

Grant Oversight *IS*

Fraud Prevention

*What you can do to safeguard your project.

Fraud Defined

Fraud is an illegal act that involves obtaining something of value through willful misrepresentation.

Occupational Fraud is the use of one's occupation for **personal enrichment** through the deliberate misuse or misapplication of the employing organization's resources or assets.

Federal False Claims Act

31 USC §3729, et. seq.

Subjects any person to liability who:

- a) Knowingly presents or causes to be presented, a false or fraudulent claim for payment or approval;
- b) Knowingly makes, uses, or causes to be made or used, a false record or statement material to a false or fraudulent claim;
- c) \$5,000 - \$10,000 criminal penalty
- d) 3 times the actual damages suffered by the government (against the individual)
- e) Court costs

Federal False Claims Act

The Act does not require an actual payment to be made in order to be a violation. It doesn't matter if the claim is made for personal gain or not.

**JUST MAKING THE CLAIM IS A VIOLATION
OF THE FEDERAL FALSE CLAIMS ACT.**

Fraud & Grant Funds

Using federal grant dollars for unjust enrichment, personal gain, or other than their intended use is a form of theft, and is subject to criminal and civil prosecution under the laws of the United States.

Red Flags

Behavioral:

- Unusual work schedules
- Inconsistent or illogical explanations of discrepancies
- Lack of response to communications

Procedural:

- Complaints from program beneficiaries
- Consistently late or incomplete reports
- Lack of open communication

Red Flags

Transactional:

- Unusual endorsements on documents
- Agency spending and reported grant activity don't match
- Inventory or supplies unaccounted for
- Numbers that do not balance or show differently in different documents

General Cost of Government

To replace or take the place of... (formerly known as “supplanting”)

- Federal law prohibits recipients of federal funds from replacing state, local or agency funds with federal funds.
- Existing funds for a project and its activities may NOT be displaced by federal funds and reallocated for other organizational expenses.

You MAY add to the federal funds, which, by definition, is supplementing (not supplanting).

High Risk Grant Activities

- Ensure that only approved hourly rates for *sub-contractors* and *vendors* are charged to the grant.
- Ensure that legitimate invoices from *sub-contractors* and *vendors* for actual work completed are available for examination.
- Charge only for “actual costs.”

Schemes Associated with Grant Fraud

- Falsification of Log Sheets (time/activity)
- Falsification of Tickets
- Misuse of “Administrative Time”
- “Double Dipping”
- Sub-contractor/vendor false documentation

Misuse of “Administrative Time”

- Officers routinely added ~~1-2~~ hours to their time worked at the end of their shift for work not performed.
- Salaried employees “pad” their hours to meet the percentage threshold allowed by the grant.

Prevention Strategies (OHSO)

- **Risk Assessment/pre-application**
- **Project Director's Course**
- **Purchasing and Inventory Policies**
- **Single Audit Report**
- **Appropriate Project Monitoring**
 - Monthly RFPs and PRs
 - Onsite/Monitoring visits

Prevention Strategies (OHSO)

REQUIRED DISCLAIMER:

“I understand that this information is being submitted to support a claim against a federally-funded grant program. False statements on this form may be prosecutable under 18 USC 1001. The information on this form is true, correct, and complete to the best of my knowledge and ability.”

SOME GRANTS HAVE ADDED:

“I certify this employee worked the appropriate amount of time conducting project related activities in accordance with the OHSO grant.”

What is your role in fraud prevention?

- Communicate the benchmarks, goals and deliverables for the project with all personnel involved with the grant.
- Inform supervisors and all project personnel of the unique conditions of the grant.
- Conduct periodic checks of agency systems and grant procedures: personnel changes, time and attendance quality checks; use of forms, payroll documentation, grant activities, etc.

Specific Safeguards

- Have a process in place requiring project personnel to record time on and time off OHSO activities.
- Prepare planned project activity events and shift schedules in advance, when possible.
- Train project employees regarding procedures for unforeseen and/or planned interruptions during OHSO activities.
- Require detailed reports from contractual/part-time employees when they participate in grant events.
- Salaried employees should be held accountable to provide evidence that their grant funded time was dedicated to grant activities.

Suspect Fraud?

- **Agency Official (follow your agency's policies and procedures)**
- **OHSO Program Manager**
- **Local District Attorney**
- **State Attorney General/Auditor/OSBI/OIG**
- **USDOT – Office of the Inspector General**
 - ✓ **1-800-424-9071**
 - ✓ **hotline@oig.dot.gov**
 - ✓ **Federal grantor agency (NHTSA)**

Fraud Prevention is Everyone's Responsibility Thanks for all you do!

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