Council of the INSPECTORS GENERAL on INTEGRITY and EFFICIENCY

The IG Community's Joint Efforts To Protect Federal Grants From Fraud, Waste, and Abuse

January 2021

Executive Summary

Objective

This report provides insight into the IG Community's joint efforts to protect Federal grant programs from fraud, waste, and abuse.

Approach

To accomplish this objective, we:
(1) solicited evaluation, audit, and investigative work products pertaining to grant oversight from OIGs at grant-making agencies; and
(2) incorporated reports and other data available on oversight.gov.

CIGIE's Cross-Cutting Initiative Working Group then summarized representative examples of the IG community's multidisciplinary efforts to combat fraud, waste, and abuse in Federal grant programs.

For more information on CIGIE visit:

www.ignet.gov/
www.oversight.gov

The Federal Government issues billions of dollars of grants each year.[1] In fiscal year (FY) 2019 alone, the Federal Government obligated over $750 billion in grants. There are 29 Federal grant-making agencies whose grants make critical contributions to our Nation and at-risk communities. Grants are targeted at both gaining new knowledge and directly improving lives by funding cutting edge and basic medical and scientific research, a wide variety of social interventions, education, healthcare, disaster relief, small business incubation, community and economic development and much more. The Inspector General (IG) community strives to protect these funds from fraud, waste, and abuse and to improve accountability.

As demonstrated throughout this report, IGs use investigations, audits, and evaluations to perform grant oversight functions. Office of Inspector General (OIG) investigators refer grant fraud cases to civil and criminal prosecutors within the U.S. Department of Justice, and work with our Federal law enforcement partners to seek prosecution and restitution, and make administrative recommendations to protect Federal funds. OIG auditors and evaluators ensure grant recipients comply with Federal regulations and grant terms, evaluate associated risks with the grants and grant recipients, identify questioned costs and internal control deficiencies, and make recommendations to grant recipients and Government agencies for improvement. This report highlights OIG oversight activities that recovered more than $31 million in restitution from grant fraud investigations and identified more than $1.7 billion in questioned costs and funds put to better use through audits and evaluations.[2]

Oversight.gov, accessible to the public, hosts more than 18,000 OIG reports, including investigative, audit, inspection, and evaluation reports that detail the substantial contributions the IG community has made toward investigating grant fraud, improving grant oversight, and enhancing the effectiveness of Government grant programs. In addition to individual OIG efforts, the IG community has collaborated in multiagency efforts to (a) promote outreach and training to protect Federal grant funds from fraud, waste, and abuse and (b) make statutory, regulatory, and policy recommendations to grant-making agencies to best protect these funds at every stage of the grant cycle. Using investigations, audits, evaluations, and administrative tools, such as Governmentwide suspension and debarment of grant recipients, the IG community has worked together to protect Federal grant programs and the taxpayer funds that support those programs at all phases of the grant-making process. These efforts help ensure that Federal grants serve critical community needs as intended, which is especially important with the billions of dollars in Federal grant funds authorized for relief related to the coronavirus pandemic.

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[1] Office of Management and Budget (OMB), Budget of the United States Government, Fiscal Year 2019: "Historical Tables," Table 12.3, http://www.whitehouse.gov/omb/budget/Historicals; Congressional Research Service, *Federal Grants to State and Local Governments: A Historical Perspective on Contemporary Issues* (May 22, 2019), https://fas.org/sgp/crs/misc/R40638.pdf, at 5.
[2] The financial data reported below was drawn directly from primary sources such as press releases and OIG reports.

Contents

Federal Grant-Making Process and Oversight

Twenty-nine executive agencies currently issue Federal grants to eligible participants to fund a public purpose, service, benefit, or need.[3] These grants support research, education, training, disaster relief, economic assistance, and community development and service. The grants are sometimes geared toward special categories of award recipients, such as veterans, small businesses, minority-owned, women-owned, and economically disadvantaged entities. Recipients of Federal grants must use grant funds for the purpose identified in the grant award and within certain parameters and guidelines.

Federal grants are generally governed by the Uniform Grant Guidance,[4] a set of regulations providing government-wide requirements for grantees. In addition, each grant-making agency issues its own award notifications/solicitations as well as agency-specific policies, terms, and conditions applicable to its own grant programs. Some key requirements to ensure good stewardship of Federal funds are that grantees:

- Maintain adequate financial management systems that can track the source and expenditure of Federal awards funds by grant;
- Maintain adequate records and documentation of grant expenditures;
- Expend funds for the purpose of the grant and only on expenses that are allowable,[5] reasonable,[6] and allocable;[7] and,
- File Federal financial reports (FFRs) certifying the amount of Federal grant expenditures and matching funds expended.

Further, Federal grantees who expend more than $750,000 in Federal grant funds in any year must undergo an independent audit.

Grant reporting requirements pose a unique oversight challenge because, unlike with contracts, Federal grantees do not have to provide invoices or billing details to support how they spent grant funds (but most grantees must provide a proposed budget with their grant applications and must maintain supporting documentation). The absence of detailed financial reports reduces transparency over how Federal grant funds are spent and whether grantees used the funds to fulfill the public benefits for which the funds were awarded.

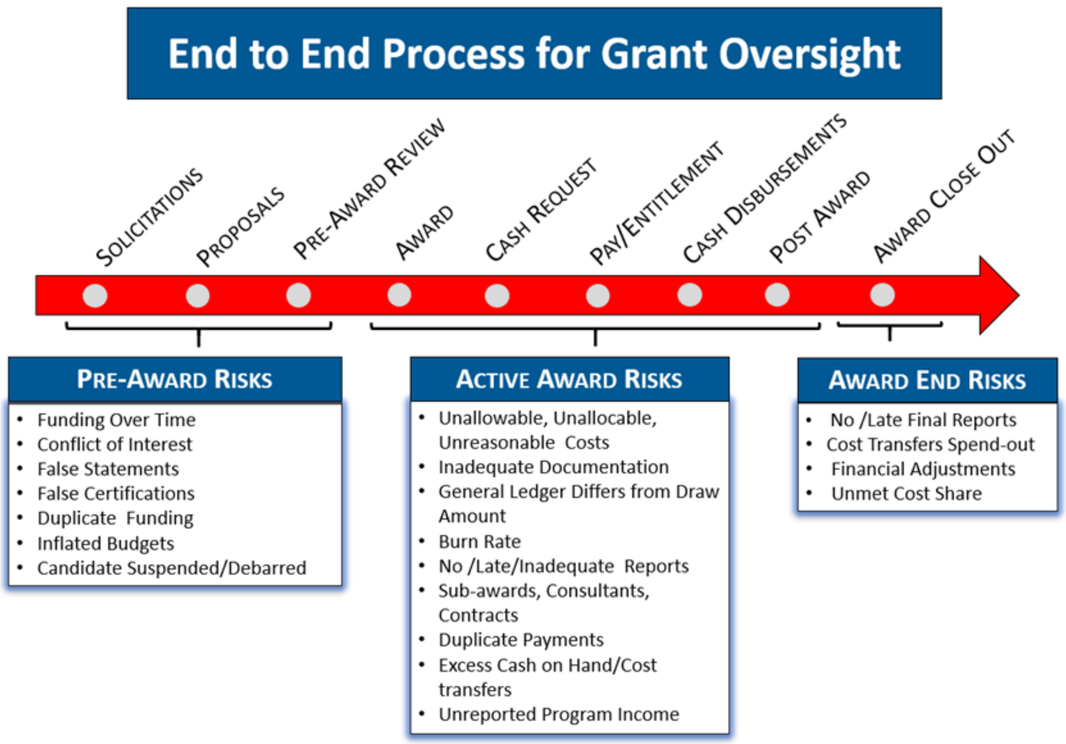
Further, many grant programs involve a decentralized structure, where Federal funds are issued through prime grantees, which are required to administer Federal awards to subgrantees and provide monitoring of those subgrantees. While prime grantees are required to file Federal Financial Reports (FFRs), those reports are high level summaries of total award funds expended for the program during that award period, and prime grantees roll all of their

[3] https://www.grants.gov/web/grants/learn-grants.html
[4] https://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200_main_02.tpl
[5] Allowability is determined by a number of factors to include whether the expense is necessary and reasonable for the performance of the award, adequately documented, consistent with Federal award requirements and limitations, and not charged to any other federally financed program. See 2 C.F.R. §200.403.
[6] "A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost." 2 C.F.R. §200.404.
[7] Allocable means that the cost was incurred specifically for the grant. See 2 C.F.R. §200.405 for factors to consider when determining allocability.

subrecipients financial expenditures into that general report with no details of how funds were expended. Given this limited visibility and control over expenditure of grant funds at the prime and subgrantee levels, there is increased risk of fraud, waste and mismanagement, to include conflicts of interest, false claims, and inadequate financial management systems.

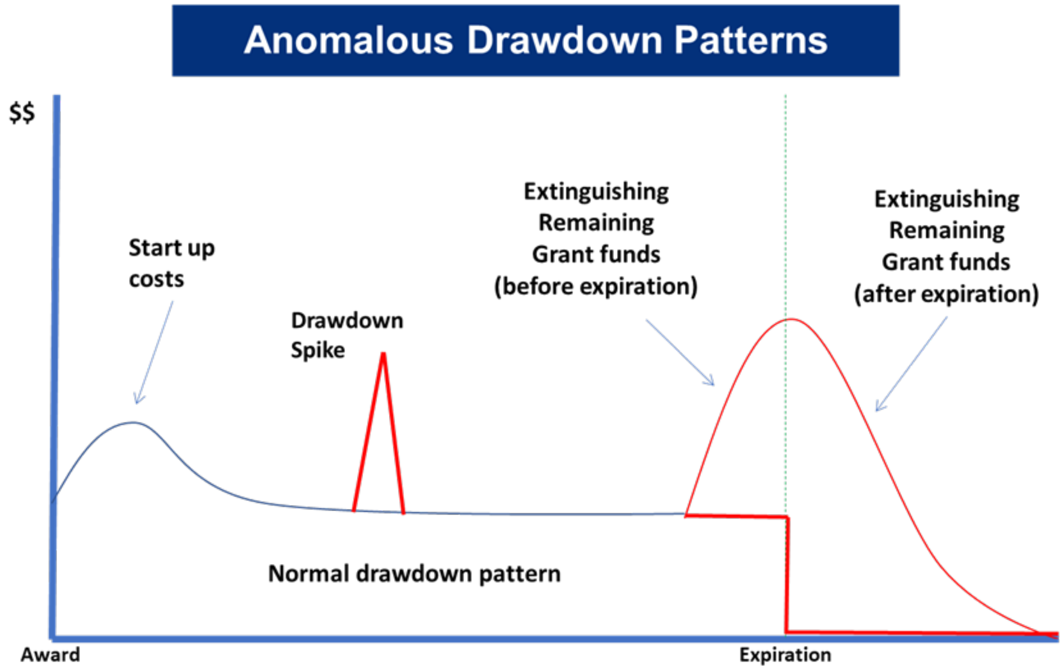
In two recent CIGIE Reports,[8] grant management was highlighted as a top management challenge facing multiple agencies. OIG audits, evaluations and investigations have identified significant challenges with respect to overseeing the use of grant funds and ensuring appropriate stewardship of Federal grants, with certain increased risks associated with different stages of the grant lifecycle.

The grants lifecycle has three oversight stages: (1) pre-award, (2) active award, and (3) award closeout. Each stage presents unique risks, as detailed below, that the IG community has identified through its investigations, audits, and evaluations.



Grant-making agencies can use automated techniques to monitor agency-award systems and external data to oversee the grant lifecycle. For example, Federal grant-making agencies can use data analytics to identify anomalous activities and changes in activity over time. OIGs continue to develop these capabilities to identify potential red flags. One approach is to download and analyze daily payment request data from Federal payment systems that allows OIGs to identify high-risk grant recipients by testing awards for payment-request spikes and unusual award-end spend patterns. Recipients that present higher risk scores for their portfolio of award drawdowns are potential candidates for more in-depth testing during investigations, audits, or evaluations.

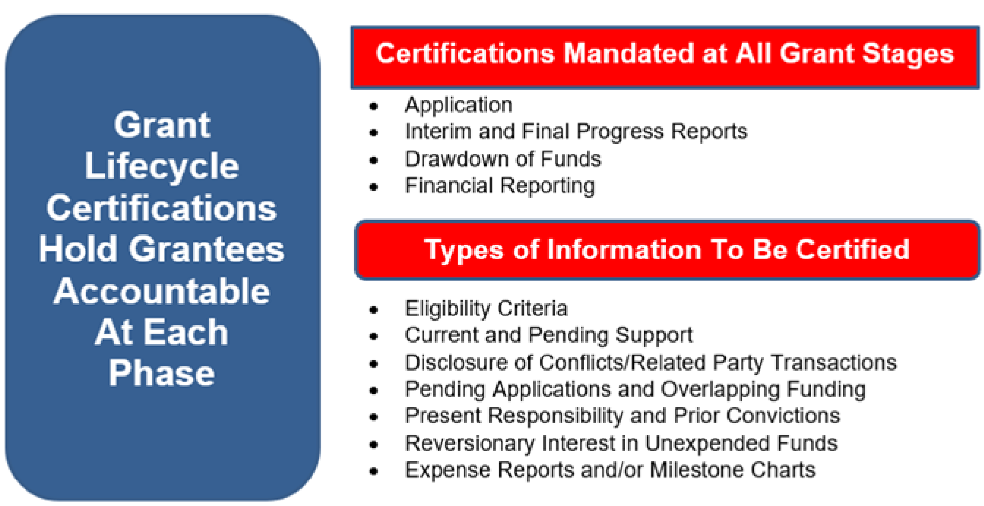
[7] June 2020, “Top Management Challenges Facing Federal Agencies: COVID-19 Emergency Relief and Response Efforts” https://www.oversight.gov/sites/default/files/oig-reports/Top%20Challenges%20Facing%20Federal%20Agencies%20-%20COVID-19%20Emergency%20Relief%20and%20Response%20Efforts_1.pdf and, April 2018 “Top Management and Performance Challenges Facing Multiple Federal Agencies,” https://www.oversight.gov/sites/default/files/oig-reports/CIGIE_Top_Challenges_Report_April_2018.pdf.



Source: Dr. Brett Baker, AIGA, NRC OIG

Using data analytics throughout the grant lifecycle can provide oversight organizations with greater visibility and insight into how grantees use Federal funds, resulting in greater accountability and transparency of those funds. Analyzing award information, combined with available external and awardee data, can help identify high-risk recipients and uncover anomalous and questionable grant expenditures during audit work. Effective oversight of grant funds by OIGs and other oversight agencies can provide greater assurance to the public that Federal grantees spend Federal funds for the purpose for which the funds were awarded.

Finally, a leading practice of grant-making agencies is to require grantees to provide lifecycle certifications to confirm that grantees spent award funds as promised and that the grant applications, reports, and documentation provided in support of grant expenditures and drawdowns are accurate and truthful. Requiring certifications throughout the lifecycle of a grant, coupled with mandatory pre-award, anti-fraud training, helps deter fraud, educates grantees about the seriousness of various grant requirements and the need to provide truthful information, and contributes to effective civil and criminal grant fraud enforcement efforts.



Pre-Award Grant Oversight Efforts

Investigations

Pre-Award Risks

- Funding Over Time
- Conflicts of Interest
- False Statements
- False Certifications
- Duplicate Funding
- Inflated Budgets
- Applicant Suspended/ Debarred

OIG investigations at the pre-award phase generally focus on fraud in the inducement. That is, cases where entities submit false information at the grant application stage that results in them receiving Federal grant funds to which they would not be entitled if they had been truthful in their applications. The false information in the grant applications can include lies about the applicant's eligibility criteria, personnel, or experience. These schemes often involve fabricated or backdated documents in support of the falsified applications, such as falsified resumes, financial records, fabricated letters of support, backdated contracts or leases, falsified payroll, or falsified tax records. Many grant-making agencies mandate that grant applicants certify the truthfulness of their applications; submitting false certifications is a false claim or false statement subject to criminal and civil prosecution.

$15 million recovered

The seven examples below discuss investigations of pre-award grant fraud schemes that have resulted in Civil False Claims Act cases and criminal prosecutions involving false statements in research grant proposals, falsification of records and eligibility criteria, and associated criminal false claims. In the examples below, the IG community recovered more than $15 million.

Civil False Claims Act Settlements Reached with Grantees for Pre-Award False Statements and Certifications

A U.S. Department of Justice (DOJ) OIG investigation resulted in the National Association of State Chief Information Officers, Inc. (NASCIO) and American Management Resources, Inc. (AMR) agreeing to pay $528,575 to resolve allegations that they made false and misleading statements to obtain grants from DOJ's National Justice Information Sharing Initiative. NASCIO failed to disclose conflicts of interest—required disclosures under the grant program's rules—related to its contract with AMR. Failing to disclose these conflicts of interest resulted in DOJ approving grant funding that NASCIO would not have otherwise received.[9]

Another investigation, completed by the Offices of Inspector General of the U.S. Department of Health and Human Services (HHS), National Aeronautics and Space Administration (NASA), and the National Science Foundation (NSF), resulted in MassTech, Inc. (MassTech) and its former chief executive officer and chief financial officer agreeing to pay the United States $1.9 million to resolve False Claims Act allegations that they falsely represented MassTech as a small business in its grant application and subsequent certifications to obtain Small Business

[9] Press Release (Sep. 19, 2018), available at https://www.justice.gov/usao-edky/pr/nonprofit-organization-and-its-management-company-agree-pay-over-500000-resolve.

Innovation Research (SBIR) awards.[10] As a result of the false certifications, HHS, NASA, and NSF approved and funded SBIR awards to MassTech that MassTech otherwise would not have received.[11]

A third investigation conducted jointly by the U.S. Department of Homeland Security (DHS) OIG and New York City's Department of Investigation resulted in the New York City Department of Transportation agreeing to return $5.3 million to the Federal Emergency Management Agency (FEMA). The Department also agreed to de-obligate an additional $3,196,376 in fraudulently obtained FEMA funds. The task force determined that the Department applied for and received $13.4 million in public assistance funds from FEMA by falsely claiming Hurricane Sandy damaged numerous vehicles.[12]

Criminal Charges Related to Research Grant Proposals and Reports

A multiagency investigation[13] resulted in three criminal plea agreements and $6 million in restitution by Bin Wen, Peng Zhang, and Haifang Wen, who together obtained 30 Federal small business grants and contracts totaling more than $9 million. The subjects engaged in multiple fraud schemes, including misrepresenting proposals, that involved several companies they created and used to perpetrate the fraud. The joint investigation uncovered that the subjects had fabricated letters of support and investment; falsified information in reports and proposals about business entities, employees, facilities, and matching funds and investments; provided falsified reports and emails about how they spent funds; and used award funds for personal use.[14]

The U.S. Department of State (State) OIG completed an investigation that resulted in the indictment of a German citizen, living in the United States, who defrauded the agency. The German citizen was the director of a company that obtained a grant valued at more than $1.2 million. The investigation found the company was ineligible to receive the grant because it misrepresented itself as a 501(c)(3) nonprofit organization. In addition, the director spent much of the grant funds on personal expenses.[15]

Finally, a joint investigation conducted by NASA OIG and NSF OIG resulted in a guilty plea for converting Government funds by Dr. Miroslav Velev. Velev made materially false representations in small business grant and contract applications submitted to the NSF and to NASA for his company, Aries Design Automation. The agencies awarded Velev's company a total of $200,000 based on his false representations. In his plea, Velev admitted that he falsified a third-party investment, which was an eligibility requirement for one of the awards his company received.[16]

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[10] Several SBIR fraud cases are highlighted throughout this report, many of which involve multiagency investigations. We note that SBIR awards may be issued as grants or contracts, with awarding agencies choosing which award instrument to use. All examples shared in this report relate, at least in part, to SBIR awards issued as grants.

[11] Press Release (May 3, 2018), available at https://www.justice.gov/usao-md/pr/masstech-richard-lee-and-arnold-lee-pay-us-19-million-settle-false-claims-act-allegations.

[12] Press Release (Feb. 20, 2019), available at https://www.justice.gov/usao-sdny/pr/manhattan-us-attorney-announces-53-million-proposed-settlement-lawsuit-against-new-york.

[13] The investigation was conducted by the NSF OIG; U.S. Department of Energy OIG; Internal Revenue Service, Criminal Investigations, New York Field Office; and U.S. Department of Transportation OIG.

[14] Press Release (February 6, 2019), available at: https://www.justice.gov/usao-wdny/pr/husband-and-wife-sentenced-scheme-defraud-united-states.

[15] "U.S. Department of State OIG: Investigative Case Summaries (Mar. 2018)," available at https://www.oversight.gov/sites/default/files/oig-reports/Investigative%20Summaries%20-%20Mar%202018.pdf; Press Release (Mar. 29, 2018), available at https://www.justice.gov/usao-md/pr/german-citizen-indicted-major-fraud-connection-state-department-grant.

[16] Press Release (May 9, 2019), available at https://www.justice.gov/usao-ndil/pr/chicago-software-developer-sentenced-prison-fraudulently-obtaining-federal-grant-money.

False Application for Disaster Relief Funds

A criminal investigation by the Hurricane Sandy Fraud Task Force—composed of OIGs from the DHS, Small Business Administration (SBA), and U.S. Department of Housing and Urban Development (HUD) and the New Jersey Department of Criminal Justice and Department of Consumer Affairs—resulted in a guilty plea by a Florida woman who filed false applications to collect Federal relief funds. The woman, a recipient of Hurricane Sandy disaster relief funds, claimed that her house in Amboy, NJ, was her primary residence when instead she resided in Keyport, NJ. Only primary residence properties were entitled to Federal disaster assistance, so her deceit allowed her to inappropriately receive Federal funds. The State Superior Court sentenced her to 24 months of probation and ordered her to pay $243,226 in restitution, minus any payment already made on her disaster home loan.[17]

Audits and Evaluations

OIG audits and evaluations at the pre-award phase often focus on risk assessments; the award solicitation process; adherence to Federal statutes, regulations, and policies; and controls that prevent fraud and ensure that the grant award process is not hindered by conflicts of interest. As demonstrated by the examples below, OIG audit recommendations in the pre-award phase seek to improve the efficiency of the grant-making process and to ensure that grant-making agencies identify, document, and manage associated risks and have controls for protecting the integrity of the grant-making process.

Clear Guidance to Award Recipients Needed

HUD OIG audited HUD's Community Development Block Grant (CDBG) Disaster Recovery program to determine whether HUD should codify CDBG Disaster Recovery funding as a program in the Code of Federal Regulations. Although HUD has managed billions in Disaster Recovery funds since 2002, HUD had not codified the CDBG Disaster Recovery program, because it believed it did not have the authority to do so, and instead issued multiple requirements and waivers for each Disaster Recovery supplemental appropriation in Federal Register notices, many of which were repeated from disaster to disaster. HUD OIG, however, believed HUD had the authority and should codify the disaster recovery funding as a program. HUD's use of multiple Federal Register notices to operate the Disaster Recovery program presented challenges to grantees. For example, 59 grantees with 112 active Disaster Recovery grants had to follow requirements contained in 61 different Federal Register notices to manage the program. Codification of the CDBG Disaster Recovery program would standardize the rules for all grantees.[18]

Compliance with Federal Regulations and Agency Guidelines Important

HHS OIG audited Northwestern University to determine whether Northwestern (1) awarded subawards and monitored subaward recipients in compliance with Federal regulations and (2) complied with Federal regulations and NIH grant policies relating to expenditures for subawards. Northwestern was required to perform pre-award subrecipient risk assessments and monitor the programmatic activities of subrecipients throughout the life of each subaward; the audit found

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[17] SBA OIG, "Semiannual Report to Congress April 1, 2018-September 30, 2018," available at https://www.oversight.gov/sites/default/files/oig-sa-reports/archive/17418//SBA-OIG-Fall-2018-Semiannual-Report.pdf, at 14.
[18] HUD OIG, "HUD's Office of Block Grant Assistance Had Not Codified the Community Development Block Grant Disaster Recovery Program," Report No. 2018-FW-0002, July 23, 2018, available at https://www.oversight.gov/sites/default/files/oig-reports/2018-FW-0002.pdf.

that Northwestern did not always perform these assessments. As a result, Northwestern distributed 30 grants worth approximately $9.7 million to 48 subrecipients without performing the required risk assessments.[19]

In another example, HHS OIG reviewed the policies, procedures, and controls of the National Institutes of Health (NIH). The review found that of the 1,875 NIH-funded institutions required to have financial conflict of interest (FCOI) policies, 1,013 did not have the policies posted on their websites. The review sampled 90 institutions that did not have FCOI policies posted on their websites. Of those 90 institutions, 41 either did not have FCOI policies or did not respond to requests that they provide policies. Although NIH has provided technical assistance regarding FCOI policy requirements, some institutions stated they were not aware of the responsibility to create and maintain those policies.[20]

Opportunities Exist to Prevent or Mitigate Fraud

DHS OIG reviewed FEMA's transportation assistance funds for vehicles considered damaged or destroyed by Hurricanes Harvey, Irma, and Maria in 2017. The review found that FEMA did not adequately document applicants' eligibility for transportation assistance because FEMA's policies and procedures do not require documenting comprehensive insurance and second vehicle verifications. Without this documentation, FEMA risks approving ineligible applications. FEMA also potentially paid applicants more than the pre-disaster market value of the vehicles. Additionally, FEMA risks overpaying Federal funds for transportation assistance in response to future disasters.[21]

$982.8 million

to be put to better use

The U.S. Department of Transportation (DOT) OIG audited DOT's Federal Transit Administration's (FTA's) grant funding for Hurricane Sandy response, recovery, and rebuilding projects to assess FTA's oversight of its Hurricane Sandy grantees' compliance with insurance requirements. DOT OIG found FTA had not verified that grantees have required flood insurance for Hurricane Sandy damages and its other Federal transit investments. DOT OIG identified more than $982.8 million in insurance proceeds that could be put to better use.[22]

In a third example of a grantee's failure to prevent or mitigate fraud, DOT OIG audited the Federal Railroad Administration's (FRA's) High Speed Intercity Passenger Rail (HSIPR) program. The California High Speed Rail Authority (CHSRA) was a program recipient. While FRA routinely found that CHSRA submitted incomplete submissions of required CHSRA deliverables, FRA did not document its actions to address these shortcomings. In addition, FRA's review of CHSRA's documents did not verify the underlying methodologies CHSRA used to create the documents nor did it make an independent assessment of the documents'

[19] HHS OIG, "Northwestern University Did Not Always Comply With Federal Requirements To Perform Risk Assessments of Subrecipients, but Claimed Allowable Costs," Report No. A-05-17-00016, Nov. 6, 2018, available at https://www.oversight.gov/report/hhsoig/northwestern-university-did-not-always-comply-federal-requirements-perform-risk.

[20] HHS OIG, "The National Institutes of Health Has Limited Policies, Procedures, and Controls in Place for Helping To Ensure That Institutions Report All Sources of Research Support, Financial Interests, and Affiliations," Report No. A-03-19-03003, Sep. 2019, available at https://www.oversight.gov/sites/default/files/oig-reports/31903003.pdf.

[21] DHS OIG, "FEMA Did Not Sufficiently Safeguard Use of Transportation Assistance Funds," Report No. OIG-19-66, Sep. 30, 2019, available at https://www.oversight.gov/report/dhs/fema-did-not-sufficiently-safeguard-use-transportation-assistance-funds.

[22] DOT OIG, "FTA's Limited Oversight of Grantees' Compliance With Insurance Requirements Puts Federal Funds and Hurricane Sandy Insurance Proceeds at Risk," Report No. ST2020005, Oct. 30, 2019, available at https://oversight.gov/report/dot/ftas-limited-oversight-grantees-compliance-insurance-requirements-puts-federal-funds-and.

plausibility. Finally, FRA's review of project reimbursement requests and expenditure relied on inadequate documentation to verify that expenditures met Federal requirements.[23]

Administrative Remedies

In addition to investigations, audits, and evaluations, OIGs have recommended administrative remedies to protect current and future grant funds in response to fraud, waste, and abuse at the pre-award phase. Below are two examples of administrative remedies agencies took in response to recommendations OIGs made for improprieties identified at the grant-making phase.

Suspension of Subgrant

A U.S. Agency for International Development (USAID) OIG investigation concluded with USAID/Malawi suspending a $309,000 subgrant from the Kawandama Hills Plantation (KHP). The Chief of Party for Tetra Tech in Malawi violated the selection process by steering the USAID-funded subgrant to KHP. USAID OIG found evidence that Tetra Tech had not adhered to selection procedures in its own grants manual when it awarded the grant to KHP.[24]

Termination of NGO

A USAID OIG investigation resulted in the termination of a nongovernmental organization's (NGO's) Chief of Party in Pakistan. The Chief of Party had engaged in numerous bribery and fraud schemes as well as conflicts of interest. Without disclosing his interests, the Chief of Party awarded a USAID-funded grant to an NGO that gave him an all-expenses-paid trip to the Philippines, approved a grant to his previous employer where his brother was also employed, and directed his current organization to hire one of his relatives.[25]

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[23] DOT OIG, "Improved FRA Decision Making and Financial Oversight Processes Could Have Reduced Federal Risks from the California High-Speed Rail Project," Report No. ST2020015, Jan. 22, 2020, available at https://www.oversight.gov/report/dot/improved-fra-decision-making-and-financial-oversight-processes-could-have-reduced-federal.

[24] USAID OIG, "Semiannual Report to Congress October 1, 2015-March 31, 2016," available at https://www.oversight.gov/sites/default/files/oig-sa-reports/sarc_033116.pdf, at 33.

[25] USAID OIG, "Semiannual Report to Congress October 1, 2018-March 31, 2019," available at https://www.oversight.gov/sites/default/files/oig-sa-reports/sarc-033119.pdf, at 30.

Active Award Grant Oversight Efforts

Investigations

OIG investigations at the active award phase generally focus on fraudulent use of funds, theft, double billing, embezzlement, false claims, and falsified reports. These schemes often involve using bank and charge card accounts to divert Federal grant funds; fabricating financial records and supporting documentation; and falsely certifying Federal financial reports, annual reports, and payment drawdowns.

$13.5 million total recovered

$12.9 million in civil settlements

$1.6 million in criminal restitution

18 criminal convictions

In addition, these schemes often involve the subject's family, friends, ghost employees (real people whose identities are used in schemes without their knowledge or consent), or contractors. Many grant-making agencies mandate that grant applicants certify the truthfulness of their applications, annual and final progress reports, Federal financial reports, and direct payment drawdowns to affirm they have used the Federal grant funds according to award terms and conditions and applicable Federal regulations. Submitting false certifications is a false claim or false statement subject to criminal and civil prosecution.

Active Award Risks

- Unallowable, Unallocable, Unreasonable Costs
- Inadequate Documentation
- General Ledger Differs from Draw Amount
- Burn Rate
- No/Late/Inadequate Reports
- Sub-awards, Consultants, Contracts
- Duplicate Payments
- Excess Cash on Hand/Cost transfers
- Unreported Program Income

Detailed below are recent examples of OIG investigations of active award grant fraud schemes that have resulted in civil and criminal prosecutions. In these examples, the IG community recovered more than $13.5 million approximately $12.9 million in Civil False Claims Act Settlements, and more than $1.6 million in criminal restitution related to 18 criminal convictions.

In addition to civil and criminal prosecution, many of these examples also resulted in Governmentwide suspension or debarment of those involved in the fraud schemes. This administrative tool protects the Government from doing business with individuals and entities who cannot be trusted to use Federal funds as intended.

Civil False Claims Act Settlements Reached With Grantees

Resolving Allegations of Improperly Charging Labor Hours and Costs to Grant Awards

A Corporation for National and Community Service (CNCS) OIG investigation, initiated by a qui tam complaint, resulted in a $2.5 million False Claims Act settlement with the University of San Francisco. The investigation discovered that the university, through the director of the San Francisco Teacher Residency Program, falsified more than 1,500 timesheets and falsely certified approximately 61 education awards during the 2014, 2015, and 2016 grant years to qualify its program and students for more than $1.7 million in CNCS Federal grant funds.[26]

A joint OIG investigation conducted by the U.S. Department of Defense (DOD), U.S. Department of Energy (DOE), DHS, NASA, and NSF OIGs resulted in a $2.25 million civil settlement with Agiltron, Inc. to resolve allegations that the company improperly billed time and effort to SBIR and Small Business Technology Transfer program grants and contracts. Agiltron allowed employees to charge labor hours to 15 awards, even when the hours did not correspond with actual employee time and effort. Employees were also directed to alter timesheets to maximize charges to each grant.[27]

$2.75 million
civil settlement

NASA OIG concluded an investigation with a $2.75 million civil settlement with EM Photonics, Inc. (EMP) and its chief executive officer involving false labor and invoices and billing multiple small business grants and contracts for equivalent work. EMP directed employees, or caused others to direct employees, to falsely complete timesheets for direct labor that employees did not perform and to submit false invoices and public vouchers to the funding agencies. EMP sought and received Federal funding for work already performed and funded by another Government agency and falsely certified that such work was nonduplicative.[28]

An investigation completed by the DOE, DOT, NASA, and NSF OIGs resulted in a $750,000 settlement agreement to resolve allegations that Texas A&M University Research Foundation mischarged costs on research grants issued by Federal agencies between 2007 and 2016. The investigation concluded that the Foundation improperly charged various costs not directly related to the grant awards, including salaries and wages for individuals not working on the grants, supplies and equipment unrelated to the grants, and unallowable costs, such as travel expenses.[29]

Resolving Allegations of Mischarging and Falsified Records and Certifications

The DOE, NASA, and NSF OIGs completed an investigation that resulted in the University of Puerto Rico agreeing to pay $1.7 million as part of a settlement agreement reached in

[26] Press release (May 22, 2020), available at https://www.justice.gov/usao-edca/pr/university-san-francisco-agrees-pay-over-25m-alleged-false-claims-its-administration
[27] DOE OIG, "Semiannual Report to Congress April 1, 2016-September 30, 2016," available at https://www.oversight.gov/sites/default/files/oig-sa-reports/Semiannual%20Report%20to%20Congress-4-16%20to%209-16.pdf, at 25; Press Release, (Aug. 12, 2016), available at https://www.justice.gov/usao-ma/pr/woburn-company-and-president-agree-pay-225-million-resolve-allegations-grant-fraud.
[28] Press Release (Jan. 29, 2019), available at https://www.justice.gov/usao-de/pr/newark-based-company-and-ceo-agree-pay-275-million-resolve-allegations-government.
[29] DOE OIG, "Semiannual Report to Congress April 1 2018-September 30, 2018," available at https://www.oversight.gov/sites/default/files/oig-sa-reports/archive/19282//Semiannual%20Report%20April%201%202018%20September%2031%202018.pdf, at 22; Press Release (Sep. 20, 2018), available at https://www.justice.gov/usao-sdtx/pr/texas-am-research-foundation-pays-750000-settle-claims-alleging-improper-charges.

connection to claims of misuse of grant funds. The university did not comply with the documentation requirements associated with salary expenses, to ensure that payroll for various DOE, NASA, and NSF grants was correctly and appropriately charged. The university provided various certifications asserting it complied with grant rules, but its records failed to reconcile the budget amounts reported to DOE, NASA, and NSF.[30]

A CNCS OIG investigation concluded with Our Lady of Lourdes Health Foundation agreeing to pay $1.1 million to the United States for falsifying documents associated with multiple grants from CNCS' Senior Corps programs. Specifically, from 2014 through 2017, the Foundation either failed to perform required criminal history checks or failed to keep records of doing so. As a result, 46 individuals served in a CNCS project without appropriate documentation. Before a scheduled monitoring visit, Foundation employees, including two program supervisors, falsified background checks to conceal the failure from CNCS officials. In addition, the Foundation's employees falsely completed time sheets showing program participants purportedly serving hours at locations that were closed.[31]

A separate CNCS OIG investigation concluded that a former AmeriCorps member at Berea College in Berea, KY, submitted false timesheets for 3 months after she stopped showing up for her volunteer service so she could continue to receive living allowance payments for volunteer time. The member agreed to a civil settlement in which she admitted she submitted falsified timesheets that caused her to wrongfully receive Federal funds from the AmeriCorps Program and paid restitution.[32]

A multiagency investigation—conducted by the DOE, DHS, and HUD OIGs—into community action agency Community Renewal Team (CRT) resulted in a $362,000 civil settlement to resolve findings that CRT falsely charged Federal and State grants to pay labor hours for employees who did not perform work on the grant and that CRT mischarged a budget analyst to a Head Start grant when the employee worked on other unrelated programs.[33]

Criminal Charges

Theft or Embezzlement of Federal Grant Funds

The U.S. Department of Commerce (DOC), DOJ, and NASA OIGs, with the Federal Bureau of Investigation (FBI) and the Internal Revenue Service (IRS), completed a multiagency investigation that resulted in the conviction of Congressman Chaka Fattah for participating in racketeering, bribery, wire fraud, honest services fraud, money laundering conspiracies, and mail fraud. Fattah's associates were convicted of participating in a racketeering conspiracy, in addition to other offenses. The investigation found that the Educational Advancement Alliance (EAA) had improperly used $100,000 of NASA grant money to pay Fattah's campaign debt. EAA was debarred for 12 months and five individuals, including Fattah, were debarred for periods ranging from 7 to 16 years.[34]

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[30] Press Release (Nov. 29, 2018), available at https://www.justice.gov/usao-pr/pr/university-puerto-rico-settles-misuse-grant-funds-case.
[31] Press Release (June 28, 2019), available at https://www.justice.gov/usao-edpa/pr/our-lady-lourdes-agrees-pay-over-11m-resolve-claims-it-failed-perform-background-checks.
[32] Press Release (July 16, 2019), available at https://www.justice.gov/usao-edky/pr/madison-county-woman-agrees-pay-damages-submitting-false-claims-americorps-program.
[33] Press Release (May 17, 2018), available at https://www.justice.gov/usao-ct/pr/community-renewal-team-pays-362000-settle-false-claims-acts-allegations.
[34] NASA OIG, "Semiannual Report to Congress October 1, 2016-March 31, 2017," available at https://www.oversight.gov/sites/default/files/oig-sa-reports/SAR0317.pdf, at 51; Press Release (Dec. 12, 2016), available at https://www.justice.gov/opa/pr/former-congressman-chaka-fattah-sentenced-10-years-prison-participating-racketeering; Press Release (June 21, 2016), available at https://www.justice.gov/opa/pr/philadelphia-congressman-and-associates-convicted-corruption-case.

A joint investigation, conducted by HHS OIG, the Defense Criminal Investigative Service, the FBI, the U.S. Army Criminal Investigation Command, and the Naval Criminal Investigative Service, ended with the convictions of Dr. Jian Yun Dong and the companies he founded, GenPhar, Inc. and Vaxima, Inc., for multiple fraud-based charges. GenPhar and Vaxima obtained Federal grant money for biodefense research and vaccine development but used it instead to construct a commercial office building and to pay lobbyists and others helping to secure Federal funding for Dong and his companies. Dr. Dong was sentenced to 70 months in prison and ordered to pay more than $3 million dollars in restitution. GenPhar and Vaxima were fined $12,846,399.32.[35]

In another example, HUD OIG completed an investigation that resulted in guilty pleas by sisters Sylvia Toolie and Peggy Akeya for embezzling funds from the Native Village of Savoonga. Between April 2011 and May 2012, the sisters used their positions of trust to steal from the Tribe. The sisters obtained numerous unauthorized checks from the Tribe and pocketed more than $84,000. Toolie was sentenced to 8 months in prison, while Akeya was sentenced to 5 years of probation, 3 months of home confinement, and 120 hours of community service. Both were ordered to pay restitution.[36]

A USAID OIG investigation concluded with Eugene Sickle pleading guilty for theft concerning programs receiving Federal funds. Sickle was the deputy executive director of Wits Reproductive Health and HIV Institute, a South African research institute. He signed a contract with Alzar Consulting Services Ltd. to develop a software application to help facilitate safer childbirth deliveries. The Institute made payments to Alzar totaling $206,250, yet the childbirth application was never developed. The investigation revealed that Sickle created Alzar in the British Virgin Islands and was the company's sole owner. He signed the contract with Alzar as both himself and as a fictitious individual. Sickle was sentenced to 7 months in prison, ordered to pay $206,250 in restitution, and debarred for five years from receiving Federal awards.[37]

A joint investigation between HUD OIG and the New Jersey Division of Criminal Justice concluded in two individuals pleading guilty to theft. Between 2013 and 2015, the owners of two construction companies, hired to repair or rebuild homes by homeowners who received Rehabilitation, Reconstruction, Elevation, and Mitigation (RREM) grants after Hurricane Sandy, performed minimal or no work. The owners diverted much of the money to personal use, leaving the homes in disrepair. These actions led to a loss of $581,691 in Government funds. One owner was sentenced to 7 years in State prison and the other received 5 years of probation. Both were ordered to pay restitution to 23 victims and to the State.[38]

In yet another example of theft or embezzling grant funds, DHS OIG, the FBI, the IRS, and West Virginia's Commission on Special Investigations completed a multiagency investigation that resulted in Keith and Kathy Gwinn pleading guilty for theft concerning programs receiving Federal funds.[39] Between 2013 and 2017, Teays Valley Volunteer Fire Department in Scott Depot, WV, received more than $863,000 from numerous FEMA grants related to the hiring,

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[35] Press Release (Aug. 4, 2015), available at https://www.justice.gov/usao-sc/pr/dr-dong-genphar-inc-and-vaxima-inc-convicted-fraud-retrial-us-district-court-judge-david; Press Release (May 2, 2017), available at https://www.justice.gov/usao-sc/pr/dr-jian-dong-sentenced-seventy-months-grant-fraud.

[36] Press Release (Sep. 14, 2017), available at https://www.justice.gov/usao-ak/pr/sisters-sentenced-embezzlement-indian-tribal-government.

[37] Press Release (Aug. 4, 2017), available at https://oig.usaid.gov/node/39; USAID OIG, "Semiannual Report to Congress April 1, 2017-September 30,2017," available at https://www.oversight.gov/sites/default/files/oig-sa-reports/archive/17481/sarc_09302017_0.pdf, at 31; USAID OIG, "Semiannual Report to Congress October 1, 2016-March 31,2017," available at https://www.oversight.gov/report/usaid/semiannual-report-congress-october-1-2016-march-31-2017, at 30.

[38] Press Release (Oct. 12, 2018), available at https://www.nj.gov/oag/newsreleases18/pr20181012a.html.

[39] Keith Gwinn also pleaded guilty to failing to truthfully account for and pay over withholding and Social Security taxes.

retention, and training services of firefighters. Both Keith and Kathy Gwinn had fiduciary responsibilities over the fire department's payroll and bank accounts and engaged in separate theft and fraud schemes involving those funds. Both Keith and Kathy Gwinn were sentenced to incarceration[40] and ordered to pay restitution totaling $75,356.[41]

An investigation completed by the U.S. Department of the Interior (DOI) and the U.S. Environmental Protection Agency (EPA) OIGs resulted in the former executive director of Calhoun Conservation District (CCD) in Calhoun County, MI, pleading guilty to embezzling Federal funds. Between 2014 and 2017, CCD received $331,651 in Federal grant funds from the EPA and the U.S. Fish and Wildlife Service. The executive director misappropriated more than $500,000 from CCD's credit union account, which included grant funds awarded to CCD, for her personal benefit and use. She admitted embezzling between $500,000 and $1.5 million and was sentenced to 37 months in Federal prison and ordered to pay $573,159 in restitution.[42]

37 months
in prison

$573,159
in restitution

A joint investigation completed by the HHS and HUD OIGs and the IRS Criminal Investigations Division resulted in a nonprofit organization accountant pleading guilty for theft of Federal program funds and for making and subscribing a false return. HUD awarded the organization a 3-year, $1.3 million grant under the Housing Opportunities for Persons with AIDS program. The accountant received wire payments of $637,544 over a period of 3 years when her salary was $62,500. She received 30 months in prison.[43]

A State OIG investigation ended with a former State program manager pleading guilty to stealing Federal funds. From February 2011 through March 2016, the former employee conspired with the owner of a transportation company to steal approximately $17,335 of Federal grant funds by falsifying vendor-related invoices and creating fraudulent checks. The former employee was sentenced to 13 months in prison and ordered to pay $35,112 in restitution. In April 2018, the former owner of the transportation company was sentenced to 14 months in prison and ordered to pay $17,335 in restitution.[44]

Another State OIG investigation resulted in a grantee employee agreeing to enter a pre-trial diversion program through the State of New Jersey's Office of the Attorney. The employee had altered scholarship grantee payment information in databases from October 2017 to April 2018 and caused payment checks to be mailed to herself, forged the grantees' names, and endorsed the checks to herself. The employee was sentenced to probation and ordered to pay $23,000 in restitution and to perform 50 hours of community service.[45]

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[40] Kathy Gwinn was sentenced to one weekend a month of incarceration for five months, ten months home confinement, and 3 years supervised release, plus probation. Keith Gwinn was sentenced to 37 months of incarceration in Federal prison.
[41] Press Release (Jan. 8, 2018), available at https://www.justice.gov/usao-sdwv/pr/former-treasurer-teays-valley-volunteer-fire-department-pleads-guilty-embezzlement; Press Release (June 19, 2018), available at https://www.justice.gov/usao-sdwv/pr/former-cabinet-secretary-pleads-guilty-embezzling-fire-department-funds; Press Release (Dec.7, 2018), available at https://www.justice.gov/usao-sdwv/pr/former-west-virginia-cabinet-secretary-sentenced-federal-prison-embezzling-fire.
[42] EPA OIG, "Semiannual Report to Congress April 1, 2018-September 30, 2018," available at https://www.epa.gov/sites/production/files/2018-11/documents/_epaoig_20181031-epa-350-r-18-003_linked.pdf, at 32; Press Release (Oct. 25, 2018), available at https://www.doioig.gov/reports/former-executive-director-calhoun-conservation-district-convicted-embezzling-federal-funds.
[43] HUD OIG, "Semiannual Report to Congress October 1, 2017-March 31, 2018," available at https://www.oversight.gov/sites/default/files/oig-sa-reports/archive/16110//SAR_Spring_%202018.pdf, at 14.
[44] State OIG, "Investigative Case Summaries (Sep. 2018)," available at https://www.oversight.gov/sites/default/files/oig-reports/Investigative%20Summaries%20-%20Sept%202018.pdf; Press Release (Sep. 7, 2018), available at https://www.justice.gov/opa/pr/state-department-official-sentenced-prison-engaging-honest-services-wire-fraud-and-theft; Press Release (Apr. 6, 2018), available at https://www.justice.gov/opa/pr/transportation-operator-sentenced-14-months-defrauding-state-department
[45] State OIG, "Investigative Case Summaries (May 2019)," available at https://www.oversight.gov/sites/default/files/oig-reports/Investigative%20Summaries%20-%20May%202019.pdf.

A third State OIG investigation resulted in the debarment of a former subgrantee's director who embezzled $19,000 in grant funds. The director withdrew the funds and fled from Russia to the United States, where he sought asylum. State awarded the grant, valued at $29,000, in 2014 for publishing a website providing independent local, national, and international news inside Russia.[46]

6 months
in prison

$385,000
in restitution

A U.S. Department of Labor (DOL) OIG investigation resulted in Executive Director of the Foundation for Second Chances Melissa Wyatt pleading guilty to theft and embezzlement. DOL's Employment and Training Administration awarded a $1.1 million YouthBuild grant to the Foundation. From November 2016 through June 2017, Wyatt abused her position of trust by spending nearly $375,000 in YouthBuild grant funds to pay for personal credit card bills, a residential mortgage, renovating personally owned properties, and other non-grant-related expenses. Wyatt was sentenced to 6 months in prison and ordered to pay more than $385,000 in restitution.[47]

A HUD OIG investigation ended with grantee Janice Cooks pleading guilty to the misappropriation of nearly $1 million in grant funds designated for housing for disabled women and children. Cooks transferred HUD funds directly to her personal bank account and spent the money on personal effects. Expenditures claimed in the grant proposal did not exist and Cooks' inability to pay for client housing funded by the grant resulted in tenants' eviction and removal. Cooks was sentenced to 4 months in prison and 8 months of home confinement and was ordered to pay $234,719 in restitution.[48]

An investigation completed by NASA OIG, the FBI, and the University of New Hampshire (UNH) Police Department with assistance from the Police Departments in Durham, Nottingham, and Newmarket, NH, resulted in a former UNH research associate professor pleading guilty for stealing money from Federal research grants.[49] While the former professor was authorized to use a university credit card to pay for expenses covered by Federal research grants, he used the credit card to purchase personal items totaling more than $6,900. For each transaction, the professor submitted a fictitious receipt and a fraudulent written justification for the expense. The professor paid full restitution and received 2 years of probation.[50]

A DOJ OIG investigation concluded in Claudia Humphrey pleading guilty for theft of public money and falsifying records. Humphrey was the executive director of LIFT3 Support Group Inc., a nonprofit organization that offered services to victims of sexual assault and domestic violence. Humphrey transferred or caused the transfer of more than $270,000 of grant funds

[46] State OIG, "Investigative Case Summaries (May 2018)," available at https://www.oversight.gov/sites/default/files/oig-reports/Investigative%20Summaries%20-%20May%202018.pdf.
[47] DOL OIG, "OIG Investigations Newsletter December 1, 2018-January 31, 2019 Volume XX," available at https://www.oversight.gov/sites/default/files/oig-reports/DOL-OIG%20Investigations%20Newsletter%20December%201%202018January%2031%202019%203.15.pdf, at 5; DOL OIG, "OIG Investigations Newsletter April 1-May 31, 2019 Volume XXII" available at https://www.oig.dol.gov/public/oinewsletter/DOL-OIG%20Investigations%20Newsletter%20April%201-May%2031%202019.pdf, at 5.
[48] Press Release (Mar. 26, 2019), available at https://www.justice.gov/usao-ndga/pr/georgia-women-sentenced-stealing-hud-funds-intended-disabled-women-and-children.
[49] NASA OIG, the FBI, and UNH Police Department (along with assistance of police departments in Durham, Nottingham, and Newmarket, New Hampshire) conducted the investigation.
[50] Press Release (Dec. 13, 2018), available at https://www.justice.gov/usao-nh/pr/university-new-hampshire-employee-pleads-guilty-stealing-government-funds; Press Release (Mar. 27, 2019), available at https://www.justice.gov/usao-nh/pr/former-university-new-hampshire-employee-sentenced-stealing-government-funds; NASA OIG, "Semiannual Report to Congress April 1, 2017-September 30, 2017," available at https://www.oversight.gov/sites/default/files/oig-sa-reports/NASA%20Office%20of%20Inspector%20General%20-%20Fall%202017%20Semiannual%20Report.pdf.

from DOJ's Office of Violence Against Women into bank accounts she controlled, and she used more than $70,000 on personal expenses. To conceal her embezzlement, Humphrey obstructed the efforts of a DOJ audit by falsifying and altering documents. Humphrey was sentenced to 6 months in prison and ordered to pay $71,423 in restitution.[51]

Audits and Evaluations

While in the active award phase, recipients expend grant funds throughout the period of performance, which can range from 1 to 5 years. Federal grant recipients must have financial systems to ensure that they can and do adequately track the source and expenditure of Federal grant funds and that they expend those funds in a manner that is allowable, allocable, and reasonable. In addition, prime grantees must impose certain Federal requirements on grant subrecipients and must monitor the subrecipients to ensure they comply with Federal regulations and award terms and conditions.

In the highlights included below of audits of active grant awards, the IG community questioned more than $788.7 million in costs associated with auditees' failures to meet their obligations under the Uniform Grant Guidance, as well as the prime grantees' and Federal agencies' failures to adequately monitor the grants.

$788.7 million
in questioned costs

Assessments of Overall Grant Programs

SBA OIG evaluated SBA's grant programs for fiscal years 2014 through 2018; it issued nine audit and evaluation reports reviewing SBA's management of its grant programs and grant recipient's compliance with grant requirements. These nine reviews covered $63.4 million of grant awards to support entrepreneurial development programs. SBA OIG identified systemic issues, including ineffective grant monitoring and financial reporting requirements, with SBA's financial and performance oversight across multiple grant programs. As a result, SBA's grant programs are at risk of funds not being used for their intended purpose and of not achieving program goals and objectives.[52]

In a second example, DOT OIG assessed FTA's policies for using independent integrity monitors and evaluated FTA's oversight of integrity monitors. FTA required grantees that received more than $100 million in Disaster Relief Appropriations Act (DRAA) of 2013 funds to hire independent integrity monitors as a safeguard against fraud, corruption, and cost abuse. DOT OIG found that FTA performs ongoing collaborative reviews of grantee integrity monitor plans but lacks formal processes for identifying known risks and determining the independence of integrity monitors.[53]

In conjunction with the U.S. Department of Agriculture (USDA) and DOI OIGs, HHS OIG audited the Seminole Nation of Oklahoma's Head Start Program. HHS OIG found that the Seminole Nation did not adequately operate the program, manage the program's funds according to Federal requirements, or have effective controls and accountability over funds. These errors

[51] Press Release (Apr. 11, 2019), available at https://www.justice.gov/usao-edca/pr/former-executive-director-non-profit-sentenced-embezzling-funds-intended-domestic.
[52] SBA OIG, "Consolidated Findings of the Office of Inspector General Reports on SBA's Grant Programs, Fiscal Years 2014–2018," Report No. 19-02, Nov. 8, 2018, available at https://www.oversight.gov/report/sba/consolidated-findings-oig-reports-sbas-grant-programs-fys-2014-2018.
[53] DOT OIG "FTA Has an Opportunity To Improve the Integrity Monitor Program for Hurricane Sandy Grantees," Report No. ZA2019064, Sep. 9, 2019, available at https://www.oversight.gov/report/dot/fta-has-opportunity-improve-integrity-monitor-program-hurricane-sandy-grantees.

occurred because the Seminole Nation did not have effective controls and policies and procedures to safeguard Head Start funds.[54]

Unsupported Funds or Improper Costs

NSF OIG audited costs incurred by the Ohio State University. The university, a public land-grant university, reported more than $147 million of expenses claimed on 750 NSF awards from February 1, 2015, through January 31, 2018. NSF OIG questioned $502,587 in direct and indirect costs because these costs were unallocable, unsupportable, or unallowable. Specifically, the auditors found $304,977 of inappropriately allocated expenses; $76,822 of unapproved subaward payments; $67,006 of unsupported expenses; $46,178 of unallowable expenses; and $7,604 of inappropriately applied indirect costs.[55]

DOL OIG audited Experience Works, Inc., which received about $84 million annually in Senior Community Service Program grants aimed at providing job skills training to unemployed seniors. DOL OIG found that the company misused $4.2 million in program grant funds. This included improperly using grant-funded employee leave accounts for unauthorized expenses and unreasonable costs for executives' compensation, severance payments, travel, and other expenses. DOL's Employment and Training Administration was also culpable due to its inadequate oversight of the grantee, which allowed the misuse of grant funds to go unchecked for years.[56]

The National Endowment for the Arts (NEA) OIG reviewed the financial and non-financial information of the California Arts Council (CAC), a State agency whose mission is to advance California through the arts and creativity. NEA OIG reviewed four NEA grants and questioned $204,093 in unsupported costs because CAC did not maintain adequate support. CAC failed to adhere to its own record retention policies and procedures to ensure that supporting documentation was maintained for each expenditure charged to the NEA grant.[57]

NEA OIG also audited the Mid-America Arts Alliance (M-AAA) and identified specific deficiencies requiring corrective action, including failing to report actual costs on its Federal Financial Report (FFR); reporting unsupported costs in total outlays; not having written policies and procedures for the management of Federal awards; and not having record retention policies and procedures that meet Federal award requirements. This report identified $18,640 in unallowable and duplicate costs, as well as $205,111 in questioned costs. M-AAA officials agreed with the findings and agreed to implement corrective actions.[58]

In another example, NEA OIG audited the Education Commission of the States and found that the Commission did not fully comply with financial management system and recordkeeping

[54] HHS OIG, "Seminole Nation of Oklahoma Did Not Adequately Operate and Manage Its Head Start Program," Report No. A-06-18-07002, Dec. 18, 2019, available at https://oig.hhs.gov/oas/reports/region6/61807002.asp.
[55] NSF OIG, "Performance Audit of Incurred Costs – Ohio State University," Audit Report No. OIG 19-1-016, Aug. 8, 2019, available at https://www.oversight.gov/sites/default/files/oig-reports/19-1-016_Ohio_State_University.pdf.
[56] DOL OIG, "Experience Works, Inc. Misused More Than $4million In SCSEP Grant Funds," Report No. 26-18-002-03-360, Sep. 28, 2018, available at https://www.oversight.gov/sites/default/files/oig-reports/26-18-002--Experience%20Works.pdf.
[57] NEA OIG, "Limited Scope Audit Report on Selected Awards to California Arts Council (CAC)," Report No. LS-18-01, Mar. 29, 2018, available at https://www.oversight.gov/report/nea/limited-scope-audit-report-selected-grants-california-arts-council.
[58] NEA OIG, "Limited Scope Audit on Selected Awards to the Mid-America Arts Alliance," Report No. LS-19-02, Feb. 28, 2019, available at https://www.oversight.gov/report/nea/limited-scope-audit-selected-awards-mid-america-arts-alliance.

requirements established by the U.S. Office of Management and Budget (OMB) and NEA. The audit identified $104,668 in questioned costs.[59]

Finally, the National Endowment for the Humanities (NEH) OIG audited Virginia Union University after the university received an award to support the establishment of an interdisciplinary learning community program centered on African American heritage. The university certified $98,373 in total Federal expenditures related to the project but did not report any cost-sharing in the final Federal financial report. The limited scope audit identified questioned costs totaling $58,342.[60]

Maintaining Adequate Financial Records Is Important

DOJ OIG issued an audit report on two DOJ Office of Justice Program grants awarded to the International Institute of Buffalo for identifying and addressing the needs of victims of human trafficking. The Institute comingled grant funds and did not maintain adequate financial management system records. As a result, DOJ OIG could not determine whether financial reports were accurate, whether the Institute adhered to its budgets, or whether the Institute complied with drawdown requirements. In addition, the Institute did not have adequate source documentation for certain types of expenditures totaling $71,638.[61]

HHS OIG audited The Children's Village, Inc., an Unaccompanied Alien Children Program grantee. The Children's Village inappropriately drew down grant funds from HHS' payment management system because it did not have financial management system procedures to adequately ensure that Federal funds were drawn down when needed, that all related obligations were paid timely, and that grant funds were separately identified and segregated. HHS OIG identified $2.6 million in unallowable and unsupportable expenditures.[62]

SBA OIG audited The SCORE Association's cooperative agreement award. SBA OIG determined that SCORE, a national nonprofit volunteer organization focused on entrepreneurial development, comingled Federal funds with unrestricted donations and used Federal funds for unallowable, unallocable, and unsupported costs. SBA program officials did not perform sufficient reviews to ensure SCORE adhered to Federal requirements for quarterly financial reporting, nor did they ensure SCORE established effective internal controls over its use of Federal funds. As a result, SBA OIG questioned $713,986 of program costs.[63]

HHS OIG audited Henry J. Austin Health Center, Inc.'s Community Health Center Program grants worth $8,281,670 that provide comprehensive primary care services. The health center claimed all its expenditures for payroll and allocated salaries to the grants based on budget estimates rather than on the actual time employees spent working on each award. Therefore, HHS OIG could not determine what portion of employees' salaries should have been charged to the grants. These deficiencies occurred because the health center did not maintain a financial

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[59] NEA OIG, "Limited Scope Audit on Selected Awards to Education Commission of the States," Report No. LS-19-06, Aug. 28, 2019, available at https://www.oversight.gov/report/nea/limited-scope-audit-selected-awards-education-commission-states.

[60] NEH OIG, "Limited Audit Report NEH Grant Award to Virginia Union University," Report No. AB-226623-15, Aug. 8, 2019, available at https://oversight.gov/report/nehoig/limited-audit-report-neh-grant-award-virginia-union-university.

[61] DOJ OIG, "Audit of the Office of Justice Programs Cooperative Agreements Awarded to the International Institute of Buffalo, Buffalo, New York," Report No. GR-70-19-004, May 9, 2019, available at https://www.oversight.gov/report/doj/audit-office-justice-programs-cooperative-agreements-awarded-international-institute.

[62] HHS OIG, "The Children's Village, Inc., an Administration for Children and Families Grantee, Did Not Always Comply with Applicable Federal and State Policies and Requirements," Report No. A-02-16-02013, Apr. 2019, available at https://www.oversight.gov/sites/default/files/oig-reports/21602013.pdf.

[63] SBA OIG, "Audit of SBA's Oversight of the SCORE Association," Report No. 19-12, Apr. 25, 2019, available at https://www.oversight.gov/report/sba/audit-sbas-oversight-score-association.

management system that provided for accurate, current, and complete disclosure of the financial results of its grants.[64]

HHS OIG reviewed New York State's Substance Abuse Prevention and Treatment Block Grant programs to ensure the integrity and proper stewardship of grant funds used to combat the opioid crisis. HHS OIG found that New York failed to trace funds to a level of expenditure adequate to establish that the funds were used for the grant's intended purpose.[65]

DOI OIG audited the Joint Programs of the Northern Arapaho and Eastern Shoshone Tribes of the Wind River Reservation's Tribal Transportation Agreement with the Bureau of Indian Affairs (BIA). Costs claimed by the Wind River Tribes were not allocable to the agreement because the Tribes' accounting system and procedures are not configured to manage Federal funds. As a result, the Wind River Tribes could not support $6.2 million in expenses claimed. In addition, BIA's management did not provide staff with sufficient training to fulfill their responsibility to provide oversight and administration.[66]

$6.2 million
in unsupported expenses

DOE OIG inspected the Regional Coalition of Los Alamos National Laboratory (LANL) Communities after obtaining information indicating that the Coalition misspent DOE grant funds. The Coalition did not properly account for DOE grant funds or use the funds according to Federal requirements and the terms of the grant. In addition, DOE did not provide effective oversight of the Coalition's spending and activities. The Coalition comingled DOE funds with funds received from other sources and subsequently engaged in activities prohibited by the U.S. Code and the terms of the grant agreement.[67]

DOC OIG audited the National Oceanic and Atmospheric Administration's financial assistance awards to the Gulf States Marine Fisheries Commission. The Commission claimed costs that were not allowable, allocable, or reasonable. Specifically, the Commission failed to abide by financial assistance terms and conditions by not following applicable cost principles and administrative and audit requirements.[68]

NSF OIG initiated an audit of NSF's Established Program to Stimulate Competitive Research awards. Auditors selected a series of grant recipients, including the University of Delaware. Federal funds disbursed by NSF to the university exceeded costs by $166,000. The university determined the discrepancy occurred because it allocated indirect costs to direct participant support costs. It further determined this was a systemic issue across multiple Federal awards and committed to refund $490,000 to NSF because of the improper indirect charges.[69]

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[64] HHS OIG, "Henry J. Austin Health Center, Inc., a Health Resources and Services Administration Grantee, Did Not Comply With Federal Grant Requirements," Report No. A-02-17-02002, Feb. 2018, available at https://www.oversight.gov/sites/default/files/oig-reports/21702002.pdf.

[65] HHS OIG, "New York Did Not Provide Adequate Stewardship of Substance Abuse Prevention and Treatment Block Grant Funds," Report No. A-02-17-02009, Mar. 20, 2019, available at https://www.oversight.gov/report/hhsoig/new-york-did-not-provide-adequate-stewardship-substance-abuse-prevention-and-treatment.

[66] DOI OIG, "The Wind River Tribes Misapplied Federal Funds for the Tribal Transportation Program," Report No. 2017-FIN-042, July 12, 2018, available at https://www.oversight.gov/report/doi/wind-river-tribes-misapplied-federal-funds-tribal-transportation-program.

[67] DOE OIG, "The Use of Grant DE-EM0003780 by the Regional Coalition of LANL Communities," Report No. DOE-OIG-19-53, Sep. 27, 2019, available at https://www.oversight.gov/report/doe/use-grant-de-em0003780-regional-coalition-lanl-communities.

[68] DOC OIG, "Audit of NOAA Financial Assistance Awards to the Gulf States Marine Fisheries Commission," Report No. OIG-19-021-A, Aug. 12, 2019, available at https://www.oversight.gov/sites/default/files/oig-reports/2019-08 12_NOAA%20GSMFC%20Final%20Report%20OIG-19-021-A.pdf.

[69] NSF OIG "Alert Memo Regarding University of Delaware's NSF EPSCoR Award," OIG Project No. 19-6-002, July 16, 2019, available at https://www.oversight.gov/sites/default/files/oig-reports/19-6-002_DE_EPSCoR_Alert_Memo_0.pdf.

Inadequate Oversight by Agencies

USDA OIG reviewed USDA's Natural Resources Conservation Service (NRCS) administration of Conservation Innovation Grants. USDA OIG determined that NRCS needs to strengthen its program monitoring policies and procedures. NRCS reimbursed nearly $4.4 million to grantees who did not adhere to the terms of grant agreements. NRCS cannot confirm that grantees collected and used matching funds from non-Federal sources during their projects. Also, in the absence of conflict-of-interest policy, NRCS approving officials could have a vested interest in the work conducted under these grants or in the grant recipients.[70]

State OIG reviewed cooperative agreements awarded to the Institute of International Education by State's Bureau of Educational and Cultural Affairs (ECA). ECA officials did not monitor the cooperative agreements awarded to the Institute according to Federal regulations and State policy. Specifically, grants officers and grants officer representatives on the awards failed to develop monitoring plans specific to each cooperative agreement as required. Grants officers and grants officer representatives did not assess financial and progress reports the Institute submitted. As a result, the Institute could not support $36 million of expenses claimed.[71]

NASA OIG audited NASA's Goddard Institute for Space Studies (GISS). There were multiple instances of unallowable use of NASA-appropriated funds by GISS employees, grant recipients, and contractors for salary expenses, subcontracting, and computer equipment. This inappropriate use of NASA funds largely resulted from insufficient oversight by NASA's technical officers and approving officials coupled with the absence of a senior-level administrator at GISS to manage GISS' grants.[72]

DOL OIG audited the Employment and Training Administration's (ETA) H-1B Technical Skills Training Grant Program. DOL OIG found systemic weaknesses in the program's grant award process, oversight, and performance measurement, including $13 million in questioned costs. Fifty-three percent of grantees were at risk of not meeting the program's intent. Only 7 percent of the 400 sampled participants received H-1B training and only 5 percent obtained and retained H-1B jobs.[73]

DHS OIG audited Louisiana's Office of Community Development's (OCD's) FEMA Hazard Mitigation Grant Program. FEMA did not properly oversee OCD to ensure it complied with Federal regulations and FEMA guidelines. OCD did not provide adequate documentation to support costs or close out of a $706.6 million grant.[74]

[70] USDA OIG, "Semiannual Report to Congress Second Half April 1, 2018–September 30, 2018," available at https://www.oversight.gov/sites/default/files/oig-sa-reports/sarc2018_2nd_half_508.pdf; USDA OIG, "Controls Over the Conservation Innovation Grant (CIG) Program," Report No. 10099-0001-23, Sep. 2018, available at https://www.usda.gov/oig/webdocs/10099-0001-23.pdf.

[71] State OIG, "Audit of the Administration of Selected Cooperative Agreements Awarded to the Institute of International Education by the Bureau of Educational and Cultural Affairs," Report No. AUD-CGI-18-15, Feb. 23, 2018, available at https://www.oversight.gov/report/dos/audit-administration-selected-cooperative-agreements-awarded-institute-international.

[72] NASA OIG, "NASA's Management of GISS: The Goddard Institute for Space Studies," Report No. IG-18-015, Apr. 5, 2018, available at https://www.oversight.gov/report/nasa/nasas-management-giss-goddard-institute-space-studies.

[73] DOL OIG, "ETA Had No Reasonable Assurance that $183 Million in H-1B TST Grant Funds Helped Participants Get H-1B JOBS," Report No. 06-19-001-03-391, Sep. 27, 2019, available at https://www.oversight.gov/report/dol/eta-had-no-reasonable-assurance-183-million-tst-grant-funds-helped-get-h-1b-jobs.

[74] DHS OIG, "Louisiana Did Not Properly Oversee a $706.6 Million Hazard Mitigation Grant Program Award for Work on Louisiana Homes," Report No. OIG-19-54, July 25, 2019, available at https://www.oversight.gov/report/dhs/louisiana-did-not-properly-oversee-7066-million-hazard-mitigation-grant-program-award.

$2.5 million
of potentially unallowable expenditures

DOE OIG reviewed DOE's Office of Fossil Energy's Clean Coal Power Initiative. DOE OIG identified more than $2.5 million in expenditures that the awardee, Summit Texas Clean Energy, LLC, charged to the initiative as potentially unallowable, including more than $1.2 million in potential lobbying costs and $1.3 million in questionable or prohibited travel-related expenses. The issues identified occurred, in part, because the Office of Fossil Energy had not always exercised sound project and financial management practices in its oversight of the initiative.[75]

Oversight to Subaward Recipients Needed

DOI OIG audited costs claimed by the Chicago Horticultural Society (CHS) on a grant with the Bureau of Land Management (BLM). CHS did not adequately oversee subaward recipients, failed to follow Federal regulations when hiring interns, changed the budget without approval, charged unsupported intern recruitment costs, and had inaccuracies in its accounting system.[76]

DOJ OIG audited three Victims of Crime Act grants awarded to the Wisconsin Department of Justice and found the State did not adequately monitor subrecipients. DOJ OIG identified $196,499 in unallowable or unsupported administrative expenditures, subrecipient expenditures, and subrecipient matching funds.[77]

The U.S. Department of the Treasury (Treasury) OIG audited the Florida Institute of Oceanography's Centers of Excellence Research Grants Program. Treasury OIG found that the Florida Institute of Oceanography's insufficiently monitored subrecipients and needed to strengthen its oversight.[78]

Following Federal Regulations and Agency Guidelines Is Important

DHS OIG reviewed the Port Authority of New York and New Jersey's $309 million grant award from FEMA. FEMA did not follow Federal regulations or its own guidelines for reviewing cost estimates and documenting its determinations. FEMA Region II personnel could not provide documentation to justify changes made to the cost estimates or prove they reviewed the cost estimates adequately, resulting in a lack of assurance that FEMA costs obligated are accurate and reasonable.[79]

During an inspection of the Bureau of Democracy, Human Rights, and Labor's foreign assistance program management, State OIG found that the Bureau failed to conduct and document site visits systematically according to monitoring plans. Grants officer representatives did not conduct all the site visits set out in the monitoring plans for most of the grants that OIG

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[75] DOE OIG, "The Office of Fossil Energy's Oversight of the Texas Clean Energy Project Under the Clean Coal Power Initiative," Report No. DOE-OIG-18-17, Feb. 2018, available at https://www.oversight.gov/sites/default/files/oig-reports/DOE-OIG-18-17.pdf.
[76] https://www.doioig.gov/sites/doioig.gov/files/FinalAuditReissue_BLMChicagoHorticulturalSociety_Public.pdf.
[77] DOJ OIG, "Audit of the Office of Justice Programs Victim Assistance Grants Awarded to the Wisconsin Department of Justice Madison, Wisconsin," Report No. GR-50-19-003, Aug, 1, 2019, available at https://www.oversight.gov/report/doj/audit-office-justice-programs-victim-assistance-grants-awarded-wisconsin-department.
[78] Treasury OIG, "Gulf Coast Restoration: Florida Institute of Oceanography's Centers of Excellence Research Grants Program," Report No. OIG-19-010, Nov. 7, 2018, available at https://www.oversight.gov/report/toig/gulf-coast-restoration-florida-institute-oceanographys-centers-excellence-research.
[79] DHS OIG, "FEMA Did Not Properly Review the Port Authority of New York and New Jersey's Request for $306 Million in Public Assistance Funds," Report No. OIG-19-61, Sep. 23, 2019, available at https://www.oversight.gov/report/dhs/fema-did-not-properly-review-port-authority-new-york-and-new-jerseys-request-306-million.

reviewed, and most award files did not document site visits, making it difficult to determine if a site visit took place and what was found.[80]

CNCS OIG audited the Mayor's Fund to Advance New York City, the prime grantee for a Social Innovation Fund (SIF) grant from CNCS. The Mayor's Fund awarded $25.8 million in SIF funds to 19 subgrantees. CNCS OIG questioned more than $4.6 million resulting primarily from two findings: (1) failure to conduct criminal history checks for staff members paid with SIF funds and (2) a decision to award a subgrant to an unqualified organization with a substantial conflict of interest.[81]

$4.6 million
in questioned costs

NSF OIG audited costs charged by the University of Montana and questioned $367,779 in direct and indirect costs because the university did not always comply with all Federal, NSF, and university regulations and policies. Specifically, the university's two-tiered salary structure for faculty members violated Federal cost principles and NSF policy. The university charged $342,000 in excessive salaries to NSF grants during the 3-year audit period.[82]

Inadequate Supporting Documentation

DOI OIG audited a cooperative agreement between the Bureau of Reclamation and the Panoche Drainage District. This agreement funded operation and maintenance of the San Luis Demonstration Treatment Plant. DOI OIG found missing and unacceptable single audits, unreliable financial records, an absence of clearly written accounting policies and procedures, personal use of District-owned vehicles, questionable employee qualifications, and questionable wage rates.[83]

DOI OIG also audited an agreement between the Aleutian Pribilof Island Association (APIA) and the Bureau of Indian Affairs to provide clients with job training, work, and education-related opportunities. APIA charged costs without supporting documentation for tuition and living assistance and charged unallowable costs for membership dues and burial assistance.[84]

SBA OIG audited two cooperative agreements SBA awarded to the Women's Business Center, Inc. (recipient), as part of an ongoing audit to determine whether SBA effectively oversees the recipient's Women's Business Centers (WBCs) to ensure the WBCs complied with Federal financial requirements. The recipient materially violated Federal statutes, regulations, and the terms and conditions of its cooperative agreements. The recipient denied access to SBA OIG and disregarded governing Federal regulations and terms and conditions of its cooperative agreements.[85]

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[80] State OIG, "Inspection of the Bureau of Democracy, Human Rights, and Labor's Foreign Assistance Program Management," ISP-I-19-12, Oct. 31, 2018, available at https://oversight.gov/report/dos/inspection-bureau-democracy-human-rights-and-labor%E2%80%99s-foreign-assistance-program.

[81] CNCS OIG, "Audit of Corporation for National and Community Service Grants to the Mayor's Fund to Advance New York City," Audit Report No. 18-07, Mar. 29, 2018, available at https://www.oversight.gov/sites/default/files/oig-reports/Report%20No.%2018-07.pdf.

[82] NSF OIG, "Performance Audit of Incurred Costs –University of Montana," Report No. OIG 18-1-007, Sep. 27, 2018, available at https://www.oversight.gov/sites/default/files/oig-reports/18-1-007_University_of_Montana.pdf.

[83] DOI OIG, "The Bureau of Reclamation's Cooperative Agreement No. R16AC00087 With the Panoche Drainage District," Report No. 2017-WR-048, July 12, 2018, available at https://www.oversight.gov/report/doi/bureau-reclamation%E2%80%99s-cooperative-agreement-no-r16ac00087-panoche-drainage-district.

[84] DOI OIG, "Incurred Cost Audit of Aleutian Pribilof Island Association Compact Agreement No. OSGT811 Involving Public Law 102-477 With the Bureau of Indian Affairs," Report No. 2017-FIN-062, Aug. 16, 2018, available at https://www.oversight.gov/report/doi/incurred-cost-audit-aleutian-pribilof-island-association-compact-agreement-no-osgt811.

[85] SBA OIG, "Review of Women's Business Center, Inc., Compliance with Cooperative Agreement Requirements," Report No. 19-20, Sep. 19, 2019, available at https://www.oversight.gov/report/sba/review-womens-business-center-inc-compliance-cooperative-agreement-requirements.

HHS OIG reviewed the Office of Refugee Resettlement Unaccompanied Alien Children Program facilities and found 11 of 45 facilities did not have evidence of the required FBI fingerprint, 10 facilities did not document Child Protective Services (CPS) check results, and 29 facilities did not ensure that out-of-State CPS checks were conducted and documented for all employees who had lived in other States during the previous 5 years. Without FBI and CPS documentation in employee files, facilities could have risked the health and safety of children in their care.[86]

Finally, Treasury OIG audited RESTORE Act funds, including Subsea Systems Institute (SSI), a subaward recipient of the Texas Commission on Environmental Quality. The audit noted a deficiency in SSI's certification of the effort form status (effort report). Specifically, SSI reviewed and certified effort reports beyond the 180-day deadline established by University of Houston guidelines; the university provides accounting and payroll services to SSI.[87]

[86] HHS OIG, "Unaccompanied Alien Children Care Provider Facilities Generally Conducted Required Background Checks but Faced Challenges in Hiring, Screening, and Retaining Employees," Report No. A-12-19-20001, Sep. 3, 2019, available at https://www.oversight.gov/report/hhsoig/unaccompanied-alien-children-care-provider-facilities-generally-conducted-required.

[87] Treasury OIG, "Gulf Coast Restoration: Audit of Subsea Systems Institute Center of Excellence's Use of RESTORE Act Funds," Report No. OIG-19-045, Sep. 11, 2019, available at https://www.oversight.gov/report/toig/gulf-coast-restoration-audit-subsea-systems-institute-center-excellences-use-restore-act.

Award End Grant Oversight Efforts

Investigations

Award End Risks

- No/Late Final Reports
- Cost Transfers Spend-out
- Financial Adjustments
- Unmet Cost Share

OIG investigations focused on the end of the grant cycle identify patterns of fraud, including spending excess grant funds unrelated to the grant; falsely reporting expenditures in final progress reports and Federal financial reports; overlapping funding schemes in which grantees report out research to one Federal agency that had been previously performed for another funding program; and falsely reporting accomplishments or meeting milestones that they had not achieved to quality for final grant payments, additional grant increments, or new grants. Many grant-making agencies mandate that grant recipients certify the truthfulness of their final progress reports and Federal financial reports; submitting false certifications is a false claim or false statement subject to criminal and civil prosecution. The Federal Government has a reversionary interest in unused grant funds, and grant funds cannot be diverted to other expenses or accounts.

$6.4 million
in civil recoveries

Below are recent examples of investigations of grant fraud schemes involving the misuse of award funds at the end-of-award periods and falsified information or certifications in reports, drawdowns, and close outs that have resulted in civil recoveries totaling more than $6.4 million.

Civil False Claims Act Settlements

An HHS OIG investigation resulted in a $2.3 million settlement with the University of Texas Health Science Center's Human Genetics Center to settle allegations that it had misappropriated funds under an NIH grant. Just before the end of the grant period, the center ordered material from a third party but stopped shipment and payment for that material. The center then used those unused funds to purchase goods and services after the grant close out. As such, the center underreported the unobligated Federal funds remaining on the grant not returned to NIH.[88]

A joint investigation conducted by the DOD, DOE, HHS, NASA, and NSF OIGs and the U.S. Attorney's Office of the Western District of Wisconsin ended with the University of Wisconsin-Madison agreeing to pay $1.5 million to settle claims that it failed to properly account for rebates and credits to reduce costs allocable to Federal awards. The university participated in rebate and discount programs with supply and equipment vendors. While the rebate and discount programs were applied to certain supplies and equipment, it failed to credit the rebates and discounts associated with these purchases to the Federal awards. Because the university failed to credit the various rebates and discounts, it overcharged the United States.[89]

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[88] HHS OIG, "Semiannual Report to Congress October 1, 2018-March 31, 2019," available at https://www.oversight.gov/sites/default/files/oig-sa-reports/2019-spring-sar-1.pdf, at 51; Press Release (Jan. 31, 2019), available at https://www.justice.gov/usao-sdtx/pr/ut-health-science-center-pays-more-23-million-resolve-allegations.
[89] Press Release (Mar. 21, 2019), available at https://www.justice.gov/usao-wdwi/pr/university-pay-15-million-settle-false-claims-act-allegations.

As a result of an investigation conducted by NSF and DOE OIGs, Sentient Science entered into a $2,675,000 False Claims Act settlement to resolve multiple allegations of fraudulent submissions to the Government.[90] The allegations included misrepresentations about key personnel and third-party contracts, and providing information in grant reports that falsely represented that Sentient Science expended grant monies that it had not expended.

Audits and Evaluations

During the award end and closeout phase, grantees cannot incur costs after the period of performance for a grant that has ended. Thus, the recipient is responsible for reporting total expended award funds to the awarding agency, both to close the agency's award financial account and as part of the final project report that describes the results and benefits of the project financed with Federal funds. Audit and evaluation work over the award closeout process in this report identified more than $527.2 million in questioned costs where expenditures were not reasonable, allowable, or allocable and nearly $435,000 in funds to be put to better use where opportunities exist to promote more efficient and effective spending.

$527.2 million
in questioned costs

$435,000
to be put to better use

Violations of Federal Law and Policy

HUD OIG audited HUD's Office of Community Planning and Development (CPD) to determine whether the HUD Office of Community Planning and Development (CPD) monitored and ensured that its Disaster Relief Appropriations Act grantees complied with the Act's 24-month statutory expenditure requirement. Although it monitored grantees, CPD did not enforce the 24-month grantee expenditure requirement in all cases. Further, HUD's Office of the Chief Financial Officer did not use its financial controls to monitor compliance. As a result, CPD allowed grantees to improperly receive payments totaling more than $526 million.[91]

Opportunities to Align Plans with Agency Strategic Goals

State OIG inspected the executive direction, program and policy implementation, and resource management operations of Embassy Port-au-Prince in Haiti. During the inspection, State OIG found the Bureau of International Narcotics and Law Enforcement Affairs did not conduct formal evaluation efforts to analyze the impact of its five key projects and to verify and measure performance in achieving goals. The lack of formal project and program evaluations impeded the Bureau's ability to improve program design and implementation.[92]

State OIG also audited State's Bureau of Counterterrorism and Countering Violent Extremism. The Bureau works to develop and implement countering violent extremism outreach, training, policies, and programs. Strategic plans form the basis for State's resource planning and performance management efforts. State OIG could not affirm whether grants and cooperative agreements awarded to countering violent extremism achieved desired results because the

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[90] Press Release (Sept. 28, 2018) available at https://www.justice.gov/usao-wdny/pr/sentient-science-pay-2675-million-resolve-false-claims-act-allegations .

[91] HUD OIG, "CPD Did Not Enforce the Disaster Appropriations Act, 2013, 24-Month Grantee Expenditure Requirement," Report No. 2019-FW-0001, May 17, 2019, available at https://www.oversight.gov/report/hud/hud-cpd-did-not-enforce-disaster-appropriations-act-2013-24-month-grantee-expenditure.

[92] State OIG, "Inspection of Embassy Port-au-Prince, Haiti," Report No. ISP-I-19-18, June 19, 2019, available at https://oversight.gov/report/dos/inspection-embassy-port-au-prince-haiti.

Bureau had not ensured that the strategic plans aligned with State's overall goals. The lack of alignment hindered State's ability to measure the results of these awards, identify best practices that could be replicated, or abandon ineffective efforts.[93]

Failure To Hold Grantees Accountable

USAID OIG made 2,700 recommendations in 365 audit reports aimed at strengthening USAID's award management process to better ensure that USAID awards achieved intended outcomes. USAID OIG noted that almost half of all awards did not achieve expected results, but implementers were generally paid full award amounts. In addition, USAID's award management process did not have the rigor needed to ensure that USAID achieved results. At the time of reporting, USAID had taken prompt action on over half the recommendations aimed at strengthening the award management process and enforcing accountability of those charged with award oversight.[94]

The Nuclear Regulatory Commission (NRC) OIG reviewed NRC's grants administration program and found NRC is not adequately fulfilling its grant oversight responsibilities regarding grant monitoring and records maintenance because of NRC's outdated policies and procedures and need for knowledge management. As a result, NRC did not comply with Federal regulations or agency guidance.[95]

State OIG inspects the direction, program and policy implementation, and resource management operations of embassies and missions worldwide. State OIG inspected the U.S. Mission to Somalia, housed in Nairobi, Kenya, and the Embassy of Bogota in Colombia. In these two inspections, State OIG found similar deficiencies in the management of public diplomacy grants; grant files did not contain all required reports needed to document grantee performance and financial expenditures.[96]

$789,479
in questioned costs

$434,589
to be put to better use

The National Archive and Records Administration (NARA) OIG audited the National Historical Publications and Records Commission, NARA's grant-making affiliate. NARA OIG found that the Commission does not employ a formal structured or systematic risk management approach to monitoring grants. As a result, NARA's grant program risks waste and abuse. Grantees did not always follow grant regulations or the intent of their grant contracts, and they did not always use grant funds as intended. NARA OIG's review of a sample of active and closed grants resulted in questioned costs of $789,479 and funds to be put to better use of $434,589.[97]

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[93] State OIG, "Audit of Department of State Implementation of Policies Intended To Counter Violent Extremism," Report No. AUD-MERO-19-27, June 28, 2019, available at https://oversight.gov/report/dos/audit-department-state-implementation-policies-intended-counter-violent-extremism.
[94] USAID OIG, "USAID's Award Oversight Is Insufficient To Hold Implementers Accountable for Achieving Results," Report No. 9-000-19-006-P2019, Sep. 25, 2019, available at https://www.oversight.gov/sites/default/files/oig-reports/9-000-19-006-P.pdf.
[95] NRC OIG, "Audit of NRC's Grants Administration and Closeout," Report No. OIG-19-A-21, Sep. 30, 2019, available at https://www.oversight.gov/sites/default/files/oig-reports/OIG-19-A-21-Audit%20of%20NRC%27s%20Grants%20Administration%20and%20Closeout%20Final%20Report.pdf.
[96] State OIG, "Inspection of U.S. Mission to Somalia," Report No. ISP-I-19-09, Oct. 31, 2018, available at https://www.oversight.gov/report/dos/inspection-us-mission-somalia; https://oversight.gov/report/dos/inspection-embassy-bogota-colombia.
[97] NARA OIG "Audit of NARA's Oversight of Selected Grantees' Use of Grant Funds," Report No. 11-03, Feb. 16, 2011, available at https://www.archives.gov/files/oig/pdf/2011/audit-report-11-03.pdf.

DOL OIG audited DOL's Employment and Training Administration's (ETA's) YouthBuild grants and found that 1,155 participants left a YouthBuild program without having earned a measurable benefit. ETA agreed to clarify its requirements for successful exits from the program and to improve its oversight to ensure grantees complied with those requirements.[98]

DOJ OIG examined the Office of Justice Program's (OJP's) administration of programs supported by the Crime Victims Fund to assess systemic issues facing grant administration and to evaluate the actions OJP has taken to ameliorate previously identified issues. DOJ OIG's review found that some States struggled to strategically allocate their awards, resulting in large funding balances before award expiration deadlines and increased risk of wasteful spending.[99] Based on the work of this review and recent CVF grant audits, OJP made significant progress to strengthen and improve administration of the CVF programs which builds stakeholder confidence in this important program.

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[98] DOL OIG, "DOL Could Improve Exit Requirements and Oversight of the YouthBuild Program," Report No. 04-18-002-03-001, Mar. 30, 2018, available at https://www.oversight.gov/report/dol/dol-could-improve-exit-requirements-and-participant-outcomes-youthbuild-program.

[99] DOJ OIG, "Review of the Office of Justice Programs' Efforts to Address Challenges in Administering the Crime Victims Fund Programs," Report No. 19-34, July 30, 2019, available at https://www.oversight.gov/report/doj/review-office-justice-programs%E2%80%99-efforts-address-challenges-administering-crime-victims.

Conclusion

Federal grants and financial assistance programs provide crucial funding to promote the public good. Among other things, they help advance science and address medical needs; promote a wide variety of social interventions and community service; and provide financial support for veterans, small businesses, education, healthcare, disaster relief, and economic development. While much of the funding is used properly and reaches intended beneficiaries, the work highlighted in this report uncovered instances of fraud, waste, and mismanagement. The results of our oversight work will ensure better accountability and integrity of taxpayer dollars. Further, the victims of grant fraud expand beyond the taxpayer; fraud, waste, and abuse involving Federal programs deprive eligible recipients—including our most vulnerable populations—of critically important benefits, services, and research.

The audit and evaluation work identified internal control deficiencies that led to questioned costs and funds put to better use. The recommendations to Federal grant officials will help recover misused funds and improper payments, and include corrective actions that, if adopted, will limit and prevent the issues from occurring again in the future. Fraud investigations resulted in recoveries for theft and misuse of grant funding as well as prosecutions. In addition to holding individuals and entities accountable for false claims, false statements, embezzlement, and identity theft, these publicized outcomes also aid in our mission to deter fraud. Beyond criminal and civil enforcement, our community also relies on administrative remedies to protect Federal funds. The OIGs refer individuals and entities for Governmentwide suspension and debarment, which are exclusion actions that protect the Federal Government from awarding both discretionary financial assistance and procurement contracts to individuals and entities that have demonstrated a lack of present responsibility.

This report highlights oversight across multiple disciplines and demonstrates the importance of collaboration within the OIG community and with other oversight partners. Important to this collaborative work is the ability to proactively identify program risks and devote resources to conduct impactful oversight work. The increased use of data analytics, to include data matching against multiple data sources, can help the OIGs focus on aberrant spending and anomalous activity on grant awards to most effectively target our limited oversight resources on the most significant risks. These oversight efforts identify common deficiencies and leading practices, improve accountability, and increase confidence that scarce grant funds are used properly and program outcomes are achieved. We publicize our oversight activities and enforcement actions to keep our stakeholders and oversight partners informed and to deter fraud, waste, and abuse.

The OIGs are also using the tools, techniques, and approaches highlighted in this report in their oversight of more than $1 trillion in financial assistance for COVID-19 disaster relief, to include personal safeguards, food insecurity, housing needs, medical treatment, and payroll protection. With the volume of pandemic response financial assistant awards, data analytics is playing an important role in identifying fraud, waste, and abuse. For example, the SBA OIG's data analytics work identified nearly $2 billion in financial assistance abuses, which will help agency officials recover misused funds as well as improve controls and program delivery in the future. A collaborative approach to oversight is important to help ensure that this disaster relief funding goes where it is most needed. The Pandemic Response Accountability Committee is helping bring the OIG community together and is enhancing oversight capabilities throughout the community to address this important challenge.

Appendix A: Participating Agencies

- U.S. Agency for International Development (USAID) Office of Inspector General (OIG)
- U.S. Department of Agriculture (USDA) OIG
- U.S. Department of Commerce (DOC) OIG
- U.S. Department of Defense (DOD) OIG
- U.S. Department of Energy (DOE) OIG
- U.S. Department of Health and Human Services (HHS) OIG
- U.S. Department of Homeland Security (DHS) OIG
- U.S. Department of Housing and Urban Development (HUD) OIG
- U.S. Department of the Interior (DOI) OIG
- U.S. Department of Justice (DOJ) OIG
- U.S. Department of Labor (DOL) OIG
- U.S. Department of State (State) OIG
- U.S. Department of Transportation (DOT) OIG
- U.S. Department of the Treasury (Treasury) OIG
- Corporation for National and Community Service (CNCS) OIG
- Environmental Protection Agency (EPA) OIG
- National Aeronautics and Space Administration (NASA) OIG
- National Archives and Records Administration (NARA) OIG
- National Endowment for the Arts (NEA) OIG
- National Endowment for the Humanities (NEH) OIG
- National Science Foundation (NSF) OIG
- Nuclear Regulatory Commission (NRC) OIG
- Small Business Administration (SBA) OIG

Appendix B: Acknowledgements

The Cross-Cutting Initiatives Working Group, under the direction of CIGIE's Audit Committee, compiled this report. The Cross-Cutting Initiatives for Grant Oversight Co-Chairs Dr. Brett Baker and Fara Damelin give special thanks to the following individuals for their significant contributions to this report:

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- U.S. Department of the Interior OIG: Jenny Haliski, Senior Communications Advisor and Director; Kim Balderson, Lisa Knight, and Deanna Masterson, Writer-Editors

In addition, we would like to acknowledge the following working groups for their leadership in coordinating multiagency initiatives to protect Federal grant funds and for making important recommendations for protecting grant funds. The working groups developed workshops and resources to share leading practices, initiated multiagency investigations, and initiatives to protect Federal grant funds. Their efforts have contributed to work identified in this report.

- The Grant Fraud Working Group (GFWG), chaired by the DOJ Inspector General Michael Horowitz, is an interagency working group focused on grant fraud enforcement. The group falls under DOJ's Task Force on Market Integrity and Consumer Fraud. Established more than a decade ago, the GFWG now consists of more than 460 individuals, including agents, auditors, attorneys, and others from 65 different agencies, such as representatives from the U.S. Office of Management and Budget (OMB), U.S. Government Accountability Office (GAO), Executive Office for United States Attorneys, the Antitrust, Criminal and Civil Divisions, and 20 different U.S. Attorney's Offices.

- The Small Business Innovation Research Investigations Working Group was founded in 2010 by special agents with the NSF and U.S. Department of Energy (DOE) OIGs. It is currently co-chaired by the NSF, DOE, and National Aeronautics and Space Administration OIGs and has participants from 25 law enforcement entities that develop and deliver anti-fraud training, implement anti-fraud initiatives, and conduct multiagency investigations to protect against fraud, waste, and abuse involving Federal small business programs.

- The Grant Reform Working Group (GRWG) is chaired by the NSF Inspector General Allison Lerner and the Nuclear Regulatory Commission Assistant Inspector General for Audit Dr. Brett Baker, and was formed in 2012 to help ensure that OMB's grant reform efforts in its 2014 Uniform Grant Guidance (2 C.F.R. part 200) retained necessary provisions to ensure Federal grant funds are used properly. The GRWG is represented by the OIGs of the 29 grant-making agencies and works closely with GAO and OMB to offer recommendations for protecting Federal grant funds.

We also recognize the Inspector General Academy and Federal Law Enforcement Training Center for their ongoing training programs devoted to grant oversight and fraud prevention, as well as those experts throughout our community who serve as adjunct instructors to these programs.