

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



INTERDEPARTMENTAL TRIBAL JUSTICE SAFETY AND WELLNESS SESSION GRANT FRAUD AWARENESS TRAINING



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OIG OVERVIEW

Authority: Inspector General Act of 1978, as amended, allows for the IG to conduct audits and investigations into fraud, waste, and abuse within the Department of Justice.



So, What is Grant Fraud?

Simply put, fraud is:

Lying, cheating, and stealing in the performance of grant, contract, or loan.

There is a fine line between *Fraud and a Mistake...*

That line is *Intent!*



Grant Fraud: Big Picture Continuum

Blissfully Unaware

Intentional Ignorance

Criminal Intent

Repayment

High Risk Grantee

Reimbursement

Stop Work Order

Termination

Compliance Agreement

Suspension & Debarment

Civil Penalties

Criminal Prosecution



Administrative Remedies

Criminal & Civil Remedies



Grandma

Al Capone



Who Commits Grant Fraud

- ❑ When business entities, individuals, communities, and other organizations receive federal grant dollars, they are entrusted with their appropriate expenditure.

- ❑ Grant fraud is most often committed by:
 1. Grant recipients, company officers, business partners, board members, and managers.
 2. Bookkeepers, financial staff, and employees.
 3. Contractors and subcontractors engaged with the recipient.
 4. Recipient consultants.



Common Grant Fraud Schemes

1. False Statements/False Claims
 - Agency provided false statements to DOJ concealing fraud.
 - Client makes false claims to receive benefits
2. Embezzlement – Agency management/staff steal grant funds for personal use.
3. Wire Fraud (draw downs)
4. Kickbacks and Bribery
5. Conflicts of Interest
6. Conversion– Agency management/staff converts “things of value” such as car, credit cards, money, etc. to personal use.
7. Bid Rigging/Cost Mischarging



What are False Claims and Statements

A **False Claim** is **knowingly** presenting a claim for payment that is not true or accurate.

It also includes **knowingly** making or using false records or statements to obtain payment by the government.

The most common cases involve situations when contractors overcharge for goods or services.

However, knowingly **failing to test** a product (as required by government specifications) or using **substandard** (not meeting specifications) or **defective products** are also false claims or statements.

For example, think of the thousands of different pumps, valves, pipes, electrical components, and other materials in a treatment plant--then think of what could happen if those parts are substandard or defective.



What are Bribery and Kickbacks

Bribery is offering, giving, receiving, or soliciting something of value to influence the actions of an official as part of their public or legal duty. It alters the behavior or decisions of the person receiving the bribe.

Example--a Contractor approaches the Public Works Director about an upcoming project, and offers him money in exchange for an advance copy of the bid package. The Director agrees, resulting in an unfair advantage to the contractor.

Kickback is the result of a government employee receiving or soliciting something of value to influence the outcome.

Example-- the Public Works director approaches a contractor and promises to award the contract in exchange for money or something else of value.



Conflicts of Interest

- A **Conflict of Interest** occurs when an individual or organization has an interest that might compromise their reliability.
- **Conflicts of Interest** may occur when an individual or corporation is in a position to exploit a professional or official capacity to their personal or corporate benefit.
- **Conflicts of Interest** exist even if no improper act results from it, and can create an appearance of impropriety that can undermine confidence in the conflicted individual or organization.

For example, a purchasing manager of an organization has a duty to perform their work with loyalty to that employer, thus choosing sellers who offer the best products at the lowest prices, but might be tempted to have the organization buy, from the manager's sibling, products that are not as good or as cheap.



How Do I Deal with a Conflict of Interest

- **Avoidance**
 - The best way to handle conflicts of interests is to avoid them entirely.
- **Disclosure**
 - Disclose any interests that could compromise your integrity and give the appearance of a conflict of interest.
- **Recusal**
 - Those with a conflict of interest should not make decisions where such a conflict exists. The need for recusal varies depending upon the circumstance.

For example, the board of a government agency is considering hiring a consulting firm, and a partner of one of the firms is a close relative of a board member. That board member should not vote on which firm is to be selected, and to minimize any conflict, the board member should not participate in any way.



What is Cost Mischarging

Cost mischarging is including the costs for one project on a different project (or both).

Examples are:

- Double/Excessive Billing.
- Charging for employees not working on the project.
- Charging for employee hours to projects not worked.
- Ghost Employees (employees who don't really exist).
- Charging for employee rates not commensurate with their expertise
- Billing an employee's time to multiple contracts.

Can an employee really work 38 hours per day on a project...?



What is Bid Rigging

Bid rigging is collusion between two or more competitors. It is a form of price fixing. It typically involves an agreement in which one party of a group of bidders will be designated to win the government bid.

These frauds generally involve:

Subcontract bid-rigging--the conspirators agree not to submit bids, or submit inflated bids, in return for being awarded subcontracts from the successful bidder.

Bid suppression--some conspirators agree not to bid so that another conspirator can win the contract.

Complementary bidding--also called cover bidding--submitting a bid knowing it is too high or has unacceptable conditions.

Bid rotation--bidders "take turns" being the successful bidder



Preventing Fraud

- Perform audits and inventories
- Reconcile financial records
- Compare bids and proposals
- Perform only authorized transactions
- Protect government and proprietary information
- Maintain supporting documentation
- Establish and follow effective internal controls
- Report suspicious activity



Process Safeguards

- ▣ Grant Management / Desk Audits
- ▣ Grantor Monitoring
- ▣ OIG Audits
- ▣ A-133 / Single Audit Act



American Recovery and Reinvestment Act of 2009

- ▣ \$787 B. includes approximately \$200 B. for procurements / other federal spending and \$300 B. for grants / cooperative agreements
- ▣ Emphasis: Job Creation; Transparency; Accountability; and Oversight
- ▣ Multiple Oversight Mechanisms: 68 Federal OIG's, Recovery Accountability and Transparency Board / Recovery.gov; OMB; GAO; 56 State Administering Agencies



Sample of ARRA Grant Funding

Justice
\$4 B.

Transportation
\$42+ B.

Education
\$40+ B.

Energy
\$30+ B.

HHS
\$30+ B.

National
Science
Foundation
\$3 B.

HUD
\$10+ B.

NIH
\$8.2+ B.

Source: ARRA Legislation; Not a Complete Listing of All Grant Funding



DOJ RECOVERY ACT FUNDING	\$ In Millions
OFFICE ON VIOLENCE AGAINST WOMEN	
• Violence Against Women Prevention and Prosecution Programs	\$225
OFFICE OF JUSTICE PROGRAMS	
• Byrne formula grants	\$2,000
• Byrne competitive grants	\$225
• Southern Border/HIDTA/Project Gunrunner	\$40
• Tribal Law Enforcement	\$225
• Victims Compensation	\$100
• Rural Law Enforcement	\$125
• Internet Crimes Against Children	\$50
Subtotal	\$2,765
COMMUNITY ORIENTED POLICING SERVICES	
• COPS Hiring Recovery Program	\$1,000
SALARIES AND EXPENSES	
• Management, administration and oversight of programs with OVW, OJP, and COPS	\$10
TOTAL	\$4,000

OMB Guidance – Disclosure Requirement

Agencies must “[i]nclude the requirement that each grantee or sub-grantee awarded funds made available under the Recovery Act shall promptly refer to an appropriate inspector general any credible evidence that a principal, employee, agent, contractor, sub-grantee, subcontractor, or other person has submitted a false claim under the False Claims Act or has committed a criminal or civil violation of laws pertinent to fraud, conflict of interest, bribery, gratuity, or similar misconduct involving those funds.”



Whistleblower Protection

The ARRA prohibits reprisals against a “whistleblower” of state and local government and contractor employees:

An employee of a non-Federal entity receiving ARRA funds, may not be discharged, demoted, or discriminated against for disclosing any information the employee reasonably believes is evidence of:

- gross mismanagement or gross waste of ARRA funds;
 - a substantial and specific danger to public health or safety related to the implementation of the ARRA funds;
 - an abuse of authority related to the implementation of the funds;
- or
- a violation of law, rule, or regulation related to a contract, grant, or other award of ARRA funds..



Disclosures must be to:

- Board
- Comptroller General
- a supervisor
- a grand jury
- federal IG
- Member of Congress
- a court
- head of the agency
- a representative of any of these entities.
- state or federal regulatory or law enforcement agency



Whistleblower Provisions

An employee who believes that they have been the subject of reprisal can submit a complaint to the OIG. The OIG shall investigate the complaint and submit the findings of the investigation to the person, the person's employer, the head of the appropriate Agency, or the Recovery Accountability and Transparency Board.





What's New

OIG Reports

Semiannual
Reports
to Congress

OIG Testimony

DOJ Top
Management
Challenges

Recovery Act
Oversight

Investigations
Press Releases

Sign Up For
E-Mail Updates

OIG Office
Locations

OIG Organization

Employment
Opportunities

Contracting
Opportunities

William "Buddy"
Sentner Tribute

The American Recovery and Reinvestment Act of 2009

The American Recovery and Reinvestment Act of 2009, which provides funding intended to provide a stimulus to the economy, includes \$4 billion in Department of Justice (DOJ) grant funding to enhance state, local, and tribal law enforcement, to combat violence against women, and to fight Internet crimes against children.

To learn more about the Recovery Act, visit www.recovery.gov. To learn more about DOJ programs under the Recovery Act, visit <http://www.usdoj.gov/recovery>.

The Recovery Act provides \$2 million in funding to the DOJ Office of the Inspector General (OIG) to help ensure accountability and oversight of the DOJ grant funds. The OIG is undertaking proactive steps to oversee DOJ's Recovery Act activities, including providing Department officials and grant administrators with advice and training on improving the grant management process in an effort to prevent fraud or misuse of the funds. In addition, the OIG is examining DOJ funds awarded through the Recovery Act to determine if Department components are properly issuing and overseeing Recovery Act funds and if grantees are appropriately using Recovery Act Funds.

Public documents related to the OIG's Recovery Act oversight efforts are posted below:

- [A Guide to Grant Oversight and Best Practices for Combating Grant Fraud, Released by the Grant Fraud Committee of the National Procurement Fraud Task Force, February 2009](#)
- [Improving the Grant Management Process, February 2009](#)
- [Monthly Reports](#)

Questions

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