



Fraud, Waste, Abuse and Corruption of Federal Grant Funds

Title I Department

School Year
2017-2018

1st
students

AGENDA

- FY18 Title I Schools
- Flexible Learning Program (FLP)
 - Understanding Dept. of Education (ED)/Office of Inspector General (OIG) Organization and Mission
- Awareness and Prevention
 - To define fraud in the context of grant administration
- Ethics – Review link below for Georgia Professional Standards Commission guidelines on professional ethics

<http://www.gapsc.com/Rules/Current/Ethics/505-6-.01.pdf>

- Fraud
 - To provide guidance about reporting potentially fraudulent behavior

Inspector General Act of 1978



...to prevent and detect fraud, waste and abuse and improve the economy, efficiency and effectiveness of Education Department programs and operations



What is Fraud?

Legal Definition

- An intentional distortion of the truth in an attempt to obtain something of value. Does not have to result in monetary loss.

Layman's Definition

- Lying, cheating and/or stealing



What is Fraud?

Two types

Civil Fraud

Criminal Fraud



CIVIL FRAUD

- False Claims Act - 31 U.S.C. § 3729
- Provides incentives to citizens to bring actions with reward of % of recovered \$.
- Standard of proof is “preponderance of the evidence,” or 51%, not “beyond a reasonable doubt.”
- States and Local Governments can and have been prosecuted for fraud under the False Claims Act.



False Claims Act

Sec. 3729. Any person who knowingly—

- presents a false claim for government payment
- makes a false record or statement to support a false claim
- conspires to get a false claim paid
- makes a false record or statement to **decrease an obligation to pay money or property to the Government** (known as a “reverse” false claim).



Criminal Fraud

- Education program **criminal fraud** generally involve a lie or some concealment
- Sometimes the criminal fraud cover-up generates more crimes than the underlying fraud itself, and can be the basis for prosecution



Criminal Fraud

Fraud schemes include:

- Embezzlement
- Bribery
- Contract-related fraud
- Kickbacks
- Extortion (acting under color of official right)
- Obstruction of justice
- Obstruction of Federal audit
- Destruction of records



Criminal Fraud

- 18 U.S.C. § 1519. Destruction, alteration, or falsification of records
 - alter, destroy, mutilate, conceal, cover up, falsify, or make a false entry in any record, document, or tangible object with the intent to impede, obstruct, or influence the investigation or proper administration of any matter within the jurisdiction of any department or agency of the United States or in relation to or contemplation of any such matter .

- Title I costs must meet the following general criteria:
 - Be ***reasonable*** for the performance of the award and be ***allocable*** to the award. A cost is reasonable if, in its nature or 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 costs.
- In determining the reasonableness of a given cost, consideration shall be given to:
 - Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the organization or the performance of the award.
 - Significant deviations from the established practices of the organization which may unjustifiably increase the award costs.

- Conform to any limitations or exclusions as to types or amount of cost items.
- Be consistent with policies and procedures that apply to both Federally financed and other activities of the organization.
- Be accorded consistent treatment.
- Be determined in accordance with generally accepted accounting principles (GAAP).
- Not be included as a cost or used to meet cost sharing or matching requirements of any other federally financed program in either the current or a prior period.
- Be adequately documented.

Examples of Unallowable Costs

- Alcoholic beverages
- Bad debts
 - Includes losses arising from uncollectable accounts and other claims, and related collection and legal costs
- Donations and contributions
- Entertainment costs
 - tickets to shows or sports events, meals, lodging, rentals, transportation, gratuities
- Fines and penalties.
 - unallowable except when incurred as a result of compliance with specific provisions of an award or instructions in writing from the awarding agency



Who is responsible for reporting fraud?

- **Everyone who deals with the Federal/State/Local funding has a responsibility to help control fraud.**

What is Waste?

- Waste involves the taxpayers not receiving a reasonable value for money in connection with any government-funded activities due to an inappropriate act or omission.

What is Abuse / Corruption?

Abuse

- ✓ Abuse involves behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary business practice given the facts and circumstances.
- ✓ Abuse also includes misuse of authority or position for personal financial interests or those of an immediate or close family member or business associate.
- ✓ Abuse does not necessarily involve fraud or violations of laws, regulations, or provisions of a contract or grant agreement.

Corruption

- ✓ Corruption involves fraudulent conduct by those in power, typically involving bribery

Why Report Fraud, Waste, Abuse and Corruption?

- ✓ Ethical responsibility
- ✓ To deter others from committing fraud and abuse
- ✓ To protect the integrity of the Federal, State and Local programs
- ✓ To avoid being part of the fraudulent/criminal activities
- ✓ To reduce financial exposure under the False Claims Act

Title I Department

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