

U.S. DEPARTMENT OF JUSTICE
OFFICE OF THE INSPECTOR GENERAL

Grant Fraud Awareness Training

SSA Cindy Roberts

817-385-2086



What is the DOJ/OIG?

- Responsibility & Authority
- Focus
- Components

DOJ Grant Funding

- o \$3-5 Billion Annually
- o Wide Variety of Recipients
- o Broad Purpose Areas

Fraud Assumptions

o It Happens

o Prevent / or Detect it Early

o Witness

Overview of the Federal Grant Process

Pre-Award

Solicitation
Application / Proposal
Budget
Certified Assurances
Eligibility Certification
Accept Grant Conditions

Post-Award

Formal Award
Grantee Performance
Financial Certifications
Claims for Reimbursement
Narrative Progress Reports
Grantor Monitoring / Audits

INTEGRITY BASED SYSTEM

Grantor Agency Policies

Code of Federal Regulations

Title 2 Part 200 / OMB Circulars



What
Is
Grant Fraud?

What is Grant Fraud?

- Grant funds are awarded for specific purposes and grantees must use them accordingly & follow the rules
- Grant Fraud = lying, cheating, or stealing anywhere in the process



Mistakes

**Gross
Negligence**

**Criminal
Fraud**

Fraud's Consequences

- o Organizational Reputation / Survival
- o Administrative
- o Civil
- o Criminal

Common Grant Fraud Schemes

- o Conflicts of Interest
- o Misapplication of Funds for Institutional Gain
- o Theft / Embezzlement

Former Finance and Operations Manager Sentenced to 3 years Probation

- Laura Ewing served as the Finance and Operations Manager for the Wisconsin Coalition Against Sexual Assault (WCASA)
- WCASA received over \$1 million in grants from OVW
- From 2012 – 2014, Ewing embezzled approximately \$50,000
 - Wrote 33 checks to herself; forged signatures of Executive Director and Director of Legal Systems Services as she did not have signature authority
 - Recorded in the accounting system as being paid to various vendors
- Pleaded guilty; sentenced to 3 years probation (10 months on home confinement) and ordered to pay WCASA \$49,014.32 in restitution
- Suspended by DOJ on August 21, 2017

OIG Audit of BBBSA / Civil Settlement

- In 2013, the OIG audited 3 OJJDP grants, totaling \$23,177,286, awarded in 2009, 2010, and 2011 to Big Brothers Big Sisters of America (BBBSA), to provide mentoring services to specifically-defined populations
- The audit found that BBBSA could not adequately support any of its expenditures for the grant-funded programs because grant funds were commingled within BBBSA's general fund account, making it impossible to identify how grant funds were used.
- January 2016, BBBSA agrees to pay \$1.6 million to resolve allegations of civil false claims.
- BBBSA also agrees to institute a strict compliance program

Source: DOJ OIG Semi-Annual Report to Congress, September 30, 2013
and January 21, 2016 DOJ Press Release

Former Executive Director Sentenced to 2 ½ Years

- Deborah Wallace served as the Executive Director of the Lighthouse Shelter in Marshall, Missouri;
- Over a five-year period from 2008 through 2013, Wallace used Lighthouse credit cards to pay personal expenses. She also made unauthorized payments on personal credit cards and her personal cell phone from the Lighthouse bank account.
- Sentenced to 2 ½ years in prison and ordered to pay \$433,688 in restitution

Source: March 18, 2015, Press Release, U.S. Attorney's Office for the Western District of Missouri

Former Executive Director of Oklahoma Court Advocate Organization Indicted for Embezzlement

- On July 22, 2015, Traci Owens, former Executive Director for the Canadian County Court Appointed Special Advocates, was indicted in the Western District of Oklahoma and charged with embezzling funds from a program largely funded through grants from the Department of Justice Office of Justice Programs' Office for the Victims of Crimes.
- From 2011 to 2013, Owens is alleged to have embezzled money by making and depositing checks payable to herself and to cash for reimbursement of unauthorized expenses and duplicate payroll checks.
- Pleaded guilty - Owens faces a maximum penalty of ten years in prison, a fine of up to \$250,000, and mandatory restitution. The United States also seeks approximately \$70,000 in forfeiture from Owens.
- On April 21, 2017, Owens was sentenced to ten months in custody with the Federal Bureau of Prisons, to be followed by three years of supervised release, and ordered to pay \$55,143.93 in restitution to the Canadian County Court Appointed Special Advocates.

Sources: July 24, 2015, August 5, 2016 and April 24, 2017, Press Releases, U.S. Attorney's Office for the Western District of Oklahoma

Former Office Manager Sentenced to 6 Months

- Lori Portner, 53 was the full-time office manager for the federally-funded Domestic Violence Intervention Project (DVIP) in La Crosse, Wis. As the office manager, Portner was responsible for payroll as well as other administrative duties.
- In June 2007, Portner's hours were reduced to part-time because she had a full-time job with a different employer. Portner continued to pay herself as if she were still working full-time at DVIP and from June 2007 to June 2010 resulting in overpayments of approximately \$116,000.
- During that same time, Portner misused the DVIP credit card that was issued in her name. Portner used the credit card to purchase approximately \$27,000 of personal items for herself. In an attempt to avoid detection, Portner had the DVIP credit card statement sent to her home, instead of to the DVIP office.
- Portner pled guilty and was sentenced to six months in prison, followed by six months of home confinement and 30 months of supervised release.

Source: November 12, 2014, Press Release, U.S. Attorney's Office for the Western District of Wisconsin

Former Bookkeeper Sentenced to 12 Months

- Jaime Cardinal, 46 was the bookkeeper for the federally-funded My Sister's House in Washington Court House, Ohio.
- Between January 2014 and October 2016, Cardinal and a coconspirator misused debit cards connected to the shelter's bank accounts to make hundreds of personal purchases at restaurants, auctions, craft stores and bowling alleys, among other places – including purchases made when few, if any, victims were living at the shelter.
- Cardinal spent tens of thousands of dollars intended for the operation of the shelter on personal expenses, including food, a trip to Disney World and Universal Studios for her daughter, and thousands of dollars in purchases from Avon, Thirty-One and iTunes.
- Cardinal pled guilty and was sentenced to 12 months in prison and 24 months of supervised release.

Source: September 28, 2022, Press Release, U.S. Attorney's Office for the Southern District of Ohio

Non-Profit CEO Sentenced to 24 Months

- Glenda Hodges, 72 was owner and CEO for the federally-funded Still I Rise, Inc. Potomac, Maryland.
- Between 2010 and 2017, Hodges was awarded more than \$2 million in grants for the stated purpose of implementing Still I Rise's non-profit program to address violence against women; specifically, to provide community services related to violence against women, including crisis intervention, support groups, financial and employment counseling, material assistance, job training, advocacy, court and medical accompaniment, language services, and transportation, and to provide a \$12,000 stipend each year to Hodges as the Director of Still I Rise.
- Hodges admitted that she converted funding from the grant awards to her personal benefit and to pay a for-profit entity's payroll and other expenses. By 2016, Hodges had exhausted the grant funding and her companies were financially distressed. Hodges then used fraudulent means to inject additional funding into Still I Rise and the for-profit entity.
- Hodges pled guilty and was sentenced to 24 months in prison, 36 months of supervised release, ordered to forfeit \$268,573.41 through a money judgment and to pay restitution in the full amount of the victims' losses, which was \$295,060.48.

Former Chairwoman Sentenced to Probation

- Meredith McConnell, 52 was the chairwoman for the federally-funded Montana Native Women's Coalition in Billings, Montana.
- In court documents and in evidence presented at trial, the government alleged that beginning in about August 2017, McConnell, along with others, misappropriated federal grant funds to give cash payments to others, to buy purses and earrings as door prizes, to meet in Las Vegas, a trip that cost \$31,744, and to receive double payments for meals.
- The thefts occurred four months after McConnell and other board officials participated in training about conflicts of interest, whistleblower policies, ethics and financial oversight. The training came after the Coalition's previous executive director, Toni Plummer, was convicted of fraud in March 2017 for stealing approximately \$246,000 from the organization.
- McConnell was found guilty of theft from a program receiving federal funding, wire fraud and false claims. She was sentenced to 4 years of probation and ordered to pay \$29,114 restitution. Co-conspirators Sheryl Lynn Lawrence, former executive director, and Barbara Mary Daychief, coalition board member, each pleaded guilty. Lawrence was sentenced to 3 years probation and ordered to pay \$35,127 restitution. Daychief was sentenced to 2 years probation and ordered to pay \$2,973 restitution.

Source: October 22, 2021, Press Release, U.S. Attorney's Office for the District of Montana

Former Director Sentenced to Probation

- Andrea Rodriguez, 42, was the director for the federally-funded Ponca Tribe's Domestic Violence Department in Niobrara, Nebraska.
- From at least July 2019 until the end of October 2020, Rodriguez was responsible for handling and providing final authorizations for the allocation of monies the Ponca tribe received from the 2018 VOCA grant. These monies were intended to be used to support Ponca tribal members who were dealing with domestic violence related issues.
- Rodriguez created false reimbursement requests indicating they were intended to pay for medical bills, grocery bills and home furnishing and décor-related expenses for certain tribal domestic violence victims. She then signed the final authorization for reimbursement of these bills from tribal grant funds. These bills were not expenses incurred by tribal domestic violence victims, but rather Rodriguez's own personal bills. Rodriguez received approximately \$19,431.57 in tribal funds from the scheme.
- Rodriguez pleaded guilty in September 2022 to two counts of embezzlement and theft from an Indian tribal organization. She was sentenced to four years probation, fined \$10,000 and ordered to pay \$19,431.57 in restitution.

Source: December 16, 2022, Press Release, U.S. Attorney's Office for the District of Nebraska

Former Executive Director Sentenced to 3 Months

- Jesse Clinton Henderson, 66, was the Executive Director for the non-profit Jesse Cosby Neighborhood Center (JCNC) in Waterloo, Iowa. He was tasked with managing the day-to-day operations, to include controlling finances and expenditures.
- Henderson possessed debit and credit cards associated with the organization's bank accounts. From approximately 2018 through 2021, he used and misappropriated or gambled approximately \$71,483.15 of the JCNC's funds for his own benefit.
- Henderson was able to conceal his scheme from the JCNC and their Board of Directors by intentionally failing to disclose monthly financial reports or bank statements where his unauthorized expenditures and withdrawals would be exposed.
- Henderson pleaded guilty in June 2022 to one count of wire fraud. In December 2022, he was sentenced to three months in prison and ordered to pay \$47,061.15 in restitution.

Source: December 2, 2022, Press Release, U.S. Attorney's Office for the Northern District of Iowa

Former Employee Sentenced to 24 Months

- Margarita Botti, was an employee, accountant and agent for the non-profit Programa de Apoyo Enlace Comunitario, Inc. (PAEC), a Community Support and Liaison Program, in San Juan, Puerto Rico. PAEC received funds through various VOCA grants.
- According to court documents, beginning in or around September 2016, and continuing through June 2019, Botti intentionally evaded payment of a substantial portion of the employment taxes owed by PAEC to the US. She submitted false returns to the IRS; provided false information and fraudulent documentation to PAEC for purported payments to the IRS that were never made; prepared false tax documents that falsified the tax withholdings of PAEC employees; transferred funds from PAEC's bank account to different accounts that she controlled to divert funds for personal use; and caused tax returns to be filed with the IRS to evade and avoid payment of employment taxes owed by PAEC to the US.
- Botti pleaded guilty in October 2022 to misappropriation of funds, tax evasion and obstruction of tax investigation. In March 2023, Botti was sentenced to 24 months in prison, followed by three years supervised release, and ordered to pay \$282,000 in restitution.

Source: El Vocero de Puerto Rico, March 2, 2023

A grantee that hires a consultant or other vendor should clearly document answers to what five key questions?

- ✓ *Why?*
- ✓ *Who?*
- ✓ *What?*
- ✓ *How?*
- ✓ *How Much?*

Dec 2013 Uniform Guidance 2 CFR Part 200

- ✓ §200.400 No Profit
- ✓ §200.465 Home Rental Costs
- ✓ §200.415 Required Certifications
- ✓ §200.112 Conflicts of Interest
- ✓ §200.113 Mandatory Disclosure
- ✓ §200.430 (i) Standards of Documentation for Personnel Expenses
- ✓ Appendix IV Indirect Costs

Risk Mitigation for Grantees

1. Examine your programs to identify fraud vulnerabilities.
2. Implement specific fraud prevention strategies including educating others about the risks– the more people are aware of the issues, the more they can help prevent problems or detect them as early as possible.
3. Maintain a well designed and tested system of internal controls.
4. Ensure all financial or other certifications and progress reports are adequately supported with appropriate documentation and evidence.

Risk Mitigation for Grantees

5. Identify any potential conflicts of interest issues and disclose them to the appropriate officials for specific guidance and advice. Ensure everyone involved in the grant process understands the conflict of interest prohibitions.
6. Ensure there is a fair, transparent and fully-documented procurement process especially when utilizing consultants. Ensure the rate of pay is reasonable and justifiable and that the work product is well-defined and documented.

41 U.S.C. 4712: Enhancement of Contractor Protection from Reprisal for Disclosure of Certain Information

- While a variety of strong whistleblower protections exist related to certain classes of individuals, including Federal employees, changes to the law since 2013 strengthened those protections.
- It is illegal for an employee of a contractor, subcontractor, grantee or subgrantee or personal services contractor to be discharged, demoted, or otherwise discriminated against for making a protected whistleblower disclosure.
- The DOJ OIG has jurisdiction to investigate allegations of reprisal for whistleblowing by employees of DOJ contractors, subcontractors, and grantees
- Additional information about whistleblower rights and protections, including how to report suspected reprisal, can be found at: <https://oig.justice.gov/hotline/whistleblower-protection.htm>

Questions?

Cindy Roberts

817-385-2086

202-579-5642

cynthia.m.roberts@usdoj.gov

U.S. Department of Justice
Office of the Inspector General

oig.hotline@usdoj.gov

www.usdoj.gov/oig

1-800-869-4499