

Avoiding Waste, Fraud and Abuse

Effectively managing high-profile awards

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About the Speaker: Sarah K. Hluchan

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Agenda

- Defining Fraud
- Impacts of Fraud
- Best Practices for Effective Award Management
- Identifying resources for learning more

LEARNING OBJECTIVES

- Understanding what *fraud* is
- Identifying potential issues
- Discussing how to manage sub-recipients to reduce risk of waste, fraud and abuse
- Reviewing best practices for effectively and accurately managing grant funds
- Identifying resources for learning more

GPC COMPETENCY ALIGNMENT

- Nationally recognized standards of ethical practice by grant developers
- Post-award grant management practices sufficient to inform effective grant design and development



Defining Fraud

When you hear the word *fraud*, what scenarios come to mind?

Executive Pleads Guilty to Embezzling Over \$500,000

Hanalei Aipoalani, 42, of Waianae, Hawaii, pled guilty in federal court today to **embezzling more than \$500,000 from AmeriCorps** and to **agreeing to accept a bribe for the administration of grants under the CARES Act**.

In August 2020, Aipoalani was hired to serve as Honolulu City and County's Department of Community Service's CARES Program Administrator and was responsible for administering CRF programs. In that capacity, Aipoalani agreed to accept a financial benefit from an applicant who filed two fraudulent applications for CARES Act Funds under the agreement that Aipoalani would influence the approval of the grant applications and would receive a financial benefit in return for the approvals.

Fraud, Waste, or Abuse?

Fraud

Defined as the wrongful or criminal deception intended to result in financial or personal gain. Fraud includes false representation of fact, making false statements, or by concealment of information.

Waste

Defined as the extravagant careless or needless expenditure of Government funds, or the consumption of Government property that results from deficient practices, systems, controls, or decisions. The term also includes improper practices not involving criminal behavior.

Abuse

Defined as the intentional or improper use of Government resources that can include the excessive or improper use of one's position in a manner contrary to its rightful or legally intended use. Examples include misuse of rank, position, or authority or misuse of Government resources for oneself or another.

Grant Fraud in the News



Three Defendants Charged In \$1.6 Million Covid-19 Fraud Scheme

North Carolina Restaurant Owner and Son Charged with COVID-Relief Fraud

Paycheck Protection Program fraud accusations continue to grow

North Carolina Man Sentenced for COVID-19 Relief Fraud Schemes

Virginia Married Couple Arrested for COVID-Relief Loan Fraud

Results of grant fraud or mismanagement

Costs to
grantee
organization

Costs to
grantor
organization

Costs to the
public

COVID-19 Funding Overview

- **More than \$5 trillion dollars in COVID-19 relief spending has been obligated**
 - The Coronavirus Aid, Relief and Economic Security (CARES) Act was the largest federal stimulus package ever – six times the amount spent by the Recovery Act to recover from the financial crisis
 - Six laws have been passed to fund pandemic relief programs – the most recent being the American Rescue Plan Act of 2021
- **\$523.5 billion dollars of the relief funding is directed to grants – accounting for more than 68,000 grant awards**
- COVID funds are issued by 40 federal agencies – to a wide variety of recipients across many programs

Pandemic Response Accountability Commission

- **The Pandemic Response Accountability Committee (PRAC) was established to provide oversight of the coronavirus funds and response**
- **PRAC has identified “*Grant and Loan Management*” as one of the biggest challenges. Key areas of concern include:**
 - Overseeing use of grant funds
 - Obtaining timely and accurate financial and performance data from grantees
 - Assessing performance to ensure grants achieved intended result
- To date the PRAC has issued more than 275 oversight reports, working with dozens of Inspectors General
 - Reports include areas where agencies can improve programs, oversight issues and lessons learned

Why is COVID-19 funding so susceptible to fraud?

Given the **amount of funding** at issue, the **need to distribute aid quickly**, and **the use of grants and loans to disburse funds**, effective management of the pandemic response programs presents a significant challenge to many executive branch agencies.

Moreover, *these same factors increase the risk of fraud and misuse of the funds.*

[PRAC Update Top Challenges in Pandemic Relief and Response \(oversight.gov\)](#)

Another Fraud Example

Two Louisiana College Students Charged with Identify Theft

The indictment alleges the defendants were involved in a fraudulent scheme to obtain emergency financial aid grants offered to colleges as part of the CARES Act. As part of the Act, funds were given to the office of Postsecondary Education for the Higher Education Emergency Relief Fund. Louisiana College in Pineville, Louisiana was allotted emergency funding for its students. It is alleged in the indictment that between June 5, 2020, and June 20, 2020, the defendants conspired to fraudulently obtain CARES Act funds for their own use.

The defendants and other members of the conspiracy used Louisiana College Student Identification Numbers and passwords of other students to access the Louisiana College Online Student Portal to apply for CARES Act emergency financial aid grants in the names of individuals and direct the grants to specific bank accounts controlled by members of the conspiracy.

[Two Louisiana College Students Charged with Identify Theft](#), March 2021



Best Practices

What steps can you take to best manage high-profile grant awards?

Lessons learned from ARRA – Grant Accountability

In 2014 GAO wrote a report on the lessons learned from managing American Recovery and Reinvestment Act (ARRA) funds – highlighting the best practices of successful grantees and grantors:

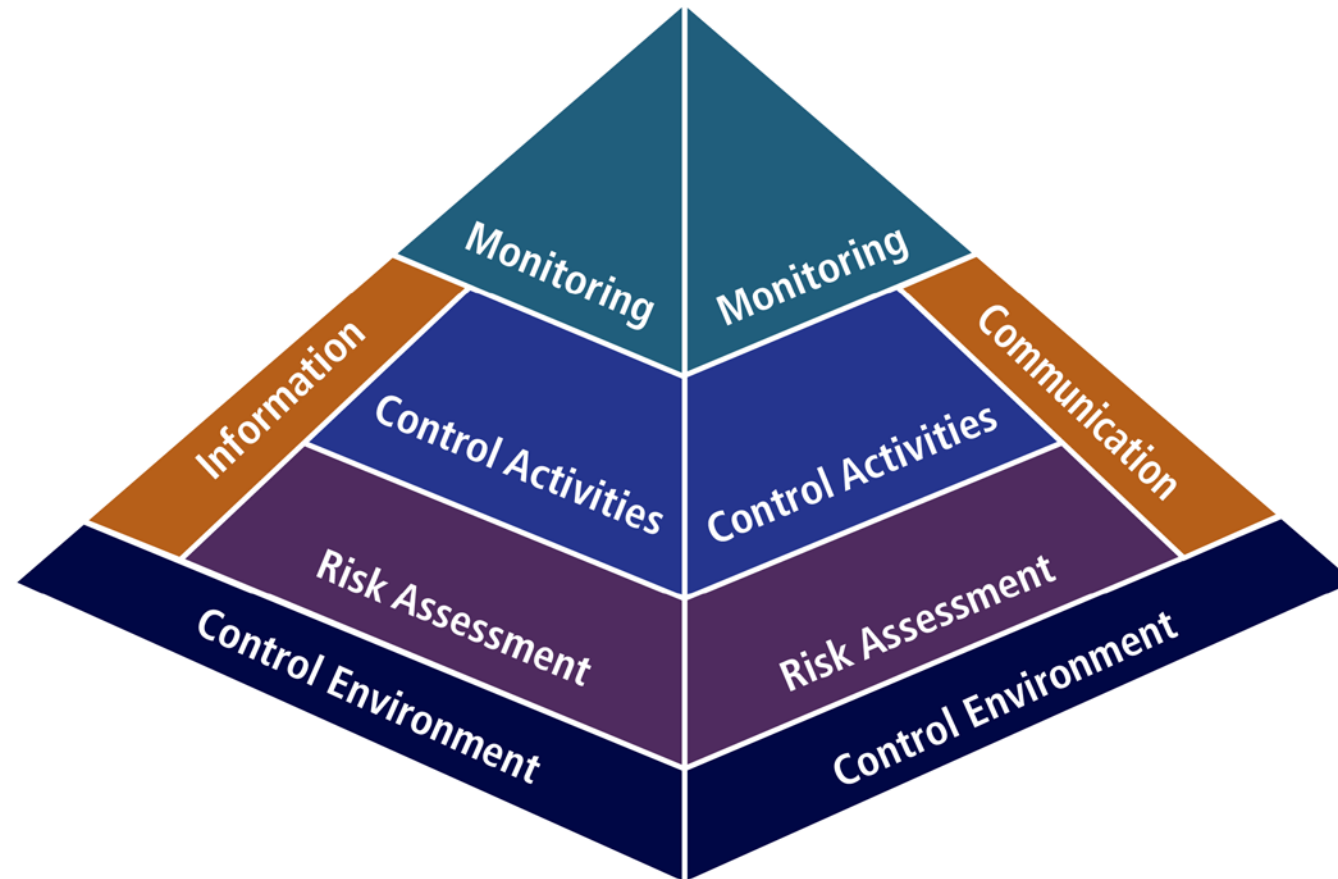
- assessing applicant capability to account for funds
- including clear terms and conditions in grant award documents
- providing grant management training to staff and grantees
- consolidating information systems to assist in managing grants
- coordinating programs with similar goals and purposes
- linking activities with program goals and working with grantees to develop performance measures
- monitoring the financial status of grants and monitoring subrecipients

How ARRA changed grants management

The lessons learned from ARRA carry forward today

ARRA Lesson Learned	Grant Management Today
Include clear terms and conditions in grant award documents	Updated award guidance in 2 CFR 200.211
Consolidate information systems to assist in managing grants	Legislation including DATA Act and the GREAT Act designed to streamline data standards and increase transparency
Monitor the financial status of grants and monitoring subrecipients	Requiring pre-award risk assessments for federal agencies and pass-through entities
Work with grantees to develop performance measures	Increased emphasis on performance over compliance and requirements to include performance goals in award agreements

Accountability starts with a strong foundation



Control Environment

Internal controls are the first line of defense against fraud

Control Environment

Sets organization tone – how aware of internal controls are management and staff?

Risk Assessment

Identification and analysis of risks facing the organization

Control Activities

Policies and procedures that ensure management's directive are carried out

Information & Communication

Identification, capture, and exchange of information in a form and time frame that allows staff to effectively execute their responsibilities

Monitoring

Process that assesses the quality of internal control performance over time

Specific Challenges of High-Profile Grant Awards

It is important that **all** grant awards are carefully managed – grants are instruments to serve the public good, funded by taxpayer dollars. But certain funding – such as CARES Act or American Rescue Plan funds – carry additional challenges

- Shortened timelines for applying for funds, obligating funds, and identifying sub-recipients
- Rapid increase in amount of funding managed by grantees without time to staff up
- New or unclear additional reporting requirements from the Federal government
- Increased scrutiny from media, local stakeholders, and Congress
- Navigating a remote work environment

Recipient Responsibilities

During the Grant

- Review and understand grant terms and conditions
- Ensuring compliance
- Tracking progress towards goals
- Compiling and submitting reports
- Monitoring internal controls
- Arranging for single audits
- Subgrant or contracting for services

At the End of Grant

- Requesting extension if needed
- Settling accounts and refunding balances if necessary
- Compiling and submitting final reports
- Disposing of or accounting for property

Allowable Costs

Allowable

Meets the criteria for authorized expenditures under the cost principles and the terms and conditions of the grant agreement

Reasonable

Does not exceed that which would be incurred by a prudent person under the circumstances at the time the cost was incurred

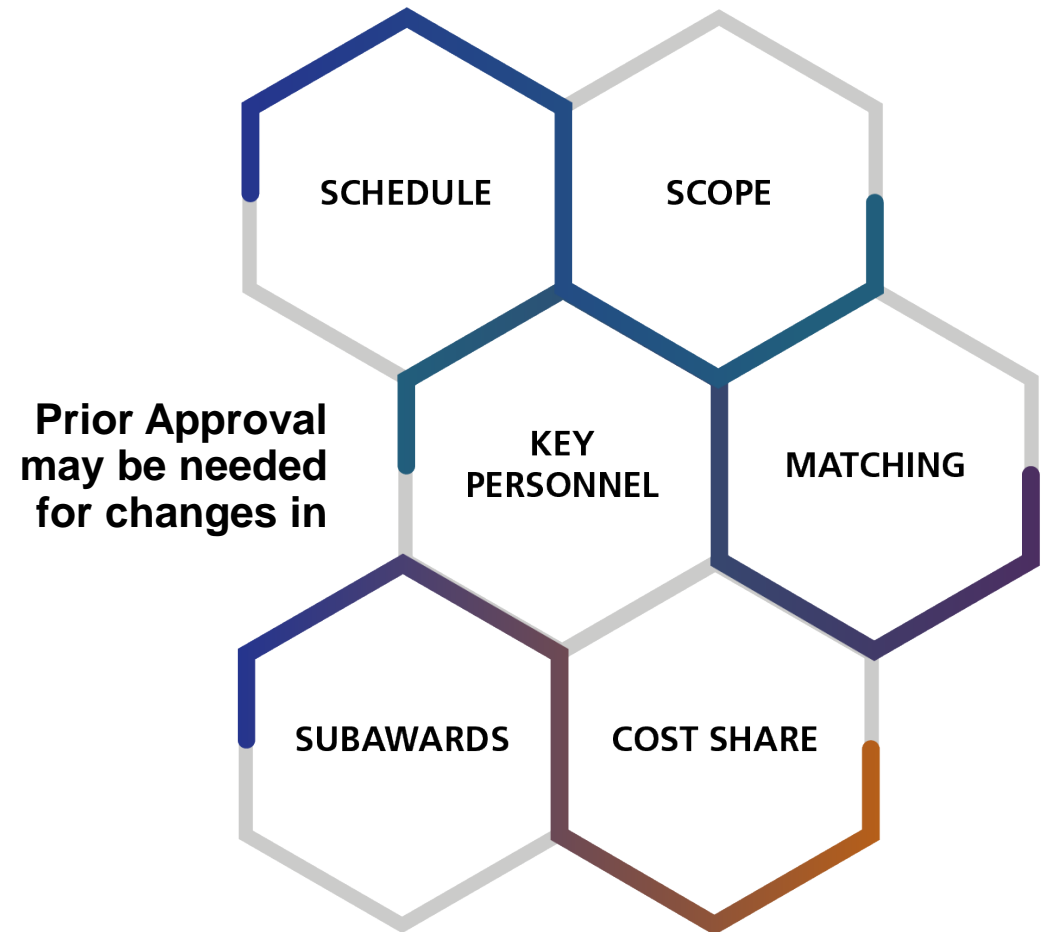
Allocable

The goods or services involved are chargeable or assignable to the award

Understand when prior approval is needed

Some grant actions require **prior written approval** from the awarding agency – be clear on what these are and when and how to reach out. Typically, these requests must be submitted in writing.

Failure to obtain a required prior approval can result in disallowance of costs






Responsibilities of Pass-Through Entities

In a sub-award relationship, the pass-through entity's most important functions are to **select the subrecipients, provide funding, and monitor performance and compliance.**



Monitoring Subrecipients

-  Risk assessment
-  Internal controls
-  Regular reporting

-  Site visits
-  Clear communication
-  Closeout

Additional best practices to consider

Understand the COVID flexibilities allowed by OMB

Engage in regular communication with grantor & subrecipients

Review single audits & work to mitigate any issues






Review the updates to 2 CFR 200 to understand how they apply to your awards

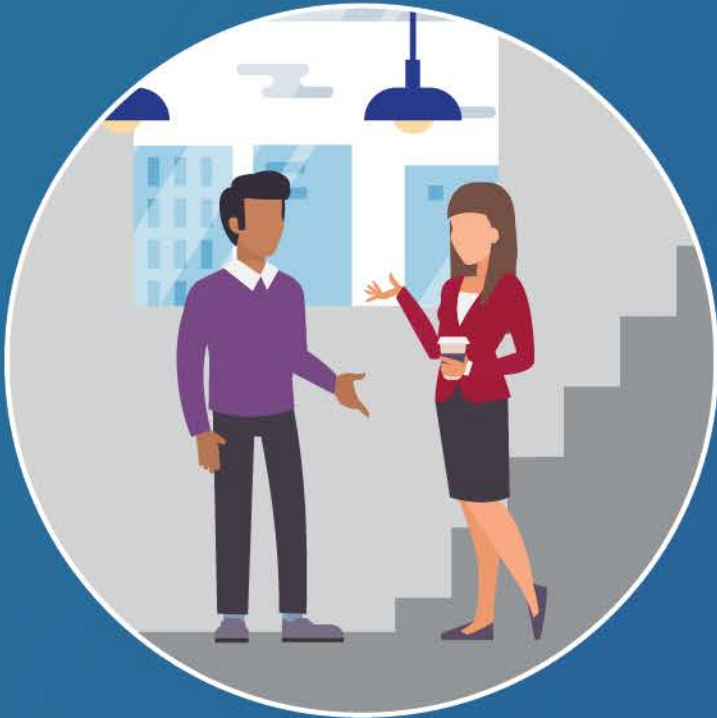
Conduct an organizational self- assessment to review internal controls

OMB provides flexibilities to reduce recipient burden

On March 19, 2021, OMB issued M-21-20 Promoting Public Trust in the Federal Government through Effective Implementation of the American Rescue Plan Act and Stewardship of the Taxpayer Resources.

This memo included an Appendix listing flexibilities that could be extended to recipients:

Flexibility with SAM registration/recertification		Necessary pre-award costs allowed
No-cost extensions on expiring awards for 12 months		Abbreviated non-competitive continuation requests
Waivers from prior approval requirements		Exemption of certain procurement requirements
Extension of financial and other reporting requirements		Extension of Single Audit submission (for grantees with fiscal year end prior to 6/30/21)
Flexibility with application deadlines		Extension of closeout



Discussion

What are the biggest challenges your organization faces when managing high-profile awards?

Resources



- ✓ [PRAC | Pandemic Oversight](#)
- ✓ [Report Waste, Fraud, Abuse, or Retaliation | Oversight.gov](#)
- ✓ Grants.gov
- ✓ Training and technical assistance
- ✓ Awarding agency guidance (terms & conditions; grant agreements; agency personnel)

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