



OFFICE OF THE INSPECTOR GENERAL COMMONWEALTH OF MASSACHUSETTS

RED FLAGS FOR FRAUD

WHAT IS FRAUD?

Fraud is a knowing misrepresentation of the truth or a deliberate concealment of important information that causes another to act and results in harm, such as a monetary loss.

WHAT ARE "RED FLAGS" AND WHY ARE THEY IMPORTANT?

A red flag is a sign that something is out of the ordinary and that a closer look may be warranted. When a red flag arises, an organization should confirm that its preventive systems are working properly and consider whether increased oversight of a particular person or vendor may be warranted. **Note, however, that red flags alone are not evidence of fraud.**

WHAT IS THE OFFICE OF THE INSPECTOR GENERAL?

The Massachusetts Office of the Inspector General (OIG) is an independent agency that prevents and detects fraud, waste and abuse of public funds and property.

To help the public and public employees identify and prevent fraud in their jurisdictions, the OIG has created this flier and has a number of guides and resources available at www.mass.gov/ig.

Do you suspect fraud may be occurring in your organization?
Call the OIG's Fraud Hotline at (800) 322-1323
or email IGO-FightFraud@mass.gov
www.mass.gov/ig

EMPLOYEE BEHAVIORAL RED FLAGS

- Willingness to cut corners or be deceptive in business dealings.
- Reluctance to share information or control over vulnerable areas.
- Annoyance or defensiveness when questioned about files, decisions or business practices.
- Sudden changes in personal spending.
- Financial pressures, including significant personal debt and credit issues.
- Drug, alcohol or gambling problems.

MANAGEMENT RED FLAGS

- One individual or small group that dominates decisions.
- Ability of one person to make major decisions without knowledge or approval of second person or group.
- Use of an excessive number of bank accounts.
- Missing documents (especially original versions).
- Inventory discrepancies.
- Irregular or questionable transactions.
- Expenses over budget.

VENDOR RED FLAGS

- Lack of physical address or providing a wrong or fake address.
- Online complaints, including with the Better Business Bureau and other review sites.
- Use of blocked phone number.
- Unprofessional employees.
- Irregular charges on invoices, or bills that you can't understand.
- Absence in common business directories.
- Giving of gifts to key decision makers.
- "High pressure" or aggressive sales tactics.