





Grant Fraud, Waste, and Abuse

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1



Agenda

- Defining Fraud, Waste, and Abuse
- Areas of Risk
- Indicators of Possible Fraud
- Fraud Prevention
- Framework for Fraud Risk Management



2



Defining Fraud



- Trying to get something of value through willful misrepresentation
 - Lying
 - Cheating
 - Stealing
- Fraudulent schemes are as varied and unique as the individual perpetrators, their motives, and the situations they seek to exploit

Source: GAO Fraudnet



3



Defining Fraud - Lying



- Inducement Fraud – falsifying endorsements
- Falsifying Certifications – saying you have a written procedure when you don't
- Commingling Funds – mixing grant funds with general operation funds
- Background Checks – failure to conduct required checks, or applying less rigorous standards than required
- Research Misconduct – false statements about results
- Research Compliance – creating false Institutional Review Board (IRB) results
- Research Integrity – using results from completed research for new proposals

Source: GAO Fraudnet



4



Defining Fraud - Cheating



- Ineligible Proposers – funding is received by an eligible entity and then transferred to an ineligible entity
- Organization Self-dealing – sub-awards are made to entities with ties to the funding organization
- Individual Self-dealing – sub-awards are made to entities that the awarding/approving officials are involved in for personal gain



Source: GAO Fraudnet

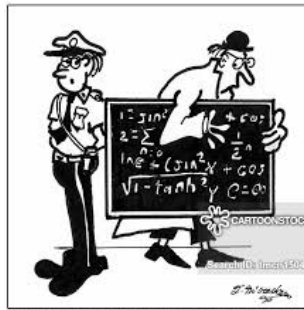
5



Defining Fraud - Stealing



- Theft
- Travel claims
- Stealing Intellectual Property (IP) rights
- Selling trade secrets



Source: GAO Fraudnet



6



Defining Mismanagement



- Mismanagement - when someone's actions constitute a substantial risk to an agency's ability to do its job properly and correctly
 - Renewing contracts for technical support software that is not longer used by the program (failure to verify need)
 - Continuing to pay rent and utilities on equipment that is no longer working
 - Failure to accurately account for expenditures



Source: GAO Fraudnet

7



Defining Waste



- Waste happens when recipient squanders money and resources, **even if it is not on something illegal:**
 - Buying overpriced office equipment
 - Buying supplies to keep "just in case"
 - Directing staff to discard serviceable equipment rather than requesting reallocation to another Federal project
 - Buying unnecessary equipment



Source: GAO Fraudnet



8



Defining Abuse



- Abuse happens when someone behaves improperly or unreasonably, or misuses their position or authority
 - Using agency equipment for personal activities that are not authorized (such as to research sexually explicit information)
 - Writing contracts or technical specifications that favor a specific contractor or consultant
 - Authorizing purchase of equipment designed for one purpose but claiming it serves another that is required for the completion of the project

Source: GAO Fraudnet



9



Areas of Risk



- Preaward
 - Budget
 - Credentials
 - Certification
- Postaward
 - Procurement
 - Sub-award monitoring
 - Supporting documentation
 - Reporting
- Closeout
 - Final reports
 - Equipment disposition
 - Record retention

10



Motives



Personnel – lives a lavish lifestyle, debt, illness, disgruntled employee, feeling passed over for promotion or reward, professional jealousy, stressful work environment, conflict of interest

Organizational – project under tight deadlines, financial difficulties, under pressure to show results, project is up for renewal or next funding phase, must “use” the funds to get new funding, outside changes such as recession

Source: Possible Grant Fraud Indicators NSF-OIG Handbook



11



Opportunities for Fraud



- Lack of clear lines of business
- Upper management doesn't support compliance efforts
- Improper vetting of employees
- Lack of accountability
- High employee turnover
- Inadequate accounting practices
- Failure to maintain records
- Lack of management oversight

Source: Possible Grant Fraud Indicators NSF-OIG Handbook

12



Fraud Prevention



- Read the agreement
- Know the regulatory requirements
- Ensure Applications, Financial Certifications, Progress Reports, & Drawdowns are accurate
- Internal Controls
- Robust Risk Management Program

Source: DoJ, Office of Inspector General



13



Framework for Fraud Risk Management



Commit to Combating Fraud by Creating an Organizational Culture and Structure Conducive to Fraud Risk Management

- Create an Organizational Culture to Combat Fraud at All Levels of the Agency
- Create a Structure with a Dedicated Entity to Lead Fraud Risk Management Activities

Source: GAO. | GAO-15-5935P

14



Framework for Fraud Risk Management



Plan Regular Fraud Risk Assessments and Assess Risks to Determine a Fraud Risk Profile

- Plan Regular Fraud Risk Assessments That Are Tailored to the Program
- Identify and Assess Risks to Determine the Program's Fraud Risk Profile



Source: GAO. | GAO-15-593SP

15



Framework for Fraud Risk Management



Design and Implement a Strategy with Specific Control Activities to Mitigate Assessed Fraud Risks and Collaborate to Help Ensure Effective Implementation

- Determine Risk Responses and Document an Antifraud Strategy Based on the Fraud Risk Profile
- Design and Implement Specific Control Activities to Prevent and Detect Fraud
- Develop a Plan Outlining How the Program Will Respond to Identified Instances of Fraud
- Establish Collaborative Relationships with Stakeholders and Create Incentives to Help
- Ensure Effective Implementation of the Antifraud Strategy

Source: GAO. | GAO-15-593SP

16



Framework for Fraud Risk Management



Evaluate Outcomes Using a Risk-Based Approach and Adapt Activities to Improve Fraud Risk Management

- Conduct Risk-Based Monitoring and Evaluate All Components of the Fraud Risk
- Management Framework
- Monitor and Evaluate Fraud Risk Management Activities with a Focus on Measuring
- Outcomes
- Adapt Fraud Risk Management Activities and Communicate the Results of Monitoring and Evaluations

Source: GAO. | GAO-15-593SP

17



Framework for Fraud Risk Management



Who is responsible for fraud risk management activities?

Establish roles and responsibilities of those involved in fraud risk management activities, such as the antifraud entity and external parties responsible for fraud controls, and communicate the role of the Office of Inspector General (OIG) to investigate potential fraud.

What is the program doing to manage fraud risks?

Describe the program's activities for preventing, detecting, and responding to fraud, as well as monitoring and evaluation.

When is the program implementing?

Create timelines for implementing fraud risk management activities, as appropriate, including monitoring and evaluations.

Where is the program focusing its fraud risk management activities?

Demonstrate links to the highest internal and external residual fraud risks outlined in the fraud risk profile.

Why is fraud risk management important?

Communicate the antifraud strategy to employees and other stakeholders, and link antifraud efforts to other risk management activities, if any.

Source: GAO. | GAO-15-593SP

18



Internal Controls



Internal Controls means a process by a non-Federal entity, designed to provide reasonable assurances regarding the achievement of objectives in the following categories:

- a. Effectiveness and efficiency of operations;
- b. Reliability of reporting for internal and external use; and
- c. Compliance with applicable laws and regulations

Source: 2 CFR 200

19



Internal Controls



Should be clear and concise
Provide adequate checks and balances
Define the separation of duties
Mitigate conflict of interest
Communicated to all staff
Enacted and practiced
Reviewed and updated on a regular schedule



20



Reporting



Contact your grant office – they can provide information on how to report your concerns

Federal Agency Office of Inspector General

Dept. of Justice Inspector General

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