2017
NOAA’s Acquisition and Grants Office
presents
Charting NEW Waters
A Map To Financial Assistance

Silver Spring, MD
Seattle, WA
Grant Fraud Awareness & Compliance

Presented By: Special Agent Amanda James
U.S. Department of Commerce
Office of Inspector General
Overview

• Dept of Commerce, Office of Inspector General
• What is Grant Fraud?
• Types of Grant Fraud
• Investigation Examples
• Playing it Safe: “Do” and “Don’t”
• Whistleblower Protection
• Consequences


MISSION: OIG seeks to improve the efficiency and effectiveness of DOC’s programs and operations through independent and objective oversight. OIG also endeavors to detect and deter waste, fraud and abuse through its audits, inspections, evaluations, and investigations.

STAFF: Special Agents, Investigators, Attorneys, Auditors and Evaluators

INVESTIGATIVE JURISDICTION: All funding, programs and employees of DOC, to include all bureaus.
What We Investigate

- Grant Fraud
- Contract Fraud
- Employee Misconduct
- False Statements/Certifications
- Conflicts of Interest
- Bribery/Kickbacks
- False Claims
- Money Laundering
- Embezzlement
- Theft
- Bank Fraud
- Antitrust Violations
What is Grant Fraud?

An act of deceit, trickery or deliberate neglect, committed by a federal funding recipient against the funding agency for the purpose of gaining something of value.

Otherwise known as . . . Lying, Cheating, Stealing

One or more of the following has usually occurred:

• Deliberate Falsification of Information ("Lying")
• Conflict of Interest ("Cheating")
• Theft/Misappropriation of Federal Funds/Property ("Stealing")
Nature of Grant Fraud

Grant Fraud Can Take Many Forms

- Programmatic, financial, or both
- Hidden, discreet, or completely overt
- Large or small portions of an award
- May involve a conspiracy:
  - subcontractors/subgrantees and/or government officials
- One-time incident or ongoing matter
General Examples of Grant Fraud

• Encompasses theft, embezzlement, false or illegal commissions, kickbacks, false statements, false claims, collusive arrangements, and similar devices.
• Creating fictitious records
• Forgery
• Diverting funds
• Double billing
• Inflating enrollment and attendance records
• Fees for non-existent consulting services
• Issuing checks payable to friends or relatives
General Examples Cont’d

• Submitting invoices for personal expenses
• Using credit cards for personal use
• Using funds for unintended purposes
• Submitting false claims in travel vouchers/cost reports
• False statements on grant application
• Not providing services
• Falsifying research/data
• Diverting funds to phantom companies
• Kickbacks – Conflict of Interest and Self-Dealing
Who Commits Grant Fraud

• Recipients:
  • Company Officers
  • Board Members
  • Employees

• Business Partners

• Contractors/Subcontractors

• Consultants
Deliberate Falsification of Information ("Lying")

- Grant Agreement = *Your contract with the Federal Government*
  - Legally binding
  - Grantees are obligated to use funds as outlined in the agreement
  - Must act with integrity when applying for funds and reporting actual usage
  - Grantees must track the use of funds and maintain adequate supporting documentation

- The typical issues in this area include:
  - False statements
  - Matching funds
  - Labor hours/wages
  - Indirect cost rates
  - Redirecting funds
Conflicts of Interest
(“Cheating”)

• 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 or Related Party Transactions
  • Sub Grant Award Decisions and Vendor Selections
  • Consultants
Theft/Misappropriation of Gov’t Property ("Stealing")

- Most common
- Embezzlement of funds
- Cost reimbursement schemes
- Weak (or lack of) internal controls
- "Profit" not allowed
Investigation Examples

• A grant recipient was convicted for misapplying approximately $500,000 of grant funds to pay for personal expenses, including rent, home renovations, cleaning services, restaurant meals, and miscellaneous household items.

• Four officials of a grantee (Revolving Loan Fund program) were convicted of fraud, conspiracy and money laundering after converting nearly $800,000 to their personal use.
Investigation Examples Cont’d

• The Controller of a grantee embezzled grant funds from his employer by contracting out unnecessary construction services to a company that a co-conspirator owned, and who kicked back a portion of the proceeds. The controller paid these through spare company checks.

• A grantee shifted rent expenses for a related private company to make it appear costs were for the grantee.

• A grantee disguised hockey and baseball season tickets by breaking up the costs in the accounting records – submaterial costs.

• A grantee used about 55% of the total grant to buy, among other things, methamphetamines and a Rolex watch. The one-year grant was for developing a small boat tuna pole and line training program.
Process Safeguards

- Grantee’s Internal Controls
- Grant Management / Desk Audit
- Grantor Monitoring
- OIG Audits
- A-133 / Single Audit Act
- Public Availability of Reports
“Do”

TIPS FOR KEEPING IT SAFE

• Avoid “Grey Areas”
• Require Full Disclosure
• Reward for Reporting
  • Fraud/Waste/Abuse
• Stay Organized
• Report Problems
• Communicate Openly
• Follow Government Rules, Regulations and Guidelines
• Act in Good Faith
• Ask Questions
• Report Accurate Information
• Promote Efficiency, Honesty, and Professionalism
• Fraud Awareness
“Don’t”

POST-AWARD THINGS NOT TO DO

• Embezzlement
• Misappropriation
• Deliberate Waste
• Unauthorized Costs
• Conflicts of Interest
• Fictitious Vendors
• Falsify Records
Various statutes provide explicit protections for *non-federal whistleblowers*. These protections apply to all contractor and grantee staff working on federal contracts and grants. The laws prohibit recipients from discharging, demoting or discriminating against any employee for disclosing any concern to his/her supervisor, the head of a federal agency or designated representatives, or the OIG, information that the employee believes is evidence of:

- Gross mismanagement or waste of grant or contract funds.
- Danger to public health or safety related to the use of funds.
- Abuse of authority related to the implementation or use of funds.
- Violation of law, rule or regulation related to an agency contract or grant awarded or issued related to funds.
Consequences
(Why You Should Care)

• Program Impairment / Failure
• Administrative Penalties
  • Termination or restructuring of awards
  • Recover funds / withhold future funds
  • Suspension & Debarment
• Corrective Action/Forced Compliance Plans
• Civil False Claims Act (Treble Damages)
• Criminal
  • Prison
  • Fines & restitution
  • Asset seizure
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Reporting Fraud, Waste, or Abuse

OIG wants to hear ANY CONCERNS you may have regarding grant and procurement recipients or other DOC program or employee fraud – lying, cheating and stealing.

– We DO NOT require that you detect evidence of a crime.

– We DO NOT require a specific allegation.

– If you have suspicions, please contact us.
Questions?
Contact Information

**OIG HOTLINE**
Phone: (800) 424-5497
Fax: (202) 482-2803
Email: hotline@oig.doc.gov

U.S. Department of Commerce
Office of Inspector General
Office of Investigations

Amanda James
Special Agent
(202) 482-2060
ajames1@oig.doc.gov

For more information please visit our website
www.oig.doc.gov

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