

OFFICE OF INVESTIGATIONS



OFFICE OF INSPECTOR GENERAL | U.S. ENVIRONMENTAL PROTECTION AGENCY

GRANT FRAUD

WHO WE ARE

Each federal agency has an independent Office of Inspector General charged with conducting objective audits and investigations, as well as preventing and detecting fraud, waste, and abuse. Within the U.S. Environmental Protection Agency's OIG, the Office of Investigations handles allegations of wrongdoing involving organizations or individuals that receive awards from, conduct business with, or work with the EPA or the U.S. Chemical Safety and Hazard Investigation Board.

WHAT DO WE DO

We investigate allegations concerning fraud, waste, or abuse by EPA or CSB employees, grantees, contractors, or others. We receive allegations from many sources, including Agency employees, the OIG Hotline, and the public.

FRAUD, WASTE, AND ABUSE PREVENTION, DETECTION, AND REPORTING

What is Fraud?

Generally, fraud is an intentional deception or false representation of a material fact designed to induce a person or entity, such as the US or the EPA, to act detrimentally by giving up money or something of value.

What is Waste?

Waste is the extravagant, careless, or needless expenditure of government funds; the consumption of government property that results from deficient practices, systems, controls, or decisions; or other improper practices.

What is Abuse?

Abuse is the intentional or improper use of government resources. Examples include misuse of rank; position; authority; or physical property, such as tools, vehicles, or computers.



WHAT CAN I DO?

- If you suspect any irregularities or a criminal act, contact the EPA OIG immediately.
- Establish regular, open, and clear lines of communication with your contractors, awardees, or recipients. Know who they are and what they do.
- Follow established Agency policies, procedures, rules, and regulations. Keep current on training and applicable regulations.
- Correct any audit or program evaluation findings promptly.
- Ensure contractor, awardee, and recipient accountability. For example, conduct site visits, examine work performed, and ensure compliance with the terms of a contract or grant. Ensure that all work is being performed as outlined and planned.
- Protect the government information, resources, and equipment under your control.

PROTECTING EPA'S & CSB'S INTEREST

As the law enforcement arm of the EPA and CSB, the OIG OI is responsible for investigating crime, fraud, waste, abuse, mismanagement, and misconduct involving EPA and CSB programs, personnel, and resources. Typically, the OI refers its findings to the U.S. Department of Justice for prosecution or to EPA and CSB management for corrective action.

GRANT **FRAUD INDICATORS**

Federal grant funds are awarded for a specific “public purpose” and grantees must use those funds as agreed and within certain parameters including the Office of Management and Budget Circulars and granting Agency guidelines.

Indicators of fraud, waste, and misuse of grant funds can be due to a variety of causes and are rarely a simple clear and concise issue.



GENERAL FRAUD INDICATORS

General fraud indicators are applicable to many areas and not exclusively tied to grants. The list presented below is not meant to be all-inclusive and should not limit the consideration of other factors.

- Missing or inadequate internal controls
- Management override of internal controls
- Lack of written policies and procedures
- Overly complex organizational structure
- High turnover rate
- Reassignment of personnel
- Termination of key personnel
- “Missing” files, reports, and invoices
- Altered documents
- Missing approval signatures
- Lack of separation of duties
- Discrepancies in handwriting
- Delays in production



Case Example: Former Commission Director Sentenced for Federal Government Program Theft

On May 27, 2021, a former interim executive director for the Hancock County Planning Commission was sentenced to two years in prison and three years of supervised release, as well as ordered to pay approximately \$325,000 in restitution, after pleading guilty in federal court on December 10, 2020, to wire fraud and federal government program theft. From June 2015 through April 2019, this individual embezzled more than \$325,000 from the Hancock County Planning Commission and another nonprofit organization where the individual worked. The individual perpetrated the scheme by fraudulently transferring funds from one organization to another and converting the funds for personal use. During the relevant period, the Hancock County Planning Commission received federal grant monies from both EPA and the U.S. Department of Agriculture, including \$400,000 in EPA grant funds to conduct inventory of, characterize, and assess Brownfields sites in Hancock County, Maine.



Case Example: Theft, Embezzlement, and Money Laundering

On September 13, 2019, a former accountant, and finance director for the Yukon River Inter-Tribal Watershed Council in Anchorage, Alaska, and his company, DKM Enterprises, LLC, were debarred for 8 years from participation in federal procurement and non-procurement programs. Earlier in 2019, he had been sentenced in the U.S. District Court for the District of Alaska to 18 months' imprisonment and ordered to pay \$40,604 in restitution for theft and filing a false tax return. In 2018, he was indicted for embezzlement, theft and money laundering associated with work he performed while employed by the council. Each fiscal year from 2010 through 2014, the council was awarded federal grant money in excess of \$1 million, and he willfully misapplied a total of about \$315,000 of these funds for his personal benefit.



WHAT TO DO IF YOU SUSPECT FRAUD, WASTE, OR ABUSE

- ✓ Do contact the OIG Hotline.
- ✓ Do discuss your concerns with the OIG.
- ✓ Do seek answers to your questions in the normal course of business.
- ✓ Do cooperate with the OIG and expect to be contacted and involved.
- ✗ Don't "tip off" subjects of actual or pending investigation.
- ✗ Don't feel compelled to "prove" a case or intent.
- ✗ Don't "stop" your normal course of business unless otherwise directed.

REPORT SUSPECTED FRAUD ACTIVITY

HOTLINE Contact Information:

- Phone: (202) 566-2476 or (888) 546-8740
- Email: OIG_Hotline@epa.gov
- Online: epa.gov/office-inspector-general/epa-oig-hotline

Federal Employee, Contractor, or Grantee?

If you are a federal employee, you are required to adhere to the Standards of Ethical Conduct for Employees of the Executive Branch. These standards include the requirement to disclose waste, fraud, abuse and corruption to the appropriate authorities. 5 CFR 2635 101(b)(11).

If you are an EPA contractor or a grantee, or an employee of a contractor or grantee, note that these standards of conduct, by definition, apply only to employees of the Executive Branch. However, other similar but separate obligations apply to contractors and grantees.

