U.S. Agency for International Development
Anti-Fraud Plan

February 2021

INTRODUCTION

Government leaders are under increasing pressure, with limited resources and more public scrutiny, to eliminate fraud, waste, abuse, misconduct, and fraudulent payments in Federal programs and operations.

The U.S. Agency for International Development (USAID) Anti-Fraud Plan is in line with the Government Accountability Office (GAO) Framework for Managing Fraud Risks in Federal Programs (GAO Fraud Risk Framework), which states, "Implementing a risk-based approach to addressing potential fraud in the federal government poses a unique set of challenges to federal managers, given their programs' mission to provide the public with a broad range of critical, often time-sensitive, services and financial assistance......the purpose of proactively managing fraud risks is to facilitate, not hinder, the program's mission and strategic goals by ensuring that taxpayer dollars and government services serve their intended purposes." (Excerpt from GAO-15-593SP)

PURPOSE

This Anti-Fraud Plan provides a strategic implementation approach that protects USAID's operations and programs against fraud, and ensures the Agency can work effectively with governments, civil society, and the private sector in our partner countries. USAID obligates and manages more than $20 billion annually in budgetary resources to provide humanitarian aid and development assistance around the world. This plan will support the Agency's mission by helping to ensure we identify and address fraud risks as an integral part of our Enterprise Risk-Management program.

OBJECTIVE

The objective of USAID's Anti-Fraud Plan is to implement an integrated, enterprise-wide strategy that includes the awareness, prevention, detection, monitoring, early-response reporting, and evaluation of fraud. The plan focuses on a holistic approach to anti-fraud activities by acknowledging the responsibilities and functions of USAID's personnel, and by integrating anti-fraud processes with our existing internal controls and risk-management process and tools.

AUTHORITY

USAID issues this plan under the authority of the Fraud-Reduction and Data Analytics Act of 2015 (Public Law [P.L.] No. 114-186) and the Federal Managers' Financial Integrity Act (FMFIA) of 1982, as codified in Section 3512 of Title 31 of the United States Code (U.S.C.); as well as the Office of Management and Budget (OMB) Circular No. A-123, Management's Responsibility for Enterprise Risk-Management and Internal Control, as updated in 2016; and Fraud-Risk Principle 8 in the GAO's *Standards for Internal Control in the Federal Government* (the GAO "*Green Book*").

REQUIREMENTS OF THE FRAUD REDUCTION AND DATA ANALYTICS ACT

The Fraud Reduction and Data Analytics Act of 2015 (P.L. 114-186) was signed into law on June 30, 2016. In addition to requiring implementation of the GAO Fraud Risk Framework, mandates include:

- Conducting an evaluation of fraud risks.
- Employing a risk-based approach to the design and implementation of control activities that mitigate fraud risks.
- Collecting and analyzing data on detected fraud to monitor trends and improve fraud-prevention controls.
- Improving fraud prevention, detection, and response using the results of monitoring, evaluation, audits, and investigations.

Additionally, each Agency is required to submit, as part of its annual financial report, progress reports on:

- Implementation of financial and administrative controls established pursuant to the Act; Fraud risk principle 8 in the the Green Book; and OMB Circular A-123, Management's Responsibility for Enterprise Risk Management and Internal Control, which calls for agencies to adhere to the leading practices for managing fraud risk;
- Identifying risks and vulnerabilities to fraud (with respect to payroll, beneficiary payments, grants, large contracts, and purchase and travel cards); and
- Establishing strategies, procedures, and other steps to prevent fraud.

ERM AND INTERNAL CONTROLS

As part of a holistic approach, the Agency's fraud prevention, detection, and response efforts are integrated into the Enterprise Risk Management Governance Framework (See Annex III). Using the Agency's Governance Structure on Enterprise Risk Management and Internal Control, the Risk Appetite Statement and the Risk Management Process, USAID identifies and documents key risks and weaknesses in internal controls during the annual Risk Profile Submission and FMFIA certification processes.

In coordination with [Agency Guidance](#) on the submission of annual risk profiles and internal-control weaknesses, as well as existing Mission-level [risk management systems](#) issued to our Bureaus, Independent Offices, and Missions; this plan will enable the monitoring of significant deficiencies, material weaknesses, and associated corrective action plans of our Assessable Units (AUs) to better understand and respond to emerging or critical fraud risks.

This plan also addresses possible fraud risks captured in the [Management Performance Challenges identified by the Office of the USAID Inspector General (OIG),](#) as published in USAID's [Agency Financial Report](#) (AFR). The OIG's findings are a key driver for our continuous fraud-related and wider risk management, measurement, and monitoring activities to ensure we are responsive to the full spectrum of fraud-related risks and vulnerabilities.

FRAUD RISK MANAGEMENT AT USAID

The Agency's ERM program provides a robust framework to advise AUs on the management of anti-fraud and internal controls processes. The focus is on sustained prevention, early warning, detection, and response capabilities that strengthen accountability, efficiency, and effective administration of Agency operations and resources.

Objectives include:

- Support the Administrator in the role of accountable official for fraud and risk management within USAID to ensure statutory compliance.
- Communicate a "tone at the top" message on fraud prevention as a key component of Agency fiduciary, financial, and operational stewardship.
- Strengthen the Agency's cross-functional understanding and participation in the prevention, detection, and response to fraud, waste, and abuse;
- Increase fraud-prevention awareness.

The Anti-Fraud Plan follows the GAO Fraud Risk Framework components for effectively identifying and managing fraud risks as well as enhancing protocols to address confirmed incidents of fraud:

1. Commit—Pledge to combat fraud by creating an organizational culture and structure conducive to fraud risk management.
2. Assess—Plan regular fraud risk assessments and assess risks to determine a risk profile.
3. Design and Implement—Design and implement a strategy with specific control activities to mitigate assessed fraud risks and collaborate to help ensure effective implementation.
4. Evaluate and Adapt—Evaluate outcomes by using a risk-based approach and adapt activities to improve fraud risk management.

The Agency will use data analytics as an integral part of the anti-fraud approach. The Agency's risk-assessment process will leverage and strengthen existing fraud risk management frameworks and processes at program and activity levels. To respond to Federal anti-fraud regulations and the need for evidence-based decision-making, USAID will support robust fraud prevention and detection using a fraud data analytics approach illustrated in Annex V to include data mining and matching techniques to enable programs to identify potential fraud or improper payments.

FRAUD RISK COMMUNICATION PLAN

USAID will issue messages continually about the importance of preventing, and robustly managing the risk of fraud, both internally and externally. Below are the key components of implementing and communicating the Anti-Fraud Plan:

- Develop a comprehensive fraud awareness communication approach to include Agency notices and messages, videos, webinars, and training resources;
- Communicate the Agency's Anti-Fraud Plan with key external stakeholders , both in the United States and at our overseas Missions;
- Update relevant training to integrate Enterprise Risk Management, Fraud, and Internal Controls into curricula; and
- Participate in and leverage the OMB Fraud Working Group and Data Sharing Community of Practice.

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USAID's Approach to Addressing and Reducing the Risk of Fraud:

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GAO Anti-Fraud Risk Components	Agency Next Steps
Commit	• GAO's Anti-Fraud Message disseminated within the Agency as part of Anti-Fraud Communication and Change Management kick-off. • Issue an Executive Message from the Acting Deputy Administrator and the Acting Inspector General on the imperative of preventing, detecting, and reducing the risk of fraud in our programs and activities.

Commit	• Anti-Fraud Plan completed and cleared by the Office of the Chief Information Officer and reviewed by stakeholders.
Assess	• Review existing FMFIA internal control and risk profile submissions. Develop Mission and B/IO surveys to assess the existence and effectiveness of existing fraud risk policies, procedures, and tools.
Design and Implement	• Create recommendations on fraud risk exposure, roles for anti-fraud responsibilities, processes, and technology as well as focus areas needing updates. • Enhance the existing FMFIA assessment methods as needed.
Design and Implement	• Deploy anti-fraud scenarios in areas determined critical or high risk.
Design and Implement	• Develop USAID-specific training using the "train the trainer" model on anti-fraud practice in conjunction with the OIG and relevant internal Agency divisions. • Integrate roles and responsibilities for anti-fraud into job descriptions and AU operations.
Design and Implement	• Enhance USAID anti-fraud training for implementing partners.
Evaluate and Adapt	• Recommend Automated Directives System (ADS) policy creation and enhancements based on review of anti-fraud activities including codes of conduct, and develop change management and communication strategy to AUs, contractors, and implementing partners.
Evaluate and Adapt	• Evaluate fraud risk management implementation outcomes and adapt strategies to ensure continuous program improvement.

Evaluate and Adapt	● Contribute to Federal and international communities of practice on fraud risk management.

CONCLUSION

USAID faces an increasing level of complex, interrelated risks posed by fraud, waste, and abuse. Identifying and prioritizing known risks and existing internal controls are critical in determining a balanced approach to risk management. The development of an Anti-Fraud Plan is an important step in managing this balance, understanding how well the Agency is assessing and managing fraud and supporting enhanced performance on Agency goals and objectives.

INTERNAL FRAUD REFERENCES

USAID OIG Compliance and Fraud Prevention Guide for Program Implementers

USAID Anti-Fraud Risk Management Message

USAID Governance Charter for Enterprise Risk Management and Internal Control: ADS 596mab

USAID Mission Risk Management Systems

ERM and Internal Control Governance Structure

EXTERNAL FRAUD REFERENCES

Program Integrity -Treasury Anti-Fraud PlayBook

GAO Framework for Managing Risk in Federal Programs

GAO Standards for Internal Control in the Federal Government (GAO Green Book)

Association of Certified Fraud Examiners (ACFE) Resources

Fraud Risk Fundamentals

Fraud Risk Decision Tree

Sample Fraud Risk Assessment

ANNEX I: KEY DEFINITIONS

Assessable Unit (AU): An organization unit within USAID, *i.e.*, Mission, Bureau, or Office, which is required to submit a statement of reasonable assurance on the status of management controls to the next management level. All Missions, Bureaus, and Independent Offices are assessable units, as well as any lower-level organizational units designated by the cognizant Bureau. (Chapter 596).

Bribery: The offering, giving, receiving, or soliciting of anything of value to influence an official act or business decision (ACFE)

Conflicts of interest: An employee or agent has an undisclosed personal or economic interest in a transaction that adversely affects their professional role. (ACFE)

Corruption: The wrongful use of influence to procure a benefit for the actor or another person, contrary to their duty or the rights of others (ACFE)

Economic Extortion: An employee or official, through the wrongful use of actual or threatened force or fear, demands money or other consideration to make a business decision. (ACFE)

Fraud: Fraud involves obtaining something of value through willful misrepresentation. Whether an act is in fact fraud is a determination to be made through the judicial or other adjudicative system and is beyond management's professional responsibility for assessing risk. (GAO Green Book)

ANNEX II: FORMS OF FRAUD (GAO GREEN BOOK):

Fraudulent financial reporting - Intentional misstatements or omissions of amounts or disclosures in financial statements to deceive financial statement users. This could include intentional alteration of accounting records, misrepresentation of transactions, or intentional misapplication of accounting principles.

Misappropriation of assets - Theft of an entity's assets. This could include theft of property, embezzlement of receipts, or fraudulent payments.

Corruption - Bribery and other illegal acts.

USAID Anti Fraud and Risk Management Relationship

Illustrative Controls and Activities to Prevent, Detect, and Respond to Fraud from GAO Fraud Risk Framework

Mitigate the Risk of Fraud occurring.

- Anti-fraud Strategy
- Employee Background Checks
- Fraud-awareness Trainings
- System Edit Checks
- Data Matching to verify eligibility
- Predictive Analysis
- Segregation of Duties
- Standards of Conduct
- Transaction Limits
- Partner pre-award surveys
- Financial reviews

Prevention

Detection

Response

Discover potential Fraud that has already occurred.

- Audits
- Data Matching after payments have been made
- Data Mining
- Document Reviews
- Hotlines & other Reporting Mechanisms
- Site Visits

Investigate Potential Fraud, Take Corrective Actions, and remedy the harm caused.

- Investigations
- Prosecutions
- Disciplinary Actions
- Suspensions and Debarments
- Payment Recoveries

Examples of Controls & Activities to Prevent, Detect, and Respond to Fraud

Note: This is not an exhaustive list of controls and activities.

The Role of Data Analytics in Fraud Risk Management Activities

Collect

Collect sources of information about actual and potential fraud risks.
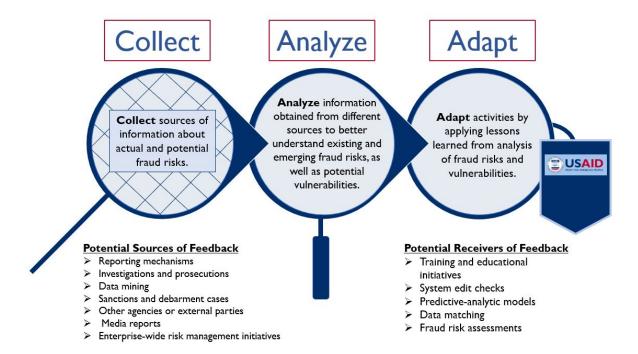
Analyze

Analyze information obtained from different sources to better understand existing and emerging fraud risks, as well as potential vulnerabilities.

Adapt

Adapt activities by applying lessons learned from analysis of fraud risks and vulnerabilities.

Potential Sources of Feedback
- Reporting mechanisms
- Investigations and prosecutions
- Data mining
- Sanctions and debarment cases
- Other agencies or external parties
- Media reports
- Enterprise-wide risk management initiatives

Potential Receivers of Feedback
- Training and educational initiatives
- System edit checks
- Predictive-analytic models
- Data matching
- Fraud risk assessments