team expanded the program and began analyzing the \$7 billion of domestic and \$2 billion of overseas goods and services procured annually by the Department.

Response:

A/LM's data forensics team communicated the results of its analysis to many individual Posts, which did lead to the identification of fraud at one Post. Additionally, training sessions were developed and provided at extensively attended Regional Bureau training events.

Overall, the Department's assessment of fraud utilized other existing fraud programs taken into consideration during the Department's testing of Principle #8 regarding fraud in the GAO's Standards for Internal Control, and expanded our capability to identify risk and vulnerabilities and prevent fraud by employing data analytic tools in our logistics systems. The Department will advance its fraud reduction efforts and take further steps to reduce fraud in FY 2018.