

Highest risk areas for fraud and corruption identified by the United Nations

(See also the annex 2: Red flags indicating possible fraud and corruption)

1. Human resources

Could include:

Improper or corrupt recruitment processes

- Inadequate procedures for hiring, managing and/or determining fee levels for consultants and individual contractors
- Job applicants not assessed according to the prescribed procedures.
- Conflict of interest between the personnel involved in the recruitment process and the candidate

Falsification or forgery of educational and professional credentials

- Inadequate reference checks of candidates
- Conflicts in dates provided for educational and employment history
- Underqualified job applications to implement project activities. Job performance shows that successful candidate does not have core skills required

Falsification of time and attendance and of leave

- Excessive or questionable overtime reported
- Inaccurately reported absences
- Repeated absences from the offices without approval

2. Procurement

Collusive agreements = When there is a secret combination, conspiracy or concert of action between two or more persons for fraudulent or deceitful purposes, to gain market advantage. Collusive agreements can take the form of price-fixing, bid-rigging and market division (or allocation) schemes and can be very difficult to detect.

- **Price-fixing** = An agreement among competitors to manipulate prices
- **Bid-rigging** = An agreement among competitors on which firm will submit the winning bid. It is used to effectively increase prices.
- **Market division (or allocation) schemes** = Agreements whereby competitors divide specific customers or types of customers, products or territories among themselves.

Bribery, kickbacks and conflict of interest

- **Bribery** = Offering, giving, receiving or soliciting of anything of value to influence action as an official or in the discharge of legal or public duty. E.g. paying a contracting officer (with money, goods or services) in exchange for being awarded a lucrative contract.
- **Kickbacks** = Any money, fee, commission, credit, gift, gratuity, item of value or compensation of any kind that is provided, directly or indirectly, to any prime contractor, subcontractor, or employee of either, to improperly obtain or reward favourable treatment in connection with a prime contractor or in connection with a subcontract relating to a prime contract; the exchange of something of value for preferential treatment.
- **Conflict of interest** = When a staff member's private interests, e.g. outside relationships or financial assets, (appear to) interfere with the interests of the organization, making it difficult for the staff member to fulfil their duties impartially.

Non-performance and breach of contractual obligations

- Charging for products not used or services not rendered in relation to third parties engaged by implementing partners
- Substitution of inferior products or labour

Progress payments fraud

- When a partner submits a request for payment with a false project/final report with falsified costs, incorrect information on activities implemented

Formation of a new company to conceal previous violations, debarments or debarred officials

- Creating a new corporate entity to conduct business that a bidder's previous violations would have prevented, but the officials, employees and products and/or services sold remain essentially unchanged. In substance, the newly formed company is the same as the original.

3. Property

Property fraud can relate to:

Assets under construction

- i.e. irregularities in real estate construction

Stock and inventory (including expendable and non-expendable property)

- May include equipment (including IT equipment), machinery, vehicles, communication, furniture and fittings, and expendable items that are not an integral part of or otherwise affixed to immovable property and that can be used elsewhere if uninstalled from their previous locations.

4. Cybersecurity

Social engineering = A non-technical cyberattack that relies on human interaction and involves tricking people into divulging confidential computer credentials or breaking standard security practices;

Phishing = Fraudulent emails alleging to be from a reputable source in order to induce individuals to reveal sensitive information;

Malware = Malicious software designed to infiltrate or damage a computer system without the owner's consent. Include computer viruses, worms, trojans, spyware and adware;

Ransomware = A type of malware that denies a user access to a system or to data until a sum of money is paid;

Hackers = Individuals or groups who break into networks to cause disruption, harm or chaos;

Masquerading = Where the attacker pretends to be an authorized user of a system in order to either gain access to it or to gain privileges above their authorization;

Man-in-the-middle attack = A form of cyber eavesdropping in which malicious actors insert themselves into a conversation between two parties in a compromised system and intercept, filter or steal data;

Internal attack = Where someone, e.g. staff member within an organization exploits a system in a manner that causes damage such as system downtime or steals or misappropriates organizational data for nefarious purposes.

UN fraud prevention measures

The United Nations fraud prevention framework includes the following mechanisms:

Code of conduct

UN Charter article 100: In the performance of their duties the Secretary-General and the staff shall not seek or receive instructions from any government or from any other authority external to the Organization. They shall refrain from any action which might reflect on their position as international officials responsible only to the Organization.

Protection against retaliation policy: to protect whistle-blowers who report misconduct (including fraud and corruption)

Risk Management framework including the financial system

Internal control system comprising:

- Regulations and rules, policies, manuals, guidelines
- Comprehensive staff selection systems/processes
- Delegation of authority and segregation of duties
- Oversight bodies

Fraud and Corruption awareness programme including mandatory training

Due Diligence procedures when contracting with partners/vendors

Prevention of conflicts of interest (disclosure)

Monitoring and vigilance on use of funds

Processes for **detecting and investigation** fraud and corruption

Policies defining **consequences** for proven instances of misconduct including fraud

Transparency through regular reports to governing body on fraud and corruption

Consequences of established fraud or corruption

For UN Personnel:

Committing fraud or corruption = **MISCONDUCT**

Resulting in disciplinary measures (including separation, recovery of financial losses, referral of credible allegations of criminal wrongdoing to national authorities)

For third parties (including vendors and implementing partners):

- UNEP reserves the right to seek restitution of funds which were used for fraudulent acts.
- Reputational damage
- Temporary suspension of transfer of funds to the partner
- Likely impact on future engagements with UNEP e.g. fraud under a Special Programme project reduces the chances of further funding from UNEP in future

Relevant source documents and contacts

- [UN 2016 Anti-Fraud and Anti-Corruption Framework](#)
- [ST/AI/2017/1 Unsatisfactory conduct, investigation and the disciplinary process](#)
- [Handbook for staff on fraud and corruption](#)
- [UNEP 2020 anti-fraud and anti-corruption guidelines](#)
- oioshotline@un.org
- [Report Wrongdoing](#)
- + 1 212 963 1111 (24 hours)

B. SEXUAL EXPLOITATION AND ABUSE (SEA)

Concepts and definitions

Sexual exploitation = Actual or attempted abuse of vulnerability, differential power, or trust, for sexual purposes

Examples:

- Offering money, gifts, or a job in exchange for sex
- Withholding due services or blackmailing for sex
- Hiring prostitutes
- Threats of sexual exploitation

Sexual abuse = Actual or threatened physical intrusion of a sexual nature, whether by force or under unequal or coercive conditions

Examples:

- Unwanted kissing, touching, grabbing, or rubbing
- Threats of an unwanted sexual act
- Raping or attempted rape
- Sexual activity with children

United Nations' Principles

- The UN does not partner with entities that fail to address SEA
- Human rights, interest and needs of all victims at the center of UN efforts
- A victim centered approach guides UN SEA actions
- Best interest of the child in prevention and response to SEA
- UNEP has a zero tolerance to Sexual Exploitation and Abuse
- [IASC Principles of the Interagency Steering Committee](#) state that:

1. Sexual exploitation and abuse by humanitarian workers constitute acts of gross misconduct and are therefore grounds for termination of employment.

2. Sexual activity with children (persons under the age of 18) is prohibited regardless of the age of majority or age of consent locally. Mistaken belief regarding the age of a child is not a defence.

3. Exchange of money, employment, goods, or services for sex, including sexual favours or other forms of humiliating, degrading or exploitative behaviour is prohibited. This includes exchange of assistance that is due to beneficiaries.

4. Any sexual relationship between those providing humanitarian assistance and protection and a person benefiting from such humanitarian assistance and protection that involves improper use of rank or position is prohibited. Such relationships undermine the credibility and integrity of humanitarian aid work.

5. Where a humanitarian worker develops concerns or suspicions regarding sexual abuse or exploitation by a fellow worker, whether in the same agency or not, he or she must report such concerns via established agency reporting mechanisms.

6. Humanitarian workers are obliged to create and maintain an environment which prevents sexual exploitation and abuse and promotes the implementation of their code of conduct. Managers at all levels have particular responsibilities to support and develop systems which maintain this environment.

Implementing partner obligations

Implementing partners are obliged to:

- Create and maintain an environment which prevents sexual exploitation and abuse.
- Report all SEA allegations to the relevant UN entity
- Offer capacity training to their personnel on SEA
- Develop policies to respond and address sexual exploitation and abuse

Consequences of established sexual exploitation and abuse:

For UN Personnel:

Committing fraud or corruption = **MISCONDUCT**, resulting in disciplinary action.

For an implementing partner involved in SEA allegations:

- UN to withhold further cash supply to IP
- Share information on allegation with OIOS
- Referral of victim to safe and confidential victim assistance with consent- medical, legal etc
- Take action!- termination of IP personnel contract per procedure, referral for criminal accountability

Relevant source documents, trainings and contacts:

- [ST/SGB/2003/13 Special measures for the protection from sexual exploitation and abuse](#)
- [UN Protocol on allegations of sexual exploitation and abuse](#)
- [UNEP Statement on the protection from sexual exploitation and abuse for implementing partners](#)
- [UN IP PSEA Assessment](#)
- [IASC Learning package](#) (Eng, Fr, Sp, Arabic, Rus, Port, Polish, Ukraine)
- [Prevention of SEA UNICEF](#) (Eng, Fr, Sp, Rus, Arabic, Chinese)
- [Free Guide to Responding to Sexual Violence in the Aid Workplace](#), [English] access by smartphones, Disaster Ready.
- [Free Guide to Caring for Sexual Assault Survivors](#), [English] access by smartphones, Disaster Ready
- [Course materials for PSEA](#)
- OIOS [hotline](#)

ANNEX 1 : IMPLEMENTING PARTNERS OBLIGATIONS UNDER PROJECTS AGREEMENTS

Implementing partners are expected to use resources efficiently and for the intended purpose, and to refrain from, prevent and mitigate all possible fraudulent acts.

Obligations from the Project Cooperation Agreement:

- a. The **Implementing Partner affirms it has the capacities to carry out the activities outlined in the Agreement** (section on general principles)
- b. The project is to be implemented **under the terms of the agreement**
- c. The **Partner's personnel shall meet the highest standards of qualification and technical and professional competence**; employment is non-discriminatory; personnel are free from conflicts of interest (Clause V Personnel)
- d. The **Partner shall not take instructions regarding the project from any Government or other authority external to UNEP**
- e. The **partner shall refrain from any conduct that would adversely reflect on the United Nations or which is incompatible with the aims and objectives of the United Nations or the mandate of UNEP.**
- f. **Information that is considered confidential shall not be used without the authorization of UNEP and shall not be used for individual profit** (Clause VI Terms of obligations of the partner)
- g. Any procurement of goods or services with UNEP funds will safeguard the **principles of highest quality, economy and efficiency**; be based on an assessment of competitive quotations, bids or proposals unless otherwise agreed to be UNEP
- h. The **Partner shall maintain complete and accurate records of equipment, supplies and other property purchased with UNEP funds and shall take periodic physical inventories.** (Clause VII Equipment)
- i. The amount of the agreement will be made available to the partner in **instalments**, subject to UNEP's acceptance of progress and expenditure reports; the final instalment of funds will be released after UNEP's acceptance of the final report
- j. **UNEP may withhold disbursements or suspend the Project until financial or reporting obligations are met**
- k. The partner agrees to use the funds in strict compliance with **the Project Document** (which is annexed to the agreement) and shall notify UNEP about any expected variations on the project.
- l. **Unused supplies or unused funds are to be returned to UNEP upon termination of the agreement or completion of the project**
- m. **UNEP shall not be liable for the payment of any cost not outlined in the Project Plan or Project budget unless UNEP has agreed in writing prior to the expenditure by the Partner.** (Clause IX Financial and operational obligations)
- n. The Partner shall keep records and documents about **expenditures incurred with UNEP funds for eight years** and maintain proper supporting documentation for each disbursement (Clause X Maintenance of records)
- o. The partner is required to submit **annual progress and financial reports**, which must be accepted by UNEP before any further installment of funds is issued, and must also provide **final reports** at the end of the project. (Clause XI reporting requirements)
- p. The partner is required to provide a **copy of its consolidated audited financial statements** in which UNEP funding is clearly identified, issued by an independent and reputable audit authority. UNEP shall have the right, at its own expense, to **audit or review such Activity-related books and records** as it may require, and have access to the books and record of the Partner, as necessary. (Clause XII Audit requirements)
- q. **UNEP may, following consultation with the partner, suspend or terminate the Project or modify the arrangements for the management of the Project** (e.g. by entrusting its management to another institution), should circumstances arise that jeopardize successful completion or the accomplishment of the purposes of the Project. The partner may also terminate the agreement where a condition has arisen that impedes it from successfully fulfilling its responsibilities under the Agreement, after consultation with UNEP (Clause XIV Suspension and termination).

ANNEX 2 : POSSIBLE RED FLAGS FOR FRAUD AND CORRUPTION

Human Resources: Fraud indicators

Improper or corrupt recruitment processes eg

- **Inadequate procedures for hiring, managing and/or determining fee levels** for consultants and individual contractors
- **Conflict of interest** between the personnel involved in the recruitment process and the candidate
- **Third-party individuals pretending to be the candidate** in tests or interviews
- Job applicants **not assessed according to the prescribed procedures**
- **Inappropriate composition of assessment panels**
- Candidates **providing model answers on written tests**
- Candidates performing **highly in written tests but not demonstrating similar skills in interviews**
- **Missing electronic and hard-copy records** pertaining to the recruitment process

Falsification or forgery of educational and professional credentials

- **Inadequate reference checks** of candidates
- Knowledge or skills in interviews **not consistent with those presented in job applications**
- Advanced qualifications or work experience listed **without any evidence of basic prerequisite qualifications or experience**
- **Conflicts in dates** provided for educational and employment history
- Delays in candidate providing **copies of qualifications, or low-quality copies provided**
- Job performance shows that **successful candidate does not have core skills required**

Falsification of time and attendance and of leave

- **Excessive or questionable overtime reported**
- Inaccurately reported absences
- **Repeated absences from the offices without approval**
- Persistent **late delivery of work**
- **Difficulties contacting remote workers** during working hours
- **No medical certificate or fraudulent medical certificate provided** for certified sick leave
- **Suspicious medical certificates** to justify sick leave, e.g.
 - Missing signatures,
 - Identical signatures across multiple providers
 - Inconsistent or unusual diagnosed medical
 - condition
 - No contact details for provider &/or inconsistent dates
- Medical certificates **issued by a physician who has family ties with the staff member**
- Combining and applying for **different kinds of leave** (sick leave and annual leave) to justify long absences
- Information (obtained e.g. from social media or witnesses) that personnel on sick leave have been engaging in **leisure or outside activities**

Procurement: Fraud indicators

- **Prices of multiple bidders are identical** or suddenly become identical and remain so for long periods of time
- Price increases do **not appear to be supported by increased costs**
- **Discounts are eliminated**, especially in a market where discounts were historically given
- The proposals or bid forms submitted by different bidders contain **the same irregularities**, such as:
 - Identical calculations or spelling errors
 - Similar handwriting, similar stationery
- Bid or price documents contain **white-outs or other physical alterations** indicating last-minute price changes
- A company submits a bid when it is incapable of successfully performing the contract (likely a complementary bid)
- The same group of vendors **submits bids on multiple contracts**, and each vendor seems to take a turn as the successful bidder
- Some bids are **much higher than published price lists**, previous bids by the same firms, or cost estimates
- A company appears to be **bidding substantially higher** on some bids than on other bids, with no apparent cost differences to account for the disparity
- **Bid prices drop** whenever a new or infrequent bidder submits a bid
- A successful bidder **subcontracts work** to competitors that submitted unsuccessful bids for the same project
- A company **withdraws its successful bid** and subsequently is subcontracted by the new winning contractor
- Schedules are **split between bidders** (e.g. one bidder is lowest for schedule 1, the other for schedule 2, or one bidder submitted a quote for schedule 1 only, and the other bidder for schedule 2 only, etc.)
- Bank guarantees submitted by **different bidders are issued by the same bank** and have almost- identical reference numbers (e.g. A-123 and A-124)
- Details regarding the ownership and management of several bidders show that they have the **same key personnel**, such as directors, partners, etc
- A company brings **multiple bids** to a bid opening and submits its bid only after determining (or trying to determine) who else is bidding
- A bidder or supplier makes a reference to **industry-wide or association price schedules**
- A bidder or supplier makes any statement indicating advance (non-public) knowledge of competitors' pricing
- A bidder or supplier makes statements to the effect that a particular customer or contract "belongs" to a certain vendor
- A bidder or supplier makes any statement indicating that vendors have discussed or reached an understanding about prices among themselves
- **Overly friendly relationship** between staff responsible for the procurement process and potential suppliers
- Staff socializing with suppliers and contractors outside of the work environment
- Staff members **living beyond their means** (e.g. elaborate vacations and expensive vehicles)

- **Specifications designed to favour a bidder** for proprietary goods
- Employment of family members by suppliers and contractors
- Unexplained increases in business with one supplier/contractor or subcontractor
- **Many change orders**
- Indications of unreported **poor performance** on the part of the contractor
- **Tailoring statements of work** and specifications to fit the products or capabilities of a single supplier/contractor
- United Nations personnel or their families acquiring stocks or a financial interest related to the business of a supplier, contractor or subcontractor
- United Nations personnel discussing possible **employment opportunities**, for themselves or a family member, with a contractor or subcontractor
- Disqualifying the bids or proposals of qualified contractors without adequate or sound reasons
- **Costs greatly exceed estimates**
- **Duplicate billing** for the same products or services
- Goods purchased in **excess of needs**
- Delivery location is not the office or job site
- **Requisitioning office cannot explain why a certain amount of materials** was required for the job
- Time-cards are not signed by the contractor employee responsible for doing so
- Contractor's employees bill for **more hours** than typically worked in a workday
- Country of origin not shown or removed
- Supplier and/or contractor attempts to limit or avoid **inspection** of goods or services
- Supplier **refuses to provide documentation** regarding the manufacture, shipment or production of goods
- Supplier attempts to select samples for testing and is resistant to **random selection** by the receipt and inspection team
- Documentation is incomplete or lacks **approval signatures**
- Discrepancy between the product's description and actual appearance
- Machines with **identification or specification plates removed**
- Resubmission of previously rejected goods
- **Irregularities** in signatures, dates or quantities on delivery documents
- Client complaints related to products or services purchased

Property: Fraud indicators

Assets under construction

- Inability to account for equipment furnished by the contracting party when works are finished, and the contract is terminated
- **Construction work receipts are certified without inspection**
- Use of **inferior materials or falsification of test results to accept inferior and/or counterfeit materials**
- **Multiple change orders** (a common indicator that the work was underbid with the intention of subsequently submitting elaborate change orders to up the price)
- **Unjustified scope creep** (indicating deliberate attempt

to increase costs)

- **Intentional delay in the project** (indicating an intent to increase costs)
- **Falsification of project progress reports** to cover up delays
- **Unjustified change orders** based on an **overestimate of requirements**, or change orders for products or services that were already included in the base contract
- **Untimely and inappropriate closeout of contracts**
- **Costs charged for a job with no evidence** that the job was performed
- Frequent adjusting of journal entries with such descriptions as "charged wrong work order" or "wrong contract number"
- **Close relationship with contractors**
- Use of **official vehicles for non-official purposes** or by unauthorized persons
- **Unexplained loss of stock** (expendable and non-expendable)
- Irreconcilable differences in inventories
- Inventory records are **incomplete, inaccurate or out-of-date**
- **Stock counts are not documented**, and discrepancies are not reconciled
- **Spikes in defective and/or damaged goods**
- **Overstocking and unnecessary purchase of lucrative items and consumables**, such as laptops

Implementing partners: Fraud indicators

- **Substandard compliance with contractual terms** and/or failure to meet terms
- **Supporting documents for expenditures are missing or unavailable** for review
- **Complaints from beneficiaries** about lack of deliveries by the implementing partner
- **Failure to report overpayments and credit balances**
- **Falsified or fabricated supporting documents** for expenditures
- **Forged documents or signatures**
- **Multiple bills** for the same items or services
- Frequent **substandard compliance with contractual terms**
- **False claims, invoices and/or statements** on the implementation of programme activities or of any other nature
- **Unreasonable or unexplained delays** in providing agreed-to or access
- Lengthy **unexplained delays** in producing requested documentation

Cybersecurity: Fraud indicators

- **Frequent data errors** or signs of compromised data
- **Frequent emails** from unknown senders with attachments or containing messages that instil a sense of urgency or outright fear, with the intention to solicit an immediate response
- **Mysterious email content**
- **Unusual password activity**
- **Suspicious registry or system file changes**
- **Anomalies in the privileged user account activities**
- **Increased attacks** specifically targeting remote workers

