

GRANT FRAUD AWARENESS TRAINING

What is the DOJ Office of the Inspector General and the Fraud Detection Office?

- The OIG has the responsibility and authority to investigate fraud, waste and abuse related to DOJ people, programs, and resources
- Focus: Economy, Efficiency and Effectiveness
- Operational Units: Audit, Investigations, Evaluations and Inspections, Oversight and Review
- The FDO primarily examines contract and grant fraud issues and engages in proactive prevention efforts

What is Grant Fraud?

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

Fraud Assumptions

- It Happens / It's Not Good
- Prevent / Detect it Early

Fraud Consequences

- Program Impairment / Failure
- Administrative: cancel awards; recover funds; withhold future funds; special conditions; Suspension & Debarment
- Civil: False Claims Act; triple damages
- Criminal: prison; fines; restitution/asset seizure

Conflicts of Interest

Grantees are required to use federal funds in the best interest of their program and 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:

- Less than Arms-Length Transactions: purchasing goods or services or hiring an individual from a related party such as a family member or a business associated with an employee of a grantee.
- Sub grant award decisions and vendor selections must be accomplished using a fair and transparent process free of undue influence. Most procurements require full and open competition.
- Consultants can play an important role in programs, however, their use requires a fair selection process, reasonable pay rates, and specific verifiable work product.

“Lying” or Failing to Support

A grant agreement is essentially a legally binding contract and grantees are obligated to use their grant funds as outlined in the agreement and to act with integrity when applying for and reporting their actual use of funds. Grantees are also obligated to properly track the use of funds and maintain adequate supporting documentation.

The typical issues in this area include:

- Unilaterally redirecting the use of funds in a manner different than outlined in the grant agreement.
- Failing to adequately account for, track, or support transactions such as personnel costs, contracts, indirect cost rates, matching funds, program income, or other sources of revenue.
- Grantee’s must accurately represent their eligibility for funding and cannot provide false or misleading information in their application or subsequent narrative progress or financial status reports.

Theft

- Theft is the most common issue in almost all organizations– including those that receive federal grant funding.
- People that embezzle funds can be extremely creative and appear very trustworthy– precisely why they can do so much damage to an organization and remain undetected for extended periods of time.
- Poor or no internal controls equals virtually inevitable theft. A lack of appropriate separation of duties is one of the most common weaknesses.
- Checks routinely written to employees as “reimbursement” of expenses and the use of ATM / Debit / Gift / Credit Cards must be carefully controlled and require robust oversight.

Risk Mitigation

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.
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.