GRANT FRAUD

A Message From the National Procurement Fraud Task Force

General Grant Information

- Each year, the United States Government awards nearly $450 billion dollars in Federal Assistance Agreements, most commonly in the form of grants that help to:

  1. Support national infrastructure programs in transportation, homeland security, criminal justice, agriculture, human health, and the environment.

  2. Fund scientific research, studies, and analyses.

  3. Further the social sciences, art, literature, and promote cultural enrichment.

- Unfortunately, grant dollars are susceptible to fraud, waste, and abuse.

Grant Recipient's Responsibilities

- Recipients of federal grants have been awarded funds to carry out the goals and objectives identified in the grant. These funds are subject to certain regulations, oversight, and audit.

  1. Grant recipients are stewards of federal funds.
  2. Grant dollars must be used for their intended purpose.
  3. Where applicable, grant recipients must account for costs and justify expenditures.

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

Grant Fraud Statutes

- Federal grant dollars are susceptible to several forms of financial theft, most commonly in the form of specific federal violations, including:

  1. Embezzlement
  2. Theft or Bribery concerning programs receiving Federal funds
  3. False Statements
  4. False Claims
  5. 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?

- When business entities, individuals, communities, and other organizations receive federal grant dollars, they are entrusted with their appropriate expenditure.

- Grant fraud is most often committed by:

1. Grant recipients, company officers, business partners, board members, and managers.

2. Bookkeepers, financial staff, and employees.

3. Contractors and subcontractors engaged with the recipient.

4. Recipient consultants.

Common Grant Fraud Scenarios

- Grant fraud occurs in many ways, but some of the most common fraud scenarios include:

1. Charging personal expenses as business expenses against the grant.

2. Charging for costs which have not been incurred or are not attributable to the grant.

3. Charging for inflated labor costs or hours, or categories of labor which have not been incurred (for example, fictitious employees, contractors, or consultants).

Detect and Prevent Fraud

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

1. Establish an adequate and effective system of accounting, internal controls, records control, and records retention.

2. Implement an internal compliance and ethics program that encourages the recognition and reporting of fraud, waste, or abuse.

3. Report suspected fraud to the Inspector General of the government agency that distributed the federal grant funds.

Reporting Grant Fraud

- Most government agencies have an Office of Inspector General (OIG) that is responsible for investigating allegations of fraud, waste, and abuse, and can be located at:

WWW.IGNET.GOV

- Specifically, allegations of fraud can and should be made directly to your awarding agency's OIG - Office of Investigations, or a designated Hotline Office within many of the OIG offices.