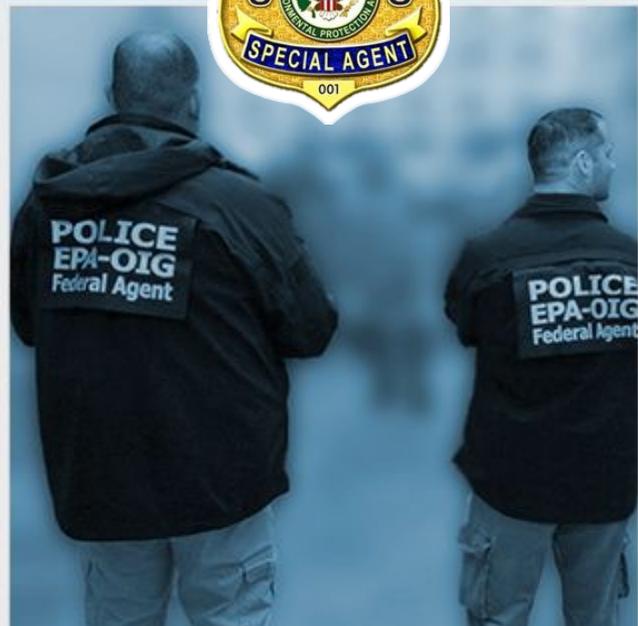
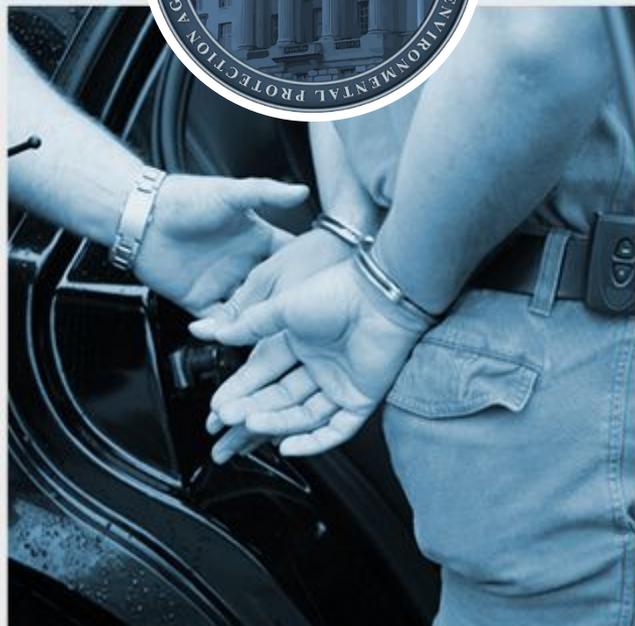


# OFFICE OF INVESTIGATIONS

OFFICE OF INSPECTOR GENERAL  
U.S. ENVIRONMENTAL PROTECTION AGENCY



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## FRAUD AWARENESS BRIEFING

# OVERVIEW

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- Office of Inspector General.
- Office of Investigations.
- Potential fraud indicators.
- Case examples.
- Mitigation of fraud risks.
- Mandatory disclosures.





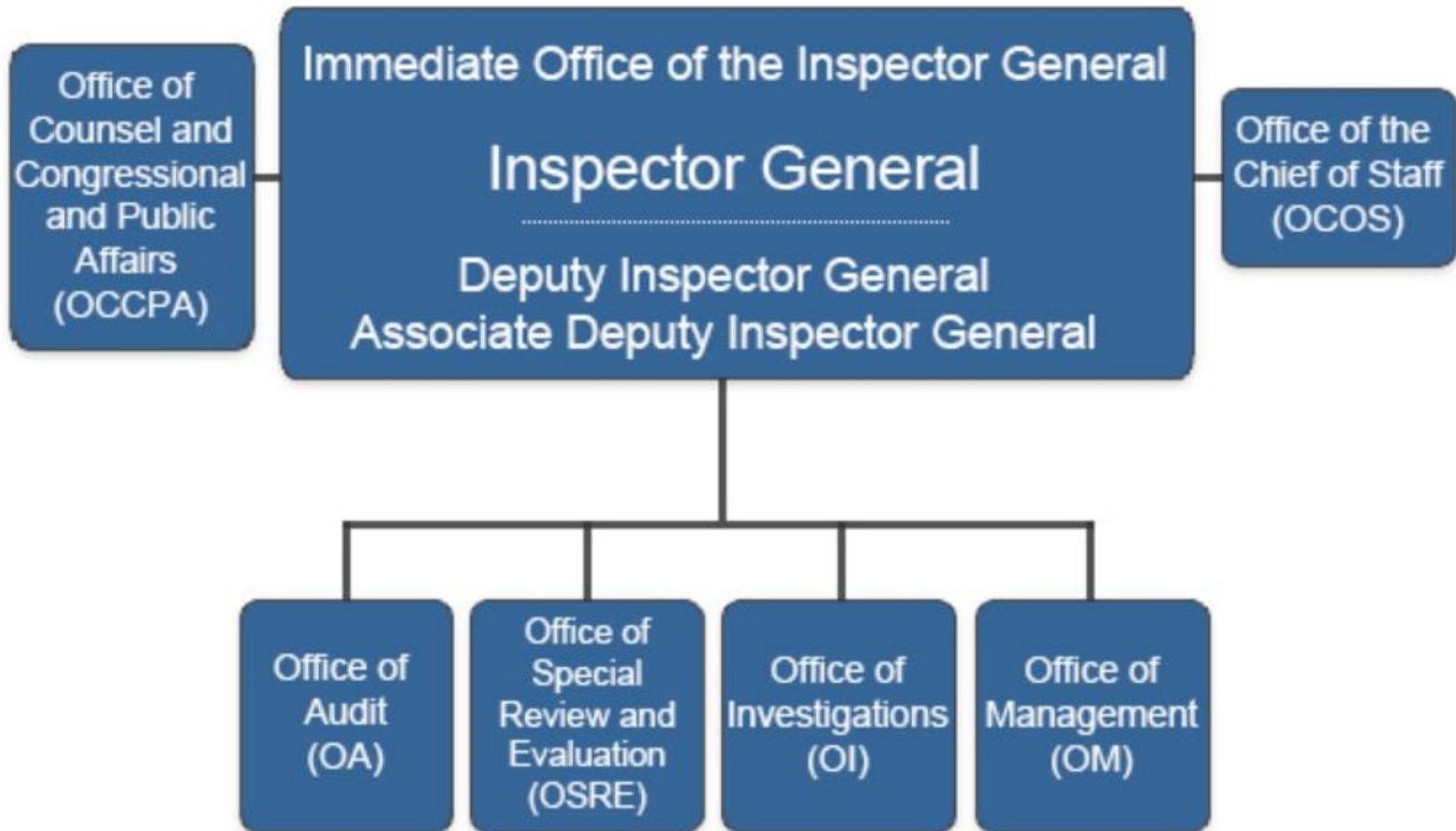
# OFFICE OF INVESTIGATIONS



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# OFFICE OF INSPECTOR GENERAL

# OIG ORGANIZATIONAL STRUCTURE



# OFFICE OF INSPECTOR GENERAL

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- Authority
  - The Inspector General Act of 1978, as amended, allows for the inspector general to conduct audits and investigations relating to fraud, waste, and abuse in programs and operations of the EPA and the U.S. Chemical Safety and Hazard Investigation Board.
- Independent office.
- Promotes economy and efficiency.
- Detects and prevents waste, fraud, and abuse.



# ACCESS TO EPA RECORDS & INFORMATION

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- Inspector General Act of 1978, as amended, 5 U.S.C. app.
- EPA Manual 6500, *Functions and Activities of the Office of Inspector General*, Chapter 3.
- 5 C.F.R. Part 2635, *Standards of Ethical Conduct for Employees of the Executive Branch*, Section 2635.101(b)(11).
- Message from Administrator Michael S. Regan, April 28, 2021.
  - “Our full cooperation with the OIG is in the best interest of the public we serve and provides us with the opportunity to improve program performance and efficiency across EPA.”
  - “Finally, all EPA Staff are expected to report possible waste, fraud and abuse to the OIG, including theft of EPA funds, misuse of contract or grant funds, misuse of EPA equipment or assets for personal gain, falsification of EPA reports or records, or serious employee misconduct.”





# OFFICE OF INVESTIGATIONS



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# OFFICE OF INVESTIGATIONS

# OFFICE OF INVESTIGATIONS

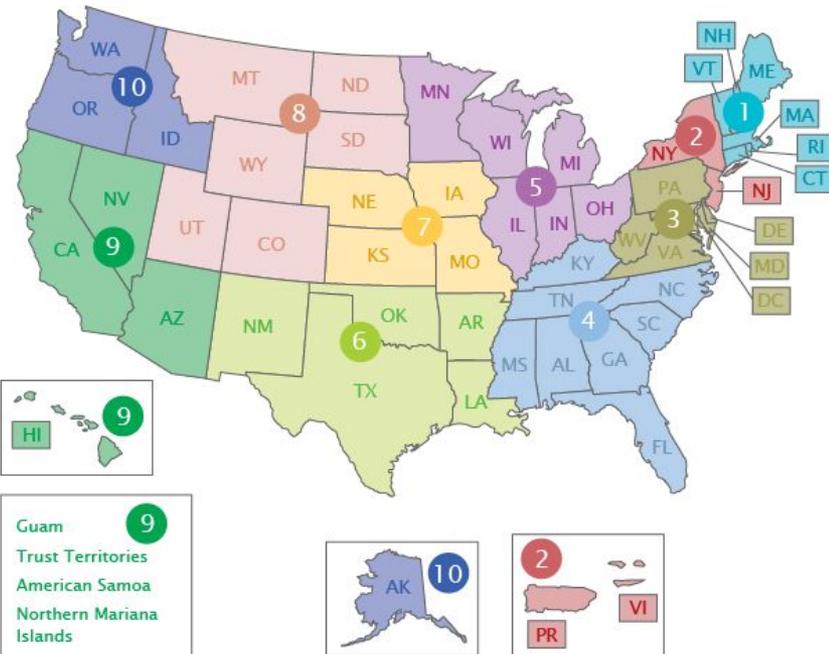
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- Law enforcement arm of the OIG.
- Prioritizes its investigations.
- Criminal Investigation Division vs. OIG
  - Crimes against the environment vs. crimes and other violations against the EPA
- Top priorities include:
  - Significant fraud.
  - Program integrity.
  - Criminal wrongdoing.
  - Allegations of serious employee misconduct and dishonesty.
  - Computer intrusion and cybercrime investigations.
- EPA OIG special agents have statutory law enforcement authority to conduct criminal investigations.



# EPA REGIONS

The EPA Regions



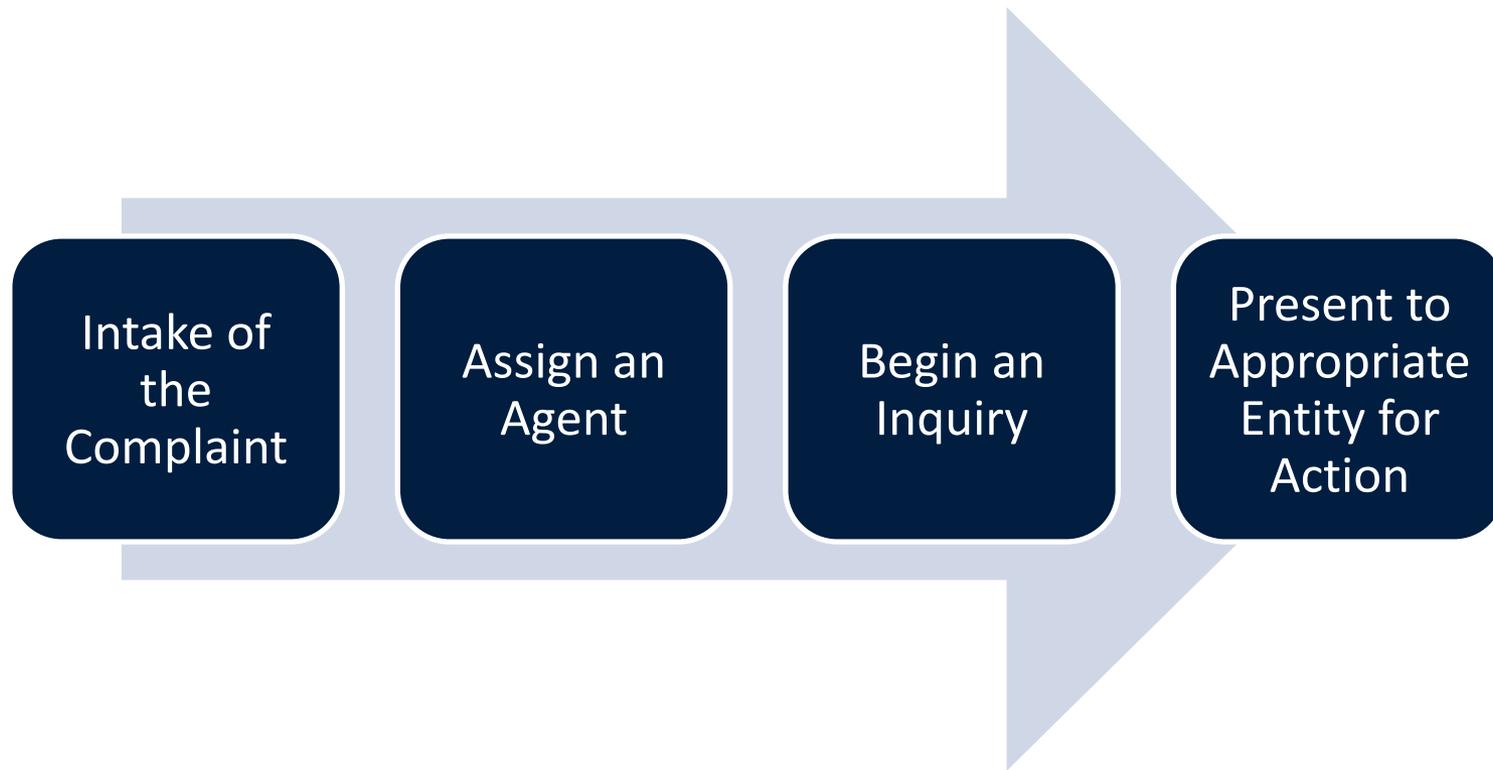
## ■ EPA OIG OI Office Locations

- **Headquarters**  
Washington, D.C.
- **Eastern Region Field Office**  
(EPA Regions 1–5)  
Boston  
New York  
Philadelphia  
Washington, D.C.  
Atlanta  
Research Triangle Park  
Chicago
- **Western Region Field Office**  
(EPA Regions 6–10)  
Lenexa, KS  
Dallas  
Denver  
San Francisco  
Seattle



# INVESTIGATIVE PROCESS

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# TOOLS FOR INVESTIGATORS

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- False Claims Act.
- Program Fraud Civil Remedies Act.
- Suspension and debarment.
- Mandatory disclosures.
- Referrals to the Agency for additional actions.



# TOOLS FOR INVESTIGATORS: RECORDS

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- IG subpoena.
- Grand jury subpoena.
- Search warrant.
- Request for records.
- Civil Investigative Demand
- Records from different sources.





# OFFICE OF INVESTIGATIONS



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## POTENTIAL FRAUD INDICATORS FIND THE LIE/FOLLOW THE MONEY

# COMMON FRAUD SCHEMES

- Bribery.
- Kickbacks.
- Labor mischarging.
- Cost mischarging.
- Conspiracy.
- Product substitution.
- Conflict of interest.
- Embezzlement and misuse of money.

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

FOR IMMEDIATE RELEASE Monday, March 25, 2019  
**Duke University Agrees to Pay U.S. \$112.5 Million to Settle False Claims Act Allegations Related to Scientific Research Misconduct**

**Former Executive Director Sentenced To 37 Months In Federal Prison**  
*Tracy Bronson embezzled \$573,159 from the Calhoun Conservation District between 2014 and 2017*

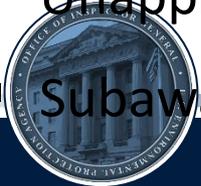
FOR IMMEDIATE RELEASE Thursday, July 30, 2015  
**Former EPA Agent Sentenced for Making a False Statement in Connection with Pyramid Scheme**



# FRAUD INDICATORS

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- Lack of separation of duties.
- Undisclosed personal or organizational conflicts of interest.
- Inadequate internal controls.
- Management override of key internal controls.
- Failure to account for transactions.
- Connected, related vendors or similar vendors.
- Different records from multiple sources.
- Inaccurate or questionable invoices.
- Unapproved substitution of products.
- Subawards to conflicted or related parties and entities.



# FRAUD INDICATORS (CONTINUED)

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- 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 (CONTINUED)

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- 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.





# WHAT IS WRONG?

## Business Vendor List

Customer ID	Company Name	Contact Name	Billing Address
CU0001	Plastic Parts	Margaret	1234 Sunshine Lane
CU0002	Environemtnal Technologies	Frank	555 No Funds Blvd
CU0003	Plastic Products	Joe	1234 Sunshine Lane
CU0004	Wastewater R US	Helen	6 Clean Water Way
CU0005	E-Tech	James	555 No Funds Blvd
CU0006	Metal Products	Freida	1234 Sunshine Lane
CU0007	EnviroTech	Seth	555 No Funds Blvd
CU0008	Air Filters Plus	Sue	1776 Fresh Air Road
CU0009	EnVRo tEcH, Inc.	Tom	555 No Funds Blvd
CU0010	Enviro-Tech, LLC	Stan	84 Crabby-Patty Street
CU0011	Glass Products	Sara	1234 Sunshine Lane
CU0012	E-Teque, Inc.	Mel	555 No Funds Blvd



# PROGRAM INTEGRITY

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- Maintaining integrity in government programs is important to maintain trust and, in some cases, ensure public safety.
- The EPA administers and provides oversight for many programs.
- In many instances, the programs are delegated to states and third parties to administer. Often, there is no direct funding provided to program participants.
- EPA program examples include:
  - Renewable Fuel Standard Program/Renewable Identification Number.
  - ENERGY STAR®.
  - Diesel Emissions Reduction Act, or DERA.
  - Product labeling.
  - State response programs.



# FEDERAL GRANTS

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Each year, the EPA awards over \$4 billion in funding for grants and Federal Assistance Agreements to state governments, local governments, universities, nonprofit organizations, and individuals. These grants:

- Support national infrastructure programs for the environment and human health, and environmental justice programs.
- Fund scientific research, studies, and analyses.
- Further sound science to protect human health and the environment.
- Are susceptible to fraud, waste, and abuse.



# FEDERAL CONTRACTS

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- Types of EPA contracts.
  
- Superfund and other areas.
  - Superfund Environmental Services Assistance Teams, or ESAT.
  - Superfund Technical Assessment and Response Team, or START.
  - Emergency Rapid Response Services, or ERRS.
  - Contract Laboratory Program, or CLP.
  
- Contract recipients.
  - Large businesses.
  - Small and disadvantaged businesses.
  - Woman-owned businesses.
  - Veteran-owned businesses.
  - Service-Disabled Veteran-Owned small businesses.
  - Historically Underutilized Business Zones, or HUBZone.
  - 8a Business Development Program.



# SMALL BUSINESS INNOVATION RESEARCH PROGRAM

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- Known as SBIR.
- The EPA is one of 12 entities that participate in the SBIR program.
- Recipients are stewards of federal funds.



# LABORATORY FRAUD

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## Definition:

“The deliberate falsification of analytical and quality assurance results, where failed method and contractual requirements are made to appear acceptable.” (Best Practices for the Detection and Deterrence of Laboratory Fraud, March 1997)



# LABORATORY FRAUD (CONTINUED)

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## Research misconduct

- Fabrication, falsification, or plagiarism in stages of research.
  - Significant departure.
  - Intentional, knowledgeable, or reckless.
- Fraud indicators.
  - Research protocols or standards not being followed – internal and external
  - EPA Contractor using outside lab.
  - Downplaying the proper use of protocols or standards.
  - Data manipulation such as downplaying or exaggerating source or Quality Assurance/Quality Control samples.
  - Different handwriting on data-gathering sheets.
  - Lack of supporting documentation or change in supporting documentation.
  - Storage or management of reports, samples, supporting documentation, evidence, and other such material.



# SERIOUS EMPLOYEE MISCONDUCT

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- Maintaining integrity and public trust in the EPA workforce.
- OIG is involved when:
  - There is indication of criminal malfeasance.
- Fraud examples include CARES Act fraud, egregious time and attendance violations, purchase or travel card fraud, theft or conversion of government property, use of public office for private gain, bribery or kickbacks, unemployment or workman's compensation fraud, false reports, and false statements.

**OIG News Release:** Former EPA official sentenced to 32 months in prison for defrauding government under “CIA agent” guise.

- Pled guilty to theft of government property.
- \$886,156 in restitution to the EPA.
- \$507,207 forfeiture money judgment to the Department of Justice.





# OFFICE OF INVESTIGATIONS



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## CASE EXAMPLES

## CLOSED CASES FINAL ACTION

# CASE EXAMPLE: SCHOOL BUS DIESEL RETROFIT PROJECT

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- Background: A state program manager formed a company under his wife's name and directed a contract funded by an EPA Diesel Emission Reduction Act grant to the company.
- Possible fraud indicators: Lack of controls and separation of duties.
- Scheme identified: The company was formed with the intent to direct state contracts for personal benefit.
- Result: State program manager received 30 months imprisonment and three years of supervised release and the wife received ten months home detention and five years of supervised release. Both were ordered to pay \$42,333 in restitution and were debarred from government contracts for three years.



# CASE EXAMPLE: SCHOOL BUS DIESEL RETROFIT PROJECT

[REDACTED] - St. Thomas

Photo 11 of 17 | [Back to Album](#) | [REDACTED] | [REDACTED]

[Previous](#) [Next](#)



Our condo's

From the album:  
"St. Thomas" by [REDACTED]



# CASE EXAMPLE: SCHOOL BUS DIESEL RETROFIT PROJECT

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Surveillance Photo At Sapphire Beach Resort, St. Thomas, U.S. Virgin Islands



# CASE EXAMPLE: PROCUREMENT FRAUD

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- Background: A project manager for an environmental cleanup company orchestrated a kickback and bid rigging scheme related to two Superfund sites in New Jersey.
- Possible fraud indicators: Inadequate internal controls, connected/related vendors or similar vendors, and falsifying information on subcontractor proposals.
- Scheme Identified: The project manager provided coconspirators with bid prices of their competitors, which allowed them to submit higher prices and still be awarded the subcontracts.
- Results: Conviction of ten individuals and three companies, criminal fines and restitution of more than \$6 million, civil settlement for \$2,770,237, and 72 administrative actions.



# CASE EXAMPLE: PROGRAM INTEGRITY

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- ENERGY STAR is known for reducing energy consumption in home appliances.
  - The Office of Investigations successfully investigated and prosecuted fraud detected in the ENERGY STAR Residential New Construction Program.
  - This investigation involved an energy rating company providing false certifications for over 800 homes.
- Laboratory certification programs (Safe Drinking Water Act).
  - States have established laboratory certification programs for SDWA.
  - The Office of Investigations successfully investigated and prosecuted cases involving both fraudulent lab certifications and falsified results of testing.
  - These actions violated public trust and presented a concern for public health safety.



# CASE EXAMPLE: GRANT FRAUD

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- Background: A finance director for a tribal grant recipient embezzled EPA grant funds.
- Possible fraud indicators: Lack of controls and separation of duties.
- Scheme identified: Individual willfully misapplied over \$310,000 in EPA grant funds for personal benefit.
- Result: 18 months imprisonment, \$40,604 restitution to the Internal Revenue Service for false tax return, and \$121,603 in restitution to the Watershed Council.



# CASE EXAMPLE: GRANT FRAUD

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- Background: An executive director and accountant embezzled funds from an EPA grant.
- Possible fraud indicators: Lack of controls and separation of duties.
- Scheme identified: The individual stole EPA grant funds and put them in personal accounts to use at a local casino.
- Result: 37 months imprisonment, \$573,159 restitution, and debarment from government contracts for ten years.



# CASE EXAMPLE: BUY AMERICAN ACT

---

- Background: A business owner received EPA funds to comply with the Buy American clause of the American Recovery and Reinvestment Act.
- Possible fraud indicators: Lack of controls and separation of duties.
- Scheme identified: The business owner did not use the funds to manufacture items in compliance with ARRA.
- Result: 12 months imprisonment, \$180,392 restitution, and individual and business debarred from government contracts for eight years.



# CASE EXAMPLE: FALSE CLAIMS ACT

---

- Background: An EPA contractor falsely represented that its principal project manager had a required Top-Secret clearance.
- Possible fraud indicators: lack of Independent verification of the security clearance.
- Scheme identified: The project manager's clearance was revoked, but the contractor failed to inform the EPA. In a proposal to extend the government contract with the EPA, the contractor again misrepresented that the same project manager had a Top-Secret clearance.
- Result: Government contractor agreed to pay \$750,000 in a civil settlement under the False Claims Act, including \$325,000 to the EPA.



# CASE EXAMPLE: SBIR FRAUD

## Pinellas scientists guilty of all federal charges

The couple could face up to 22 years in prison.



Mahmoud Aldissi and Anastasia Bogomolova, walking into the federal courthouse for their trial. Mahmoud "Matt" Aldissi and his wife, Anastasia "Anastasia" Bogomolova a pair of married Belleair Beach scientists go on trial starting this week in federal court. They are accused of obtaining \$10 million in government contracts based on inflated proposals and billing for non-existent employees and consultants. The case could go on for two months. The government has 283 people on its witness list. [SKIP ORDUYKE | Times]

By [Patty Ryan](#)

Published

Updated

**TAMPA — Two Belleair Beach scientists were found guilty in federal court Friday of securing \$10 million in research grants through wire fraud and identity theft, in large part by fabricating documents showing that others endorsed their work.**

**Matt Aldissi and Anastasia Bogomolova could face up to 22 years in prison and be ordered to repay the grants.**

“Today’s sentencing of Mr. Aldissi and Ms. Bogomolova serves as a fitting end to their scheme to cheat legitimate business owners out of the opportunity to compete for government contracts,” said Jerry Polk, acting Special Agent in Charge, EPA OIG Atlanta Field Office. “Their fate is certainly a cautionary tale for other contractors to avoid these types of illegal activities. The EPA OIG is committed to guarding federal funds and aggressively investigating those who abuse the American taxpayer’s money.”



# CASE EXAMPLE: LAB FRAUD

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- Background: A state agency provided information that an environmental laboratory was falsifying laboratory test reports for drinking water and wastewater analysis.
- Possible fraud indicator: Management override of key internal controls.
- Scheme identified: The investigation disclosed that the lab owner and primary analyst fabricated documentation to support laboratory analysis that never actually occurred (dry-labbing).
- Result: Two years probation, restitution of \$6,000; and the subject, the subject's laboratory, satellite management agency, and water company debarred from government contracts for three years.



# CASE EXAMPLE: LAB FRAUD

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- Background: A former organics manager for an environmental laboratory improperly manipulated laboratory analytical data.
- Possible fraud indicators: Lack of controls and separation of duties and management override of key internal controls.
- Scheme identified: The investigation disclosed that 2,678 wastewater samples were impacted by the organics manager's failure to properly calibrate the Gas Chromatography-Mass Spectrometry instruments on the days the samples were tested.
- Result: Six months of home detention, three years of probation, \$3,000 fine, and debarment from government contracts for five years.





# OFFICE OF INVESTIGATIONS



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# MITIGATION OF FRAUD RISKS

# MITIGATE RISKS OF FRAUD, WASTE, AND ABUSE

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- Segregate EPA funds.
- Use EPA funds only for their intended purpose.
- Site visits.
- Inspect work.
- Inspect backup documentation.
- Ask questions.
- Report issues.





# OFFICE OF INVESTIGATIONS



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# MANDATORY DISCLOSURES

# MANDATORY DISCLOSURES

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Contractors and subcontractors must disclose in writing to the OIG:

- Any “credible evidence” involving **fraud, conflict of interest, bribery, or gratuities.**
- Any “credible evidence” of a violation of the civil **False Claims Act.**
- Violation of the **Anti-Kickback Act of 1986.**



# MANDATORY DISCLOSURES

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Grantees must disclose to the awarding agency all violations of federal criminal law involving fraud, bribery, or gratuities that could potentially affect the federal award.

Disclosure to the OIG not required.



# MANDATORY DISCLOSURES

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- Mandatory disclosures are required to be in writing and may be made in any manner, including via email, U.S. mail, or facsimile.
- Ideally, a mandatory disclosure would contain the following:
  - Name and contact information of the discloser and the company.
  - A detailed description of the facts and circumstances surrounding the reported activities; incident or loss, including names of individuals involved, the amount of the loss; and how the matter was discovered.



# OIG HOTLINE CONTACT INFORMATION

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Phone: (202) 566-2476 or (888) 546-8740

Email: [OIG\\_Hotline@epa.gov](mailto:OIG_Hotline@epa.gov)

Website: [epa.gov/office-inspector-general/epa-oig-hotline](https://epa.gov/office-inspector-general/epa-oig-hotline)

- Anonymous hotline complaint form available.



# QUESTIONS?

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EPA OIG online: [epa.gov/oig](https://epa.gov/oig)  
EPA OIG on Twitter: [@epaoig](https://twitter.com/epaoig)  
EPA OIG on YouTube:

