

U.S. Environmental Protection Agency
Office of Inspector General

**Fraud
Awareness**



Briefing Outline

- OIG Overview
- Grant Fraud Overview
- Fraud Indicators
- Case Studies
- Avoiding Problems
- When and How to Report



Immediate Office of Inspector General

Inspector General

Deputy Inspector General

Office of
Investigations

Office Of Audits and
Evaluations

Office of
Management

Counsel and
Congressional & Public
Affairs



OFFICE OF INSPECTOR GENERAL

U.S. Environmental Protection Agency

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www.epa.gov/oig

The EPA Inspector General



Vacant

- IG is appointed by the President
- IG is confirmed by the Senate



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Deputy Inspector General



Charles J. Sheehan



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OIG Overview

Office of Investigations

- Conducts criminal, civil and administrative investigations into alleged wrongdoing

Office of Audits and Evaluations

- Conducts financial, performance, efficiency, and forensic audits
- Evaluates how well a program/activity is designed, implemented or operating in achieving EPA goals

Office of Management

- Provides OIG-wide coordination and leadership, including: budget, human capital and information technology

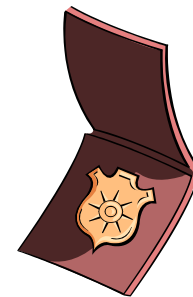
Counsel and Congressional & Public Affairs

- Provides the OIG with independent legal counsel and policy advice
- Provides the OIG with communication services to Congress and the public as well as the media



OIG Overview

- The OIG is an independent office within the EPA.
- The OIG helps the EPA protect the environment in a more efficient and cost effective manner.
- The OIG performs **audits, evaluations and investigations** of EPA and its contractors, grantees and recipients of funding.
- The OIG consists of auditors, program analysts, investigators, and support personnel, all trained according to their specialty.
- Special Agents receive basic, advanced & periodic training in:
 - Searches, seizures, evidence collection, etc.
 - Arrest techniques
 - Interviewing
 - Trial prep and testimony
 - Financial crime, computer crime, and other specialized areas



OIG or CID



**OIG - Investigates
crimes against the EPA**

Versus



**Criminal Investigation
Division (CID) -
Investigates crimes
against the environment**



EPA OIG Authority

The Inspector General Act of 1978, as amended, allows for the IG to conduct audits and investigations relating to **fraud, waste, and abuse** in programs and operations of the EPA.



OIG Access

Inspector General Act of 1978, as amended, 5 U.S.C. App., grants the IG timely access to all records relating to EPA programs and operations



Office of Investigations

Who we are:

- Assistant Inspector General for Investigations
- Two Deputy Assistant Inspectors General for Investigations
- Special Agents in Charge, Assistant Special Agents in Charge
- Special Agents
- Computer Forensics Specialists
- Chemist
- Support Personnel



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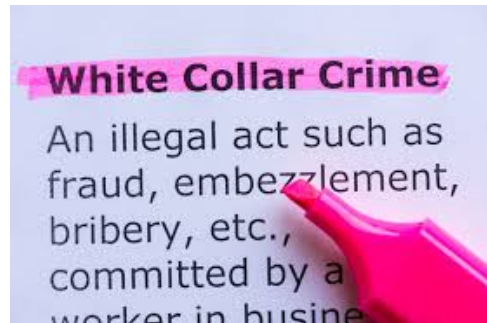
Who we are not:

- Contracting Specialists
- Grants Specialists
- Project Officers
- Scientists
- Inspectors



Areas of Focus

- Financial fraud involving procurement, contractors, grantees, and other recipients of EPA funds
- Criminal wrongdoing involving EPA employees and programs, laboratory fraud involving EPA funds or licenses
- High level employee integrity/misconduct investigations
- Computer forensic examinations and media analysis to help facilitate investigations of computer misuse or intrusion



Areas of Focus (continued)

- Threats/Acts of violence
- Threats against EPA employees, contractors, facilities, and assets
- Assaults on EPA employees or contractors, and other acts of violence committed in EPA facilities
- Counterfeiting or misuse of EPA official insignia, logos or credentials
- Impersonating EPA officials
- General criminal investigations



Federal Grants

- Each year the U.S. Government awards more than \$500 billion dollars in the form of Federal Assistance Agreements to state governments, local governments, universities, nonprofit organizations, and individuals to help:
 - Support national infrastructure programs in transportation, homeland security, criminal justice, the environment and human health.
 - Fund scientific research, studies, and analyses
 - Further the social sciences, art, literature, and promote cultural enrichment.
- Unfortunately, grant dollars are susceptible to fraud, waste, and abuse.



Responsibilities of Award Recipients

Grants are awarded to carry out the goals and objectives identified in the grant. These funds are subject to certain regulations, oversight, and audit.

- Grant recipients are stewards of federal funds.
- Grant dollars must be used for their intended purpose.
- Grant recipients must account for costs and justify expenditures.



What is Grant Fraud?

Grant fraud typically occurs when award recipients attempt to deceive the government about their spending of award money. Such behavior amounts to lying, cheating and stealing.





2 CFR 200.113

Non-Federal Entity Mandatory Disclosure

The non-Federal entity or applicant for a Federal award must disclose, in a timely manner, in writing to the Federal awarding agency or pass-through entity all violations of Federal criminal law involving fraud, bribery, or gratuity violations potentially affecting the Federal award.



Grant Fraud Statutes

- Federal grant dollars are susceptible to several forms of financial theft, most commonly in the form of specific federal violations, including:
 - Embezzlement
 - Theft or Bribery concerning programs receiving Federal funds
 - False Statements
 - False Claims
 - Mail Fraud and Wire Fraud

Each of these violations of law are subject to criminal prosecution, fines, restitution, and civil penalties.



Who Commits Grant Fraud?

Grant fraud is most often committed by:

- Grant recipients, company officers, business partners, board members, and managers.
- Bookkeepers, financial staff, and employees.
- Contractors and subcontractors engaged with the recipient.
- Recipient consultants.



Common Fraud Schemes

- Bribery
- Kickbacks
- Labor
 - Cost Mischarging
 - Payroll Padding / Inflating Hourly Rate
 - Ghost Employees
 - Charging For Hours Not Worked
 - Charging For Projects Not Worked



Common Fraud Schemes

- False Claims
- False Travel Vouchers
- Phantom Companies
- Product Substitution
- Paying Personal Expenses
- Collusion (*between grant recipient and government representative*)
- Conflict of Interest



Fraud Indicators

- Unexplained entries of altered records
- Inadequate or missing documentation
- Unauthorized transactions
- Offers of gifts, money, or other gratuities from contractors, grantees, or other individuals dealing with the government
- Photocopies of documents where it is difficult to detect alteration
- False or misleading information
- Missing approval signatures
- Charging personal expenses as business expenses against the grant
- Charging for costs which have not been incurred or are not attributable to the grant



Fraud Indicators

- Charging for inflated labor costs or hours, or categories of labor which have not been incurred (for example, fictitious employees, contractors or consultants)
- Falsifying information in grant applications or contract proposals
- Billing more than one grant or contract for the same work
- Falsifying test results or other data
- Substituting approved materials with unauthorized products
- Misrepresenting a project's status to continue receiving government funds
- Charging higher rates than those stated or negotiated for in the bid or contract
- Influencing government employees to award a grant or contract to a particular company, family member, or friend



Fraud Indicators

While the above occurrences are indicators of fraud, they could also be indicators of weak or poor business practices without actual fraud occurring.



Such practices can often lead to opportunities to commit fraud.



Detecting and Preventing Fraud

As a grant recipient, you can protect your organization and the source of your federal funds by detecting and preventing fraud:

- Establish an adequate and effective system of accounting, internal controls, records, and records retention.
- Implement an internal compliance and ethics program that encourages the recognition and reporting of fraud, waste, or abuse.
- Report suspected fraud to the EPA OIG.



Case - Scheme

- An employee of an EPA grantee who is *solely responsible for managing the finances*
 - Making purchases
 - Paying bills
- She made unauthorized charges to the organization's credit card for personal items:
 - Clothing
 - Vacations
 - Gifts
 - Jewelry
 - Furniture
- She paid the credit card bill with the organization's funds, some of which were derived from EPA grants.



Case - Results

- The employee was sentenced to 21 months of imprisonment
- 36 Months Probation
- Ordered to pay \$268,863 in restitution
- Debarred indefinitely (life-time period of debarment)



Consequences of Engaging in Grant Fraud

- Criminal Prosecution
- Civil Actions
- Tarnishing Organization's Reputation
- Administrative Sanctions
 - Suspension
 - Debarment



What To Do If You Suspect Fraud, Waste Or Abuse

- Contact the OIG Hotline or Field Office/Special Agent
- Expect to be contacted by the OIG for follow-up
- Cooperate
- Do not feel compelled to “prove” the case or intent
- Do not inform subject(s) of actual/pending investigation
- Do not stop your normal course of business unless otherwise directed



Confidentiality



Complainants who are not EPA employees do not have an automatic right to confidentiality under the IG Act; however, non-EPA employees may specifically request confidentiality, and the OIG will protect the confidentiality of such complainants to the maximum extent permitted by law.

Complaints can also be reported anonymously.



OIG Hotline



- Staffed by OIG
- Complaints reviewed and referred within the OIG, to EPA program office(s) or outside agency, as appropriate
- All matters significant enough to require a response are monitored until necessary resolution action is planned or taken
- Complaints are analyzed to identify trends which should be considered in the audit and investigative planning process



Investigative Process

- **INTAKE** – hotline, direct contact, confidential source program, audit referral, etc.
- **ASSIGNED TO AGENT** – Evaluation of complaint. Involvement of other agencies. Loss to government.
- **BEGIN INQUIRY** – Conduct document reviews; conduct victim, witness, and subject interviews, serve subpoenas, etc.
- **PRESENT TO APPROPRIATE ENTITY FOR ACTION** – Refer to management, refer to DOJ Civil or Criminal, refer to Suspension and Debarment.



Whistleblower Protections Under the National Defense Authorization Act

The Whistleblower Protection Act (WPA) protects federal employees who blow the whistle on government fraud, waste, and abuse from retaliation by their employing federal agencies. The National Defense Authorization Act (NDAA) essentially extends these protections to private sector employees performing work for the federal government.



Whistleblower Protections Under the National Defense Authorization Act

41 U.S.C. § 4712 - Protected Disclosures

As an employee of an EPA grantee, subgrantee, contractor, subcontractor or personal services contractor, you may not be discharged, demoted, or otherwise discriminated against for disclosing information that you reasonably believe is evidence of:

- ✓ Gross mismanagement or waste of a Federal contract or grant,
- ✓ An abuse of authority relating to a Federal contract or grant
- ✓ A substantial and specific danger to public health or safety, or
- ✓ A violation of law, rule, or regulation related to a Federal contract or grant.



Whistleblower Protections Under the National Defense Authorization Act

Who is Protected?

An employee of a contractor, subcontractor, grantee, or subgrantee or personal services contractor.



Channels for Whistleblowing

Disclosures are protected only if made to:

- A member of Congress or congressional committee.
- An Inspector General.
- The Government Accountability Office (GAO).
- A federal employee responsible for contract or grant oversight or management at the relevant agency.
- An authorized official of the Department of Justice (DOJ) or other law enforcement agency.
- A court or grand jury.
- A management official or other employee of the contractor, subcontractor, or grantee who has the responsibility to investigate, discover, or address misconduct.



Prohibited Reprisals

Discharging, demoting, or otherwise discriminating against an employee of a contractor, subcontractor, or grantee in response to a disclosure of information.



Reporting



Hotline

202-566-2476

888-546-8740

OIG_Hotline@epa.gov

<https://www.epa.gov/office-inspector-general>



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QUESTIONS



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