



**Department of Justice
Office of the Inspector General
Fraud Detection Office**

Fraud Awareness Training

During the presentation...

- Please mute your device
(phone, computer)
- Questions in the chat section
- Poll questions throughout the
presentation



Office of the Inspector General

**To detect and deter,
waste, fraud, and abuse
and misconduct
in DOJ programs
and personnel, and to
promote economy and
efficiency in those programs.**



Investigations Division

- **Area of Responsibility**
- **Focus**
- **Independent and Objective**
- **Fraud Detection Office**



What is Fraud?

- **Fraud is “a general term which embraces all ingenious efforts and means that individuals devise to take advantage of others.”**
- **“The general description of the term ‘fraud’ reflects the traditional reluctance of courts to define the term with specificity. Most courts agree that due to man’s inventiveness, and the speed with which new schemes can be contrived, the varieties of fraud are almost infinite.” *Modern Federal Jury Instructions, Instruction 57-15.***

What is Fraud?

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Modern Federal Jury Instructions, Instruction 57-15.

Lying
Cheating
Stealing

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**

Grant Lifecycle Timeline



Common Grant Fraud Schemes

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

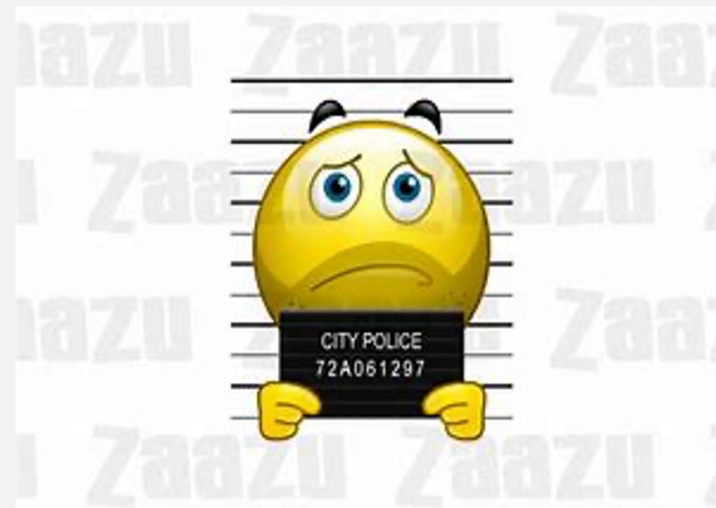
Risk



Consequences of Grant Fraud



- Withholding of Grant Funds
- Suspension & Debarment



- High Risk List / Special Conditions
- Civil Fraud / False Claims Act Settlements
- Criminal Indictment / Arrests / Forfeiture & Seizure

True or False?

- **Grant fraud can result in administrative remedies, such as a grantee being required to repay funds, civil remedies, such as the federal government suing a grantee for penalties and damages, and/or criminal remedies, which could include criminal prosecution with potential jail time and restitution.**

§ 200.113 Mandatory disclosures.

The non-Federal entity or applicant for a Federal award **must disclose, in a timely manner, in writing to the Federal awarding agency or pass-through entity all violations of Federal criminal law involving fraud, bribery, or gratuity violations potentially affecting the Federal award.**

Non-Federal entities that have received a Federal award including the term and condition outlined in Appendix XII - Award Term and Condition for Recipient Integrity and Performance Matters are required to report certain civil, criminal, or administrative proceedings to SAM. Failure to make required disclosures can result in any of the remedies described in § 200.338

Remedies for noncompliance, including suspension or debarment. (See also 2 CFR part 180, 31 U.S.C. 3321, and 41 U.S.C. 2313.) [80 FR 43308, July 22, 2015]

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*
- DOJ OIG has jurisdiction to investigate allegations of reprisal for whistleblowing by employees of DOJ contractors, subcontractors, personal services contractors and grantees.
- Additional information about whistleblower rights and protections, including how to report suspected reprisal, [can be found on the OIG website.](#)

■ *Lying*

■ **Cheating**

■ **Stealing**

“Lying”

- A grant agreement is essentially a **legally binding contract**
- Grantees must act with integrity when applying for and reporting their actual use of funds
- Grantees are also obligated to properly track their use of funds and maintain adequate supporting documentation

The Typical issues in this area include

- Using the funds in a manner different than outlined in the grant agreement
- Failing to adequately account for, track or support transactions such as personnel costs, contacts, indirect cost rates, matching funds, program income, or other sources of revenue
- Grantees must accurately represent their eligibility for funding and cannot provide false or misleading information

Failure to Have Accounting Procedures

An organization certified that it had written procedures in place to protect grant funds from misuse. A court later found that the organization did not have such policies and ordered payment of \$844,985.

(Source: Court Order, Eastern District of California, December 2014)

Failure to Fulfill a Key Grant Provision

A grantee failed to perform or failed to maintain records of having completed criminal history checks on their volunteers. Grantee employees later “cut and pasted” forms in an effort to conceal this shortcoming.

(Source: Press Release, U.S. Attorney’s Office, Eastern District of Pennsylvania, June 28, 2019)

Commingling

Big Brothers Big Sisters of America agreed to pay the United States \$1.6 million to resolve allegations of false claims related to their commingling of over \$10 million in grant funds with general operating funds.

(Source: Press Release, U.S. Attorney's Office, Eastern District of Pennsylvania, January 21, 2016)

Grantees can use award funds...

- A. to cover budget shortfalls in other government programs**
- B. to build up cash reserves in case of a crisis**
- C. to make a profit**
- D. for any public purpose**
- E. only for costs that are allowable, allocable and reasonable and are within the scope of their grant agreement**

- **Lying**

- ***Cheating***

- **Stealing**

“Cheating”

- Grantees are required to use federal funds in the **best interest of their program**
- These decisions must be free of undisclosed personal or organizational conflicts of interest – both in appearance and fact

The typical issues in this area include....

- Purchasing goods or services or hiring an individual from a related party such as a family member
- Sub grant award decisions and vendor selections must be accomplished using a fair and transparent process free of undue influence
- Consultants: supportable, legitimate, fair and reasonable cost

Grantee Ineligibility

The government awarded a grant to a nonprofit organization, which in essence turned over the award funds and program responsibilities to a related for-profit entity.

(Source: Press Release, U.S. Attorney's Office, Eastern District of Kentucky, September 19, 2018)

Organizational Self-Dealing

Several individuals sent federal grant funds intended for nonprofit public health services to for-profit entities controlled by the conspirators. One individual was sentenced to 18 years in prison and ordered to pay \$13.5 million in restitution.

(Source: Press Release, U.S. Attorney's Office, Northern District of Alabama, June 17, 2016)

Sub Award Self-Dealing

An elected state official helped direct a federal grant sub award to a university while also separately negotiating with the school to run the newly created program. The official was ordered to serve 9 ½ years in prison.

(Source: Press Release, U.S. Attorney's Office, Eastern District of Virginia, August 12, 2011)

A grantee that hires a consultant or any other type of vendor should be able to answer what five key questions?

Answers:

- Who?
- What?
- When?
- Why?
- How Much?



- **Lying**

- **Cheating**

- ***Stealing***

Traits of Embezzlement Subjects

✓ **Smart**

✓ **Determined**

✓ **Bold**

✓ **Well-Liked**

✓ **Creative**

✓ **Confident**

✓ **Organized**

✓ **Manipulative**

OVW Grantee - Embezzlement

A former Finance and Operations Manager for the Wisconsin Coalition Against Sexual Assault pled guilty to charges of embezzlement. The former finance manager embezzled approximately \$50,000 from a DOJ OVW Grant. The manager was sentenced to 3 years of probation, including 10 months of home confinement and ordered to pay \$49,014.32 in restitution.

Source: Wisconsin State Journal September 1, 2016 and September 1, 2016 DOJ Press Release

OVW Grantee – Using Grant Funds for Personal Gain

A former executive director of an OVW Grantee was sentenced to 2.5 years of prison and ordered to pay \$433,688 in restitution after an investigation determined the director utilized OVW funds to make **unauthorized payments on her personal credit card and personal cell phone** over a 5 year period. In addition to utilizing grant funds to pay personal bills, it was also discovered the director **utilized the grantee's credit card, for personal expenses.**

Charter Schools Theft

An individual **stole \$3 million** from several charter schools by **creating fake companies** and **funneling school funds** to those “businesses.”

(Source: Press Release, U.S. Attorney’s Office, District of New Mexico, October 12, 2018)

Receipts

AS 10/2 021848
 NEW YORK
 DRIVER 400
 TRIP# 3
 START 01:43:1
 END 01:07:00
 DIST 2.7 M.

 STAN. CI. RATE
 RATE 3.0 M.
 FARE 5.00
 EXTRA 0.50
 TIP .75
 TOTAL 8.45

 VISA INT
 XXXXXXXXXXXXXXXX
 AUTH. 132691
 CONTACT TLC 3-1-1

NEW YORK
 HACK # 05123429
 MED # 9Y89
 TRIP # 4963
 DATE: 04/29/2009
 START TIME 00:10
 END TIME 00:27
 RATE No. 1
 STAND. CITY RATE
 MILES RI 2.49
 FARE \$ 7.09
 SURCHARGE 0.50
 TOTAL \$ 7.59
 TIP/Other 1.90
 GR.TOT. 9.59

 Contact TLC Dial
 3-1-1

 CARDNUMBER: 9187
 AUTHOR.: 87044A

MED# 7755
 04/26/09 TR 1045
 START END MILES
 21:29 21:42 4.5
 Regular Fare
 RATE 1:\$ 13.30
 SURCH: \$ 0.50
 TIP : \$ 2.76
 TOTAL: \$ 16.56

 Card Type: VISA
 XXXXXXXXXXXXXXXX9187
 AUTH:14107A

 THANKS
 TO CONTACT TLC
 DIAL 3-1-1

The Panini Experience

Register: 3 8/17/09
 Order # 190 1:43PM
 00834

 1 Santa Fe Chix 8.50
 Combo 3.50

 SUBTOTAL 12.00
 Tax 1.64

 TOTAL 13.64

 CUSTOMER COPY

NEW YORK
 HACK # 05126675
 MED # 6N75
 TRIP # 23354
 DATE: 05/20/2009
 START TIME 21:16
 END TIME 21:35
 RATE No. 1
 STAND. CITY RATE
 MILES RI 1.60
 FARE \$ 3.30
 SURCHARGE 0.50
 TOTAL \$ 4.40
 Tip/Other 1.00
 GR.TOT. 5.40

 Contact TLC Dial
 3-1-1

 CARDNUMBER: 6810
 AUTHOR.: 132691

OFFICE SUPPLY HUT

Date/Time: 2009-08-29 10:32 AM
 NYC DCA EL#1371013 EHSD#147238
 Cashier: Kevin

QTY	ITEM	
1	GLUE STICK CLEARANCE 0476432068904	1.00
1	POLYCARBONATE CHAIR MAT 9644522075082	11.79
18	WIRE DESK TRAY @ 5.78 ea 6742636437322	105.99
32	CORRECTIVE FLUID 2 PK @ 3.29 ea 2342897237346	73.65
SUBTOTAL		192.43
Tax		17.88
TOTAL		\$210.31

AMEX
 Card No: xxxxxxxxxxxxxx6810
 Auth No: 055568

 REWARDS NUMBER 00304278642

 Thank you for shopping with us!

BUY THE BOOK

680891 11:51 am 8/07/2009

Register 17

SUNDAY IS THE NEW MONDAY AND OTHER TIPS
 FOR GIVING 11% AT WORK / S MURRAY
 1@----- 11.25

BOARDROOM BLISS: THE SECRET TO BECOMING
 THE IDEAL EMPLOYEE / G. KLEINFELTER
 1@----- 8.75

Subtotal 20.00
 Tax 1.74

 TOTAL DUE 21.74

02150506092726206

Expense-a-Steak

The screenshot shows a web browser window titled "Maloney & Porcelli Expense Report Generator - Windows Internet Explorer provided by OFFICE OF THE INSPECTOR GENERAL". The address bar shows "http://www.expenseasteam.com/". The browser's menu bar includes "File", "Edit", "View", "Favorites", "Tools", "Help", "Links", "FDO", and "GSA - Domestic Per Diem Rates". The page content features a dark green background with a repeating "X" pattern. At the top, it reads "Maloney & Porcelli's" followed by "EXPENSE-A-STEAK HEADQUARTERS" in large, bold, white letters. Below this, a paragraph states: "Now you can eat at Maloney & Porcelli as often as you like and never worry about your expense report raising any eyebrows. Simply type in your bill total below and the expense report generator will do the rest." In the center, there is a white rectangular box with a gold border containing the text "ENTER YOUR TOTAL BILL:" above a large "\$ 285.69". Below this box is a green button with white text that says "EXPENSE IT!". The browser's status bar at the bottom shows "Done", "Internet", "100%", and a taskbar with various application icons including Start, Internet Explorer, and several Microsoft Office applications. The system clock in the bottom right corner shows "3:24 PM".

Name some common ways people steal funds.

Answers:

- ✓ **Credit / debit cards**
- ✓ **Payroll manipulation**
- ✓ **Collusion with a vendor**

Internal controls are...

- A. ...only needed if you distrust your co-workers.
- B. ...bureaucratic roadblocks to be circumvented.
- C. ...always optional for federal grant programs.
- D. ...irrelevant if **YOU DO NOT WASH YOUR HANDS.**
- E. ...an important way to help mitigate the risk of fraud, waste and abuse.

Grant Fraud Prevention

- **Internal Controls Matter**
- **Read the Agreement**
- **Due Diligence is an Ongoing Responsibility**
- **Ensure Applications, Financial Certifications, Progress Reports, & Drawdowns are Accurate**
- **If in Doubt, Ask the Grantor or an Outside Expert**
- **Facilitate an Internal Dialogue**

Fraud Indicators

- ✓ **One person in control**
- ✓ **No separation of duties**
- ✓ **Lack of internal controls/ignoring controls**
 - ✓ **No prior audits**
 - ✓ **High turnover of personnel**
 - ✓ **Unexplained entries in records**
- ✓ **Unusually large amounts of payments for cash**
 - ✓ **Inadequate or missing documentation**
 - ✓ **Altered records**
 - ✓ **Non-serial number transactions**
- ✓ **Inventories and financial records not reconciled**
 - ✓ **Unauthorized transactions**
 - ✓ **Related Party Transaction**
 - ✓ **Repeat audit findings**

Red Flags

- **Excessive or Illogical Use of “Consultants”**
 - **Missing Documentation**
 - **Lack of Segregation of Duties**
 - **“Sloppy Bookkeeping” Excuses**
 - **Circumvention of Internal Controls**
 - **Customer / Co-worker Complaints**
 - **High Employee Turnover**
 - **Low Organizational Morale**
 - **Excessive Draw Downs of Funds**

Why Report Fraud?

- **Ethical responsibility**
- **To deter others from committing fraud and abuse**
- **To protect the integrity of the Federal, State and Local programs**
- **To avoid being part of the fraudulent/criminal activities**

OVW Grantees – Things to Remember

1. Communicate with your OVW representative
2. Utilize the guidance provided online
 - [DOJ Financial Grants Guide](#)
 - Various online training
3. Grant Funds are awarded for a ***specific*** purpose, and you must use them accordingly!

Fighting Fraud Together

- **Contact the OIG ASAP!**
- **Document, document, document!**
- **Remember materials may be discoverable later on.**
- **Trust your instincts!**



“Integrity is doing the right thing, even when no one is watching.”

- unknown -

“There is no kind of dishonesty into which otherwise good people more easily fall than that of defrauding the government.”

- Benjamin Franklin -



Questions?

oig.hotline@usdoj.gov

www.usdoj.gov/oig

1-800-869-4499



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**Special Agent Robert Ransom Jr.,
(202) 598-0307**