

Grant Fraud

Use It *or* Lose It



STATE OF GEORGIA
OFFICE OF INSPECTOR GENERAL



Guilty Dogs 2.0

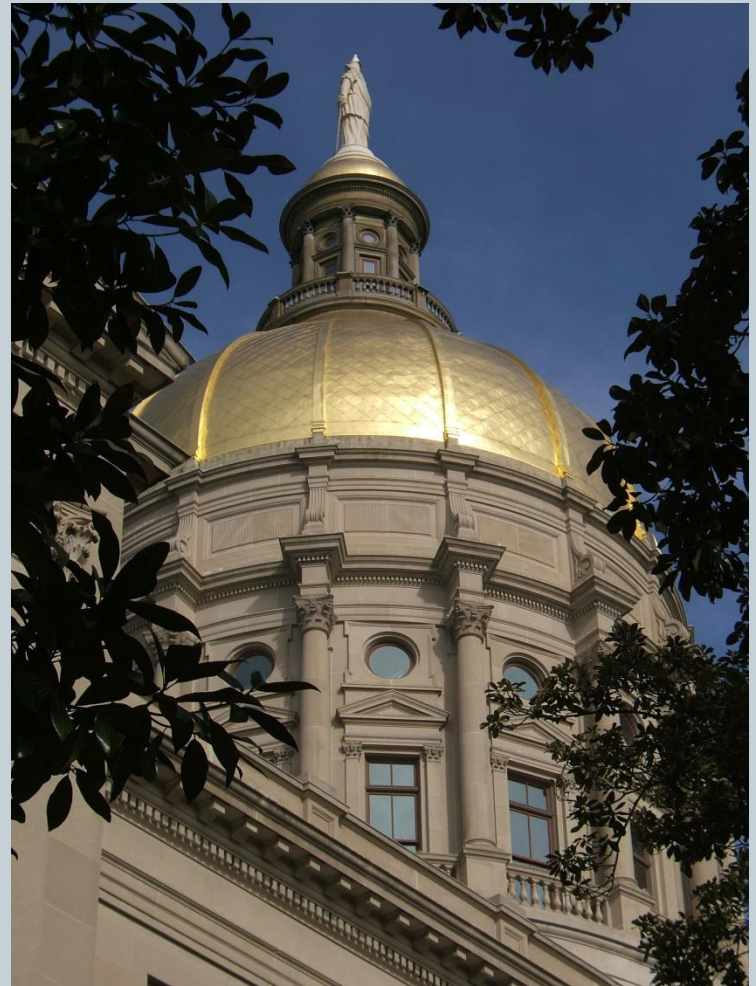


**I will give you plenty of
time to think about it**

Agenda



- **OIG Background**
- **What is Fraud**
- **Fraud in Grants**
- **Consequences of Grant Fraud**
- **Mitigating Grant Fraud Risks**
- **Takeaways**



State of Georgia OIG



- Established via Executive Order in 2003
- Mission is to promote accountability and integrity in state government
- Conducts administrative and criminal investigations of fraud, waste, abuse and corruption within the Executive Branch of state government
- Provides free fraud awareness training to state employees

State of Georgia OIG Authorities



- **Authorities include:**

- Authority to enter upon the premises of any state agency at any point without prior announcement
- Question any state employee serving in or anyone transacting business with a state agency
- Inspect and copy any books, records, or papers in the possession of a state agency, unless otherwise prohibited by law



What is Fraud?



- Any intentional or deliberate act to deprive another of property or money by guile, deception or other unfair means.



Why Does Fraud Occur?



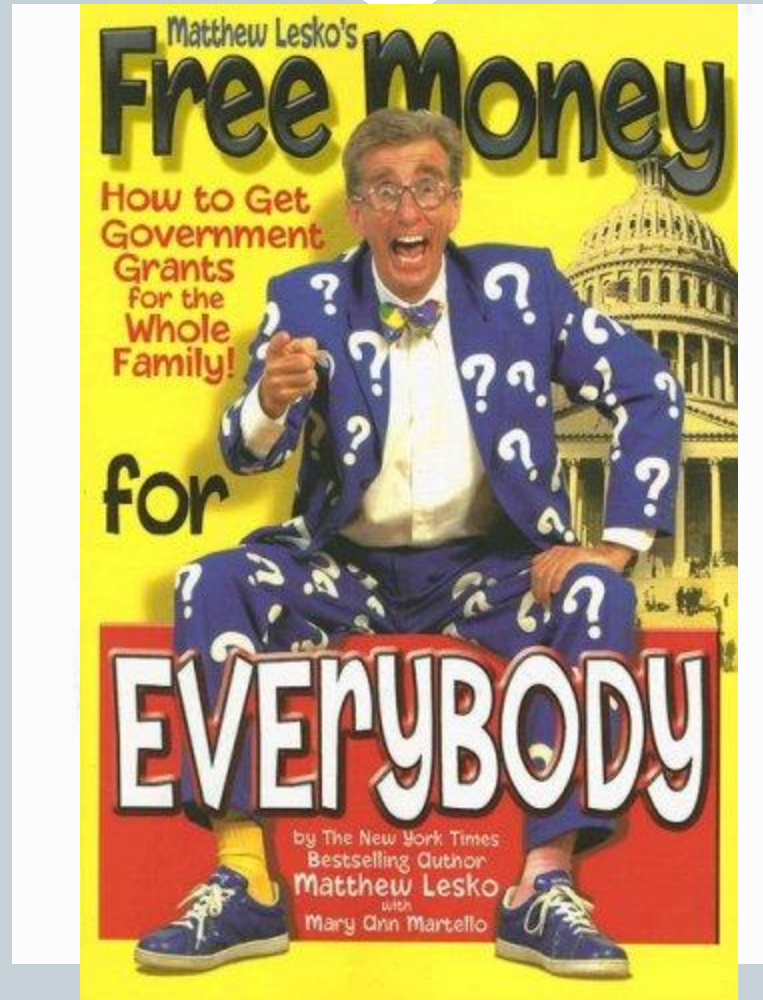
**Perceived
Financial
Pressure**

**Fraud
Triangle**

Opportunity

Rationalization

Government Grants



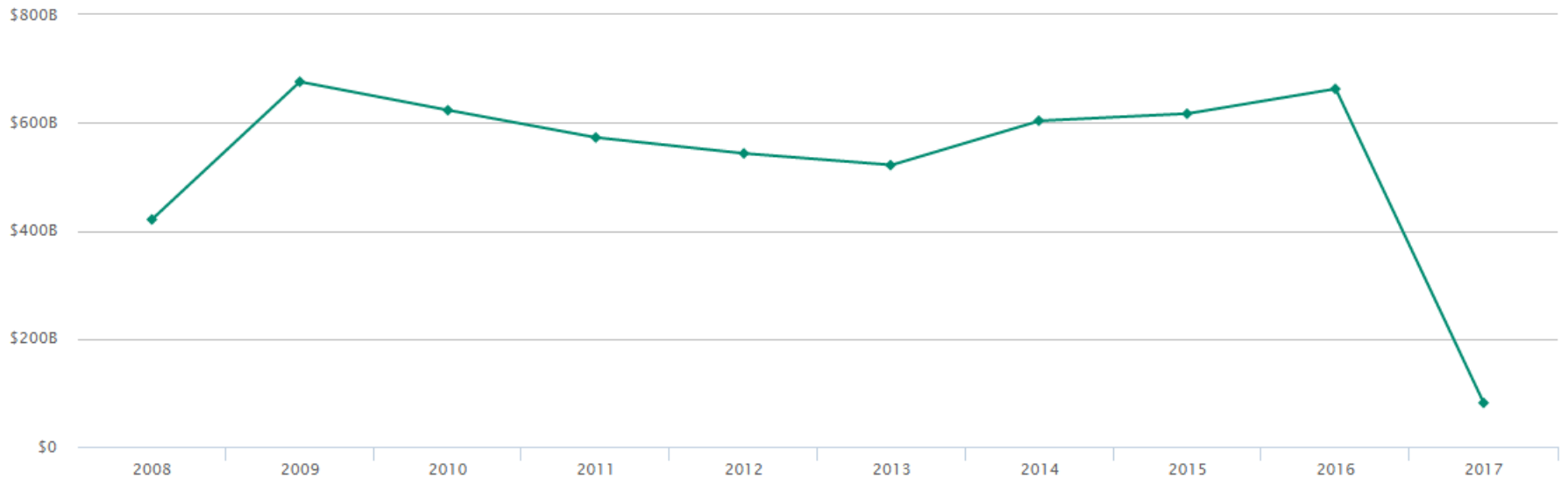
The Other Issue with Grants...



Federal Grant Awards



OVERVIEW OF AWARDS BY FY 2008 — 2017



Grants in Georgia



- **FY 15**
 - 9,983 Federal Awards
 - \$12 Billion
- **FY 16**
 - 13,808 Federal Awards
 - \$15 Billion
- **CJCC – FY 16**
 - \$94 Million

Responsibilities of Award Recipients

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



All this “free money” leads to....



When Does Grant Fraud Occur?



Grant Lifecycle

Pre-Award
Phase

Funding
Opportunity
Announcement
& Application
Review

Award
Phase

Award
Decisions &
Notifications

Post Award
Phase

Implementation,
Reporting &
Closeout

- All Phases
 - Conflicts of Interest
 - “Lying”
 - Theft

Grant Fraud - Common Examples



- Charging personal expenses as business expenses against the grant
- Charging for costs which have not been incurred or are not attributable to the grant
- 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

Consequences of Grant Fraud

- Grant Fraud impacts:
 - Governments
 - Taxpayers
 - Grantees
 - End-users



All this fraud leads to...




Examples....



Department of Justice

U.S. Attorney's Office


Northern District of Georgia

SHARE 

Department of Justice

U.S. Attorney's Office


Western District of Louisiana

SHARE 

Department of Justice

U.S. Attorney's Office

Central District of Illinois

SHARE 

FOR IMMEDIATE RELEASE

Emergency Action

Plea Filed

FOR IMMEDIATE RELEASE

Jonesboro

ATLANTA, Ga. – In a federal court in Atlanta (AWDA).

In connection with the announcement of the agreement, which includes the expenditure of

SHREVEPORT of Jonesboro, La., after illegally obtaining statements on which

According to evidence presented in 2010, Roller sued in Louisiana and obtained equipment from

FOR IMMEDIATE RELEASE

Friday, September 23, 2016

Chicago Businessman Sentenced to Two Years in Prison for Grant Fraud Scheme

Springfield, Ill. – A Chicago businessman has been ordered to serve 24 months in prison for a fraud scheme that resulted in two state agencies awarding separate, but nearly identical, grants to his not-for-profit entity in September 2008. U.S. District Court Judge Sue E. Myerscough sentenced George E. Smith, 66, and ordered that Smith pay restitution of nearly \$500,000 to the state. Judge Myerscough allowed Smith to self-report as directed by the federal Bureau of Prisons to begin serving his prison sentence. Smith waived indictment and pled guilty in March 2016, to two counts of mail fraud and one count of money laundering.

Sentencing Guidelines



SENTENCING TABLE
(in months of imprisonment)

Offense Level	Criminal History Category (Criminal History Points)					
	I (0 or 1)	II (2 or 3)	III (4, 5, 6)	IV (7, 8, 9)	V (10, 11, 12)	VI (13 or more)
1	0-6	0-6	0-6	0-6	0-6	0-6
2	0-6	0-6	0-6	0-6	0-6	1-7
3	0-6	0-6	0-6	0-6	2-8	3-9
4	0-6	0-6	0-6	2-8	4-10	6-12
5	0-6	0-6	1-7	4-10	6-12	9-15
6	0-6	1-7	2-8	6-12	9-15	12-18
7	0-6	2-8	4-10	8-14	12-18	15-21
8	0-6	4-10	6-12	10-16	15-21	18-24
9	4-10	6-12	8-14	12-18	18-24	21-27
10	6-12	8-14	10-16	15-21	21-27	24-30
11	8-14	10-16	12-18	18-24	24-30	27-33
12	10-16	12-18	15-21	21-27	27-33	30-37
13	12-18	15-21	18-24	24-30	30-37	33-41
14	15-21	18-24	21-27	27-33	33-41	37-46
15	18-24	21-27	24-30	30-37	37-46	41-51
16	21-27	24-30	27-33	33-41	41-51	46-57
17	24-30	27-33	30-37	37-46	46-57	51-63
18	27-33	30-37	33-41	41-51	51-63	57-71
19	30-37	33-41	37-46	46-57	57-71	63-78
20	33-41	37-46	41-51	51-63	63-78	70-87
21	37-46	41-51	46-57	57-71	70-87	77-96
22	41-51	46-57	51-63	63-78	77-96	84-105
23	46-57	51-63	57-71	70-87	84-105	92-115
24	51-63	57-71	63-78	77-96	92-115	100-125
25	57-71	63-78	70-87	84-105	100-125	110-137
26	63-78	70-87	78-97	92-115	110-137	120-150
27	70-87	78-97	87-108	100-125	120-150	130-162
28	78-97	87-108	97-121	110-137	130-162	140-175
29	87-108	97-121	108-135	121-151	140-175	151-188
30	97-121	108-135	121-151	135-168	151-188	168-210
31	108-135	121-151	135-168	151-188	168-210	188-235
32	121-151	135-168	151-188	168-210	188-235	210-262
33	135-168	151-188	168-210	188-235	210-262	235-293
34	151-188	168-210	188-235	210-262	235-293	262-327
35	168-210	188-235	210-262	235-293	262-327	292-365
36	188-235	210-262	235-293	262-327	292-365	324-405
37	210-262	235-293	262-327	292-365	324-405	360-life
38	235-293	262-327	292-365	324-405	360-life	360-life
39	262-327	292-365	324-405	360-life	360-life	360-life
40	292-365	324-405	360-life	360-life	360-life	360-life
41	324-405	360-life	360-life	360-life	360-life	360-life
42	360-life	360-life	360-life	360-life	360-life	360-life
43	life	life	life	life	life	life

Mitigating Grant Fraud Risk

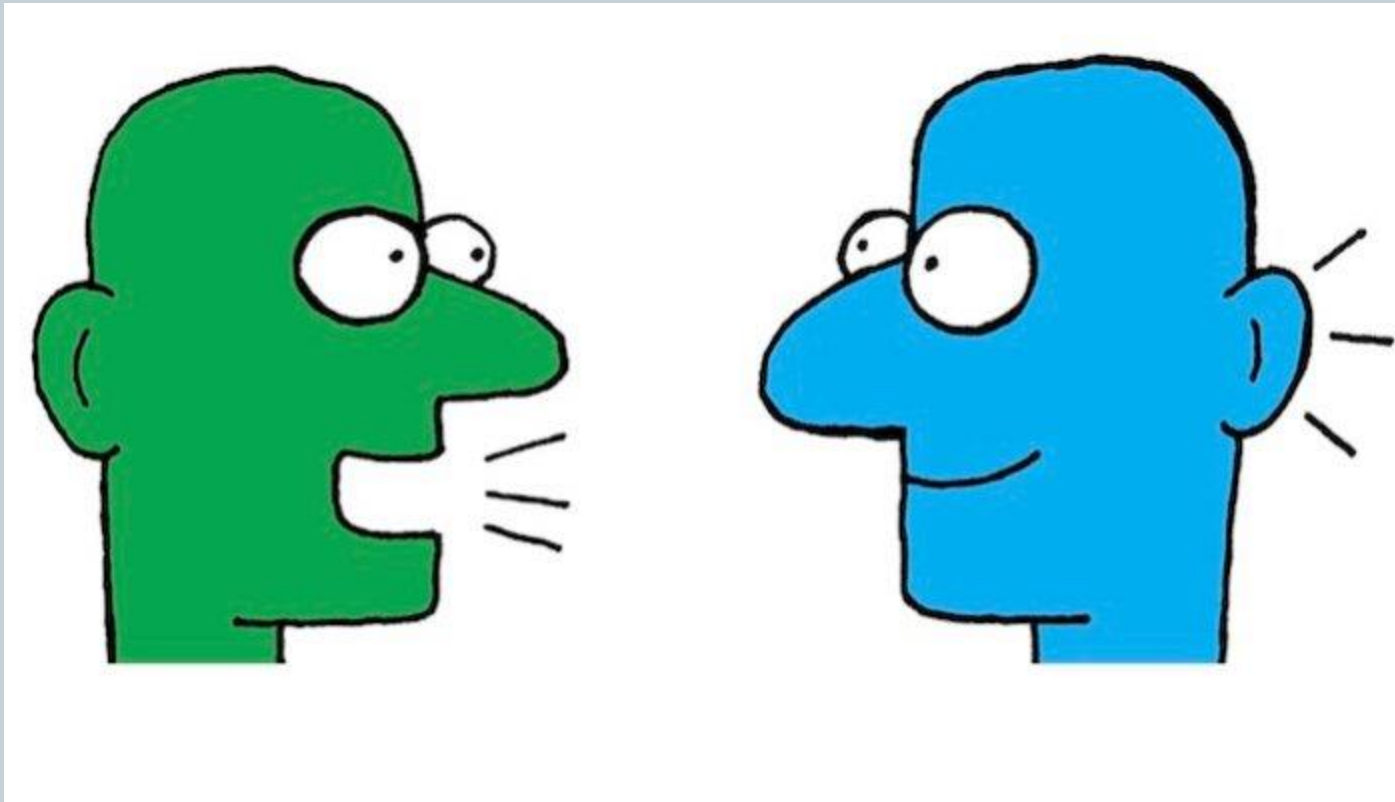


- Require all personnel associated with the grant to read and familiarize themselves with the grant documents.
- Establish an adequate and effective system of accounting, internal controls, records control, and records retention.
- Implement an internal compliance and ethics program that encourages the recognition and reporting of fraud, waste, or abuse.
- And most important....

Mitigating Grant Fraud Cont.



- **COMMUNICATE YOUR CONCERNS!!!**



Takeaways



- When
- Fraud
- recipie
- Grant t
- **DO NOT**
- Set a g
- Report
- Grant fraud can result in...
- And....



he

m

controls

OIG is not afraid to get our hands dirty!



Contact Information



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Who Has the First Question?

