



U.S. DOC Inspector General Office of Investigations

Recovery Act Oversight Program Fraud Prevention Training





Department of Commerce OIG Investigations

Welcome

Greetings from the U.S. Department of Commerce, Office of Inspector General, Office of Investigations. We would like to congratulate you and your co-workers for winning an award pursuant to the American Recovery and Reinvestment Act of 2009 (the Recovery Act).

As part of our Recovery Act Oversight Program, we ask that you participate in our Fraud Prevention e-training by reviewing the following slides.

Thank you for your participation.



Department of Commerce OIG Investigations

Who We Are

- We are a federal law enforcement branch within the DOC Office of Inspector General, primarily staffed with:
 - Special Agents / Criminal Investigators
 - Computer Crimes Unit
- Our investigative authority includes pursuing allegations of:
 - Criminal violations
 - Civil fraud violations
 - Administrative violations



Department of Commerce OIG Investigations

Investigative Jurisdiction

Our investigative jurisdiction includes monitoring all of the funding (i.e., contracts and grants), programs, and employees of DOC Headquarters and each of the DOC bureaus:





What We Investigate



- Grant frauds
- Contract frauds
- Antitrust violations
- Embezzlements
- Property thefts
- Conflicts of Interest
- Bribery, kickbacks
- False claims & invoices
- False statements & certifications
- Bank fraud
- Money laundering
- DOC credit card abuse
- Identity theft scams



OIG Recovery Act Authority

OIG Recovery Act Authority

The Recovery Act gives our office specific authority to review and investigate any concerns regarding the use of DOC Recovery Act funds. Our OIG agents are authorized to:

- Examine all contractor, subcontractor, state or local records related to Recovery Act funding transactions
- Initiate investigations and work in connection with OIG Auditors
- Interview employees



Recovery Act Oversight Program

U.S. DOC/OIG Investigations “Recovery Act Oversight Program”

In response to the Stimulus bill, we developed an oversight program for DOC which is responsible for:

- ✓ Monitoring all DOC Recovery Act awards
- ✓ Providing fraud awareness training to DOC staff working with Recovery Act awards.
- ✓ Providing fraud prevention training to contractor and grant recipients working with DOC Recovery Act awards.



Recovery Act Oversight Program

Our Program Mission

To work with DOC bureaus and funding recipients to ensure that DOC Recovery Act awards are monitored and effectively protected from waste, fraud, and abuse.



Fraud Prevention Training

Fraud Prevention Training Goals

- ✓ Provide fraud prevention training to funding recipients.
- ✓ Encourage open communication with agency representatives.
- ✓ Promote honesty, efficiency and fraud awareness efforts.
- ✓ Deter instances of waste, fraud and abuse with DOC Recovery Act awards.



What is Contract and Grant Fraud?

Contract / 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.

One or more of the following acts has usually occurred:

- Misappropriation of federal funds or property
- Deliberate neglect of procurement rules and guidelines
- Deliberate falsification of information



What is Contract and Grant Fraud?

Contract / Grant Fraud

- ✓ May be hidden, discreet or completely overt
- ✓ May involve a large OR small portion of a contract or award
- ✓ May involve a conspiracy between subcontractors and/or government officials
- ✓ May be a one-time incident or ongoing matter



Relevant Criminal and Civil Statutes

- | | |
|-------------------------|--|
| 18 U.S.C. § 666 | “Theft or bribery concerning programs receiving Federal funds” |
| 18 U.S.C. § 641 | “Embezzlement of public money, property or records” |
| 18 U.S.C. § 1001 | “Statements or entries generally” [false statements] |
| 18 U.S.C. § 287 | “False, fictitious or fraudulent claims” |
| 18 U.S.C. § 371 | “Conspiracy to commit offense or to defraud United States” |
| 15 U.S.C. § 1 | Sherman Antitrust Act [civil] |
| 31 U.S.C. § 3729 | Civil False Claims Act |



Investigation Examples

GRANT FRAUD

- A NIST Advanced Technology Program 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 an EDA Revolving Loan Fund program were convicted of fraud, conspiracy and money laundering after converting nearly \$800,000 to their personal use.





Investigation Examples

CONTRACT FRAUD



- The CEO of a corporate entity under government contract was convicted of false claims for submitting invoices under a “Buy America” program, certifying U.S. origin of products supplied, when in fact the products originated in China.
- The CEO of a company participating in a government funded program was convicted of wire fraud for submitting false bids from non-existent companies, the purpose of which was to fix prices and fake a competitive process.



Keeping it Safe

Please consider our
“Tips for Keeping it Safe” ...



Keeping it Safe

Tips for Keeping it Safe

- Follow government rules, regulations, and guidelines
- Act in good faith
- Ask questions—do not assume the answers
- Report accurate information
- Promote efficiency, honesty, and professionalism
- Maintain fraud prevention refresher training
- Provide employees with a copy of contracting rules and regulations



Keeping it Safe

Tips for Keeping it Safe

- Avoid “gray areas” or risky situations with subcontractors
- Require full disclosure from employees and subcontractors
- Reward employees for identifying project weaknesses, waste, fraud, and abuse
- Stay organized
- Report any problems timely and with full disclosure
- Communicate openly and often with your agency representative



FRAUD PREVENTION

Please be aware of the following
Red Flags a.k.a.
“THINGS NOT TO DO” ...



FRAUD PREVENTION

PRE-AWARD THINGS NOT TO DO

- Bid rigging—bidding arrangements are NEVER permitted
- Price fixing and/or pricing agreements
- Scams and fraudulent agreements with subcontractors
- Defective and inflated pricing
 - Salaries
 - Consultants
 - Equipment
 - Goods and services



FRAUD PREVENTION

PRE-AWARD THINGS NOT TO DO

- Offer bribes, gifts, or gratuities to government officials
- Give false or misleading proposal information
- Withhold information which is required on proposals
- Embellishment—unrealistic performance goals and proposed promises
- Double dip—compete for work identical to another award you already received from another federal agency.



FRAUD PREVENTION

POST-AWARD THINGS NOT TO DO

- Double billing
- Inflated billing
- Poor accounting system
- Deliberate “accounting error”
- Deliberate product overage
- Product substitution
- Shifting costs often from one category or cost account to another without approval



FRAUD PREVENTION

POST-AWARD THINGS NOT TO DO

- Embezzlement of project funds or equipment
- Misappropriation of project funds or equipment
- Deliberate waste of project funds, equipment and resources
- Unauthorized travel costs
- Conflicts of interest
- Less than arms length transactions
- Use of fictitious vendors



FRAUD PREVENTION

POST-AWARD THINGS NOT TO DO

- Give unauthorized personnel access
- Maintain underqualified personnel
- Falsify time and attendance records
- Maintain “ghost” employees
- Conduct unauthorized changes to personnel
- Maintain inadequate internal controls (e.g., one person handling everything)



FRAUD PREVENTION

POST-AWARD THINGS NOT TO DO

- Co-mingle projects
- Inappropriate use of cash
- Alter or destroy documents
- Mislead government contracting/program officials
- Mislead auditors/inspectors
- Mislead your employees



FRAUD PREVENTION

POST-AWARD THINGS NOT TO DO

- Claim ignorance of rules
- Interpret rules to your benefit or satisfaction
- Attempt to convince agency representatives to change or ignore the rules
- Neglect or circumvent “Buy American” provisions unless authorized in writing



The Golden Rule...

“The Golden Rule of Fraud Prevention”

WHEN IN DOUBT....DON'T DO IT.

Call your agency representative for appropriate guidance.





Whistleblower Protection

Did you know...

Every person working on Recovery Act funded projects has whistleblower protection?



Whistleblower Protection

Whistleblower Protection – Recovery Act

The Recovery Act provides explicit protections for ***nonfederal whistleblowers***. These protections apply to all contractor and grantee staff working on Recovery Act awards. The Act prohibits funding recipients from discharging, demoting or discriminating against any employee for disclosing any concern to their supervisor, the head of a federal agency or his/her 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.



Whistleblower Protection

Whistleblower Protection – OIG Responsibilities

- Investigate all whistleblower complaints related to Recovery Act funds that are not frivolous or being addressed by another official proceeding.
- Report of our findings to the complainant, complainant's employer, head of DOC and the Recovery Accountability and Transparency Board within 180 days (extensions may be applied for).
- Provide a written explanation to complainants and their employers if we decline to pursue a whistleblower allegation.



Whistleblower Protection

Whistleblower Protection – OIG Responsibilities

- Uphold the Privacy Act—by NOT disclosing information about complainants, except where required by law or court order.
- Provide information in our semi-annual reports to Congress to include:
 - Investigations we declined to pursue and
 - Investigations requiring a time extension



Practice Scenarios

1. You discover that a co-worker submitted false information on invoices and receipts to your government agency.
 - a) Contact the OIG and your agency representative
 - b) Confront the employee
 - c) Do nothing
 - d) A



Practice Scenarios

2. A subcontractor employee tells you he believes a scam may be going on between upper management at your company and the subcontractor's company.
 - a) Ignore it - it's probably just a rumor
 - b) Contact the OIG
 - c) Contact your agency representative
 - d) B and C



Practice Scenarios

3. You believe a product/deliverable your company is providing the government is NOT what is supposed to be provided.
 - a) Call the press
 - b) Contact your Congressman
 - c) Quit your job out of frustration
 - d) Contact the OIG and your agency representative



Practice Scenarios

4. You believe that your company is charging the government twice for the same cost item.
 - a) Contact the OIG
 - b) Contact your agency representative
 - c) All of the above



Practice Scenarios

5. Your manager tells you “the government’s coming for a site visit, so we need to make it look like we’re doing what they want.”
 - a) Ignore it – that’s how it’s done
 - b) Contact the OIG
 - c) Contact your agency representative
 - d) B and C



Practice Scenarios

6. You believe that false data was deliberately submitted to the government within a progress report.
 - a) Ignore it – it's not your problem
 - b) Contact the OIG
 - c) Contact your agency representative
 - d) B and C



Practice Scenarios

7. Your manager demotes you for inquiring about suspicious activity regarding your Recovery Act award.
 - a) Get another job
 - b) Contact the OIG as a whistleblower
 - c) File a lawsuit
 - d) Do nothing



Practice Scenarios

8. You believe your company is co-mingling the work for projects from two separate federal agencies.
 - a) Ignore it
 - b) Start a rumor within the company
 - c) Contact the press
 - d) Contact your agency representative and the OIG



Practice Scenarios

9. You are asked to charge work hours to a Recovery Act project code which you did not work on.
 - a) Call your local police department
 - b) Contact the OIG and your agency representative
 - c) Write your congressman
 - d) Do nothing



Practice Scenarios

10. You believe your company is asking the government to pay for equipment which is not necessary for the project.
- a) Contact your agency representative
 - b) Contact the OIG
 - c) Contact the FBI
 - d) A & B



We Need Your Help!

PROTECT YOUR TAX DOLLARS!

Americans are counting on you to be responsible with Recovery Act funding. We rely on your judgment, honesty and professionalism to keep us informed, so we may protect our programs!





Fraud Awareness

Please be on the lookout for...

ANYTHING that indicates
waste, fraud or abuse



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
Recovery Act Oversight Program
(202) 482-0934



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



Training Completion

Thank you for your participation.

**You have completed the
Fraud Prevention e-training.**