

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

Grant Fraud Awareness Training

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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?**



Mistakes

**Gross
Negligence**

**Criminal
Fraud**

What is Grant Fraud?

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

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

1,300% Cost Increase

- D.C. officials alleged in a lawsuit that three former managers at a charter school diverted at least \$3 million to enrich themselves, engaging in a “pattern of self-dealing” that was part of an elaborate contracting scam.
- The civil case alleges that the managers created two for-profit companies to provide services to the school at high prices.
- One example: a contract for bus services increased from \$70,000 to \$981,250 – an increase of 1,300%.

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

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

OIG Audit of BBBSA

- The OIG audited three 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.

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

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.

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.

National Defense Authorization Act of 2013 (NDAA)

- While a variety of strong whistleblower protections exist related to certain classes of individuals, including Federal employees, NDAA strengthens those protections
- NDAA makes it *illegal for an employee of a Federal contractor, subcontractor, or grantee to be discharged, demoted, or otherwise discriminated against for making a protected whistleblower disclosure*
- Under NDAA, 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?

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