



U.S. DOC Inspector General Office of Investigations

Recovery Act Oversight Program Fraud Prevention Training



Cleveland – October 2011



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



Investigation Examples

- 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



A NOAA 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 to train native Hawaiian people in fishing techniques.

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



OIG Recovery Act Authority

The Recovery Act gives the OIG specific authority to review and investigate any concerns regarding the use of DOC Recovery Act funds. Our 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

In response to ARRA, 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.**
- Goal is to work with DOC and funding recipients to ensure tax dollars are used appropriately and effectively protected from fraud, waste and abuse.



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



Nature of Grant Fraud

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



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 “grey 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

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
- Fail to maintain adequate internal controls



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
- Falsify time & attendance records



FRAUD PREVENTION

POST-AWARD THINGS NOT TO DO

- Co-mingle projects
- Interpret rules to your benefit or satisfaction
- Alter or destroy documents
- Mislead government contracting/program officials
- Mislead auditors/inspectors
- Mislead your employees



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 Stimulus funded projects
has Whistleblower protection?**



Whistleblower Protection

Whistleblower Protection - Recovery Act

The Recovery Act provides explicit protections for ***non-federal 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.



We Need Your Help!

PROTECT YOUR TAX DOLLARS!

Americans are counting on you to be responsible with stimulus funding. We rely on your judgment, honesty and professionalism to protect the programs that taxpayers fund!





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



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