

The Complete Compliance and Ethics Manual 2023 Common Red Flags Indicating Heightened Potential for Corruption

Below is a list of potential red flags to look for when reviewing a transaction for corruption risk. While this list should not be considered exhaustive, it should provide a good starting point for assessment of relative corruption risk.

Lack of written agreement; non-standard, very old, and outdated agreement; or needlessly complex agreement

Uncommonly high commission rate or unusually large fees compared to the typical compensation paid for similar type of work in the region or compared to the amounts paid to other third parties on similar deals

Specific third party required or recommended by customer or other party

Lack of experience, capitalization, resources, or staff to support type of vendor work/engagement

Third party does not appear to be a legitimate company, is unregistered, or has been in existence for less than one year; has no independent references and/or no physical office

Third party is (or is related to) a government official or promotes its close connections to government officials/agencies

Insufficient information available through due diligence (governmental relationship, credit, experience) or lack of cooperation in due diligence

Refusal or reluctance to complete requested certifications

Third party appears in negative news or is subject of a government investigation or enforcement action, or references illegal activities

Payments into offshore accounts or to locations not related to the deal

Use of petty cash or other poorly documented/loosely tracked slush funds (e.g., marketing funds)

Inadequate, generic, or otherwise questionable descriptions of activities; requests for changes to invoices or documents

Missing or incomplete documentation

Repetitive payments of same amount or round dollar amounts

Substantial large-dollar transactions for a new vendor

Delegation of work by third party to multiple agents or subcontractors

Invoices paid too quickly; payments in cash or check, payments in advance

Large individual or aggregate payments/benefits to one payee

Repetitive entertainment/dinner/travel/gifts or requests for the same, or requests for donations and contributions

Employees being paid who are not listed in recent company phone book or who receive no benefits, tax withholding.

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