



Detecting & Defeating Fraud (NTIA BROADBAND)



Office of Investigations

Office of Inspector General

U.S. Department of Commerce





AGENDA



- Commerce OIG Overview
 - Authority
 - Structure
 - Mission & Operations
- Grant Fraud Overview
 - Schemes
 - Remedies
 - Case Examples
- What & How to Report to OIG

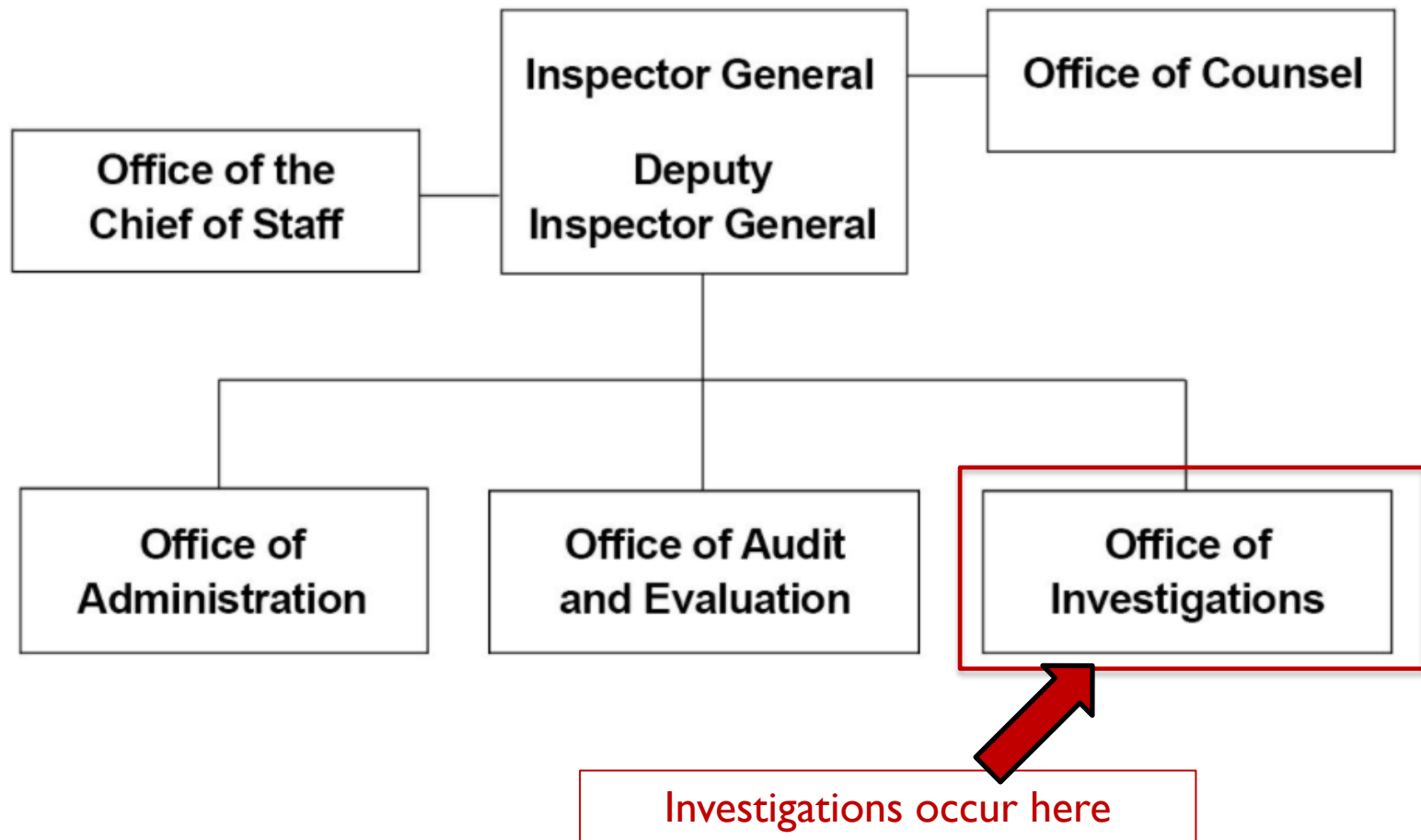
OFFICES OF INSPECTOR GENERAL (OIGs)



- Created by IG Act of 1978 to:
 - Combat **fraud, waste, and abuse** within the DOC
 - Conduct audits and investigations of DOC operations
 - Keep the DOC and Congress informed
- Mission
 - To improve Department of Commerce programs and operations through independent and objective oversight*



How are OIGs (generally) structured?



WEST REGION OVERVIEW



Washington, DC

ASAC Eric Arcand

Minneapolis

SA Judd Leinum

Denver

SA Eric Nowicki

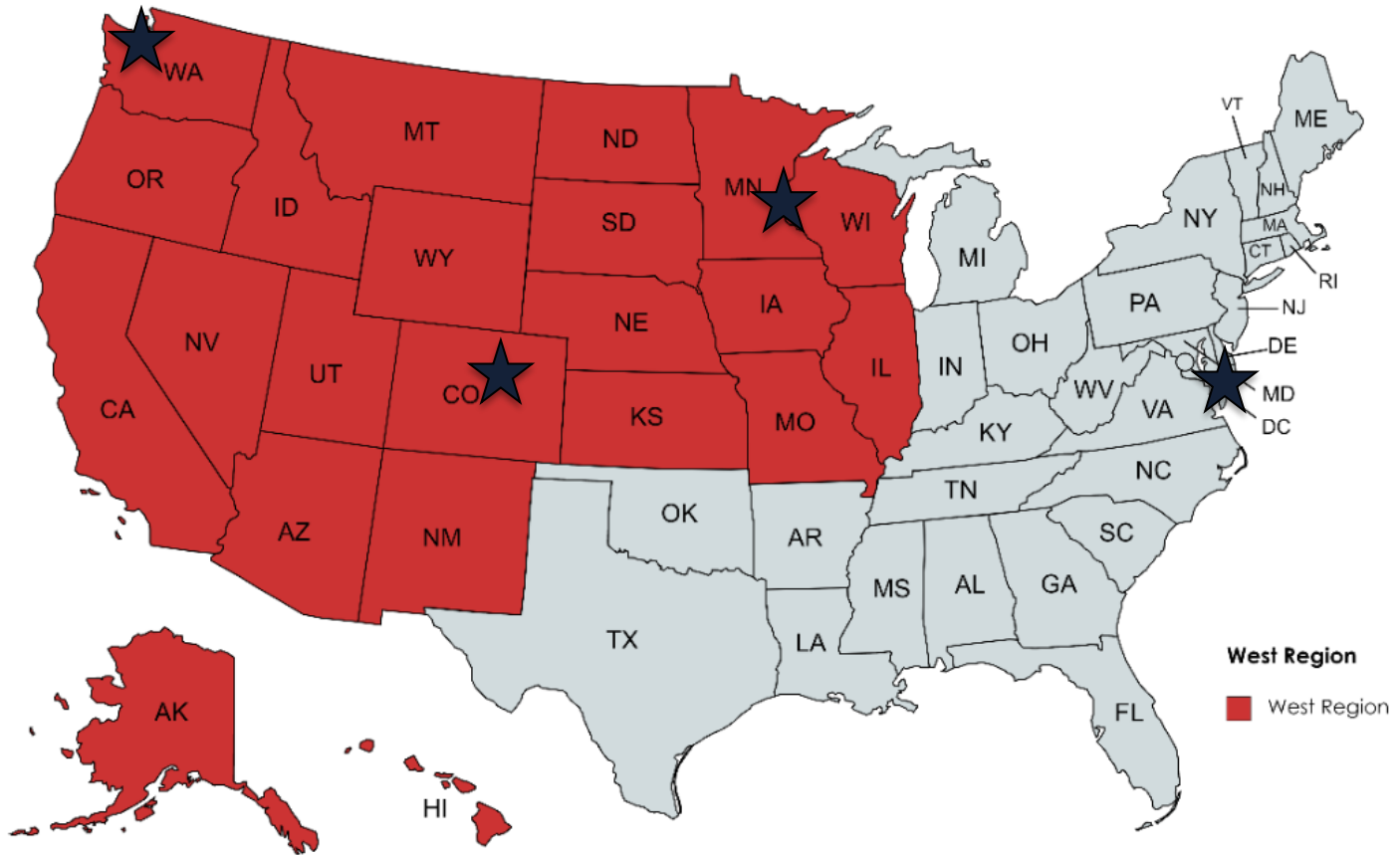
SA Martin Kehoe

SA Molly Cox

Seattle

SA Theodore Furr

SA Daniel Johnson



FRAUD DEFINED



Although it can take many forms, fraud, at its core, is **deception** through the **misrepresentation** or **omission of material facts** for the purpose of **illegitimate gain**.



NTIA's BEAD, TBCP, & DE Programs



- **Broadband Equity, Access, and Deployment (BEAD) Prgm**
 - Provides \$42.45B to expand high-speed internet access
 - Prioritizes unserved locations that have no internet access or that only have access under 25/3 Mbps and underserved locations only have access under 100/20 Mbps.
- **Tribal Broadband Connectivity (TBCP) Prgm**
 - For broadband deployment on tribal lands, telehealth, distance learning, broadband affordability, and digital inclusion.
- **Digital Equity (DE) Prgm**
 - Allocates \$2.75B to promote the achievement of digital equity and support digital inclusion activities

NTIA's MM, BIP & CMC Programs



- Middle Mile (MM) Program
 - \$1B to connect local communities to robust, high-capacity national and regional networks
- Broadband Infrastructure Program (BIP)
 - \$288M directed to facilitate partnerships between a state, or one or more political subdivisions of a state, and providers of fixed broadband service
- Connecting Minority Communities (CMC) Program
 - \$268M to Historically Black Colleges and Universities (HBCUs), Tribal Colleges and Universities (TCUs), and Minority-Serving Institutions (MSIs) for broadband internet access or to hire and train IT personnel.

A GLOBAL VIEW OF FRAUD

Organizations with **FRAUD AWARENESS TRAINING** for employees were **more likely** to gather tips through **FORMAL REPORTING MECHANISMS**

56% of tips with training
37% of tips without training

43% OF SCHEMES WERE DETECTED BY TIP, and half of those tips came from employees

TELEPHONE HOTLINE and **EMAIL** were each used by whistleblowers in **33%** OF CASES

CFEs ESTIMATE THAT ORGANIZATIONS LOSE **5%** OF REVENUE TO FRAUD EACH YEAR

MEDIAN LOSS PER CASE: \$125,000
AVERAGE LOSS PER CASE: \$1,509,000

Owners/executives committed only 20% of occupational frauds, but they caused the **largest losses**

OWNER/EXECUTIVE: \$600,000
MANAGER: \$150,000
EMPLOYEE: \$60,000

46% of victim organizations declined to refer cases to law enforcement because **INTERNAL DISCIPLINE WAS SUFFICIENT**

80% OF FRAUDSTERS FACED SOME FORM OF INTERNAL DISCIPLINE FROM THE VICTIM ORGANIZATION

TYPICAL FRAUD CASE

lasts **14 MONTHS** before detection
causes a loss of **\$8,300** per month

42% OF OCCUPATIONAL FRAUDSTERS WERE **LIVING BEYOND THEIR MEANS**

26% OF OCCUPATIONAL FRAUDSTERS WERE **EXPERIENCING FINANCIAL DIFFICULTIES**

CORRUPTION WAS THE MOST COMMON SCHEME IN EVERY GLOBAL REGION

USE OF TARGETED ANTI-FRAUD CONTROLS HAS INCREASED OVER LAST DECADE

HOTLINE	↑ 13%
ANTI-FRAUD POLICY	↑ 13%
FRAUD TRAINING FOR EMPLOYEES	↑ 11%
FRAUD TRAINING FOR MANAGERS/EXECUTIVES	↑ 9%

A lack of internal controls contributed to nearly **1/3 OF FRAUDS**

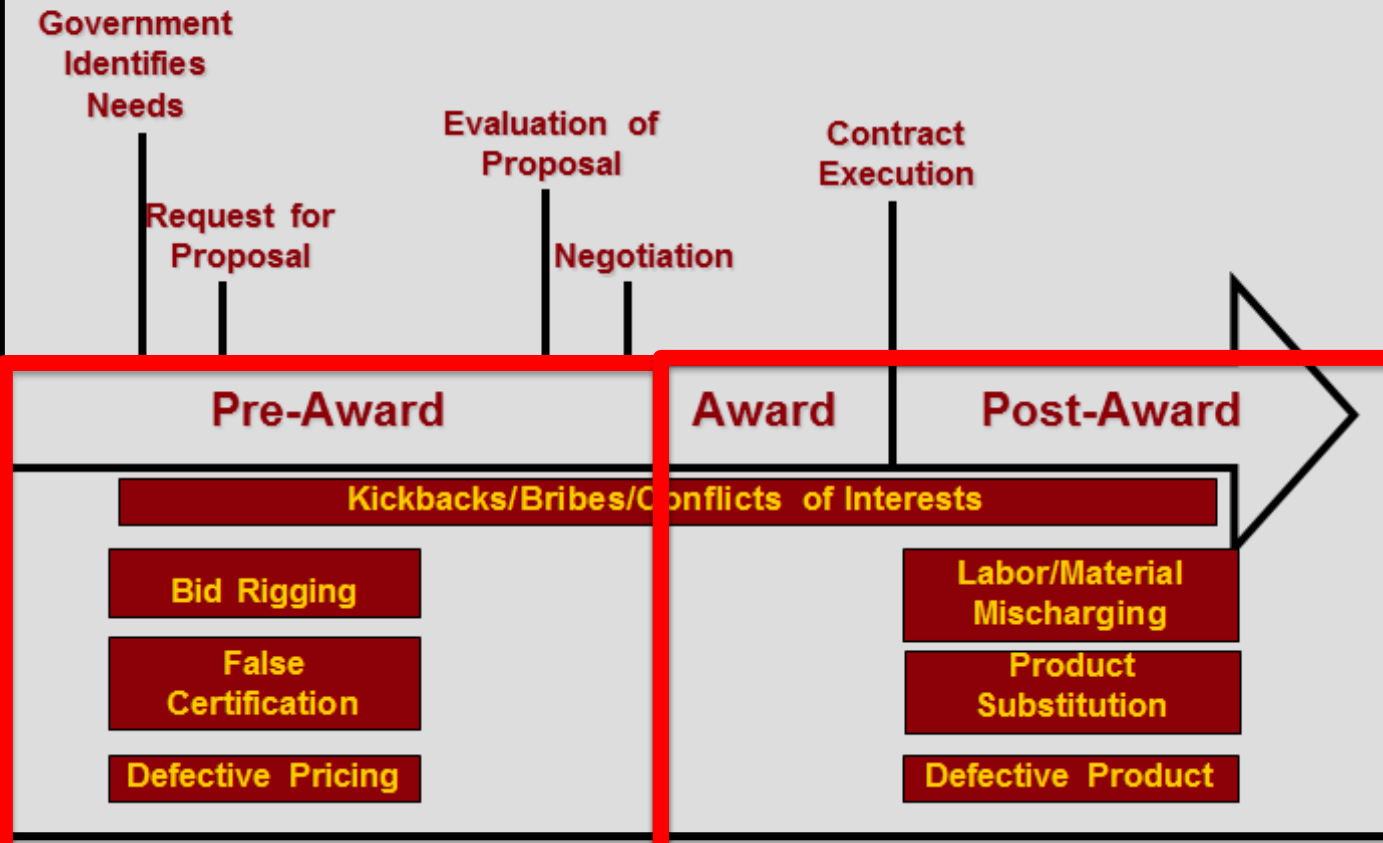
THE PRESENCE OF ANTI-FRAUD CONTROLS IS ASSOCIATED WITH LOWER FRAUD LOSSES AND QUICKER DETECTION

*ACFE Occupational Fraud 2020: Report to the Nations

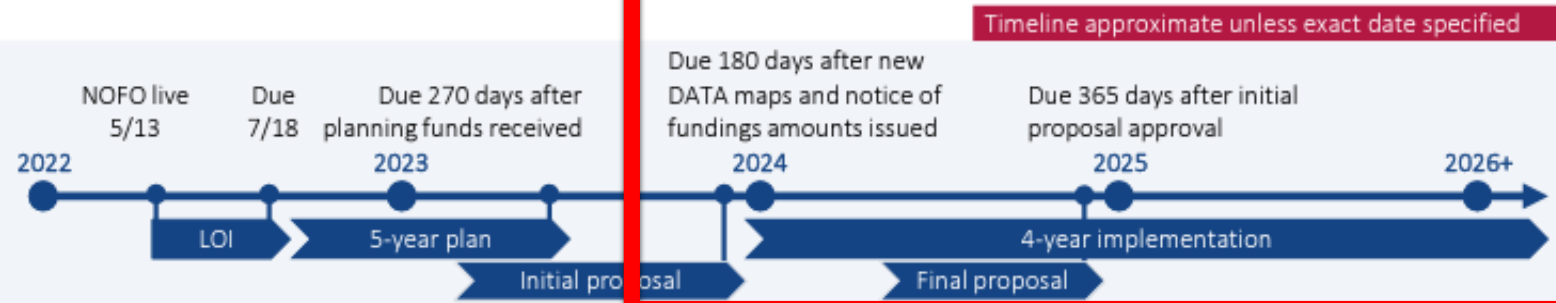
Types of Allegations



When Does Fraud Occur in the Procurement Cycle?



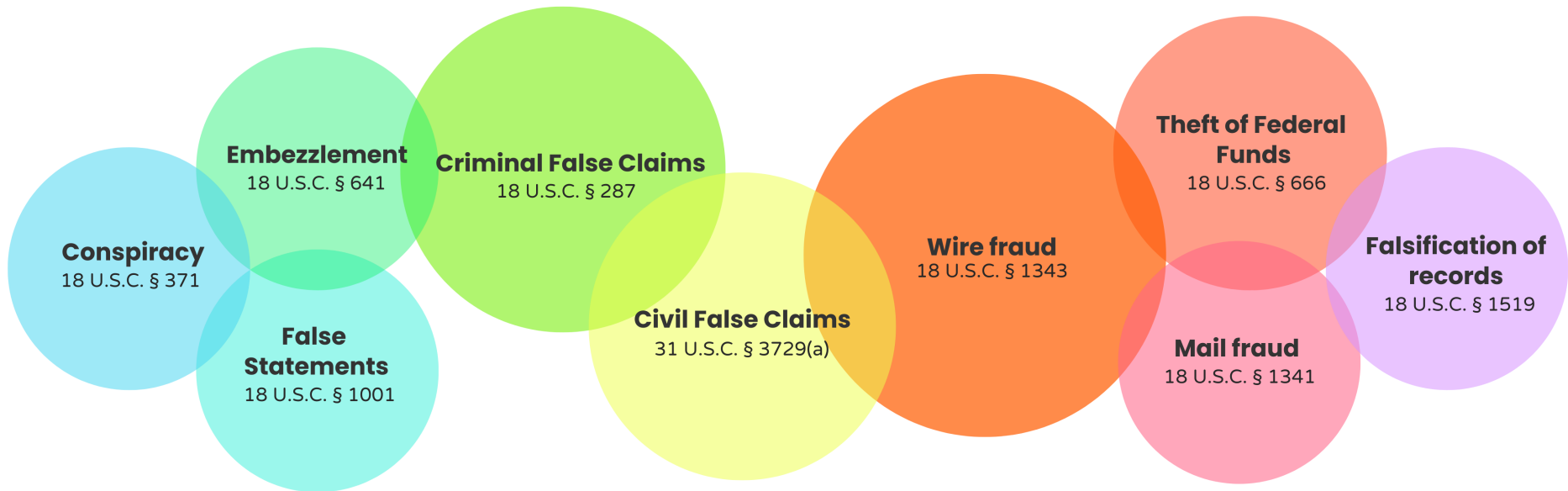
Timeline



BEAD

Criminal/Civil Cases

Frequently Violated Criminal and Civil Statutes



Potential Remedies



- **Criminal Remedies: Criminal Prosecution**
- **Civil Remedies: Civil Enforcement, Financial Restitution**
- **Administrative Remedies: Suspension and Debarment**
- **Contractual Remedies: Cure/Show Cause Letters, Contract Claim, Contract Termination for Default**

How Whistleblowers Are Protected



5 U.S.C. § 2302(b)(8)

- Employees of the federal government

41 U.S.C. § 4712*

- Employees of federal contractors, subcontractors, grantees, subgrantees, and personal services contractors

www.oig.doc.gov

Reasonably believe disclosure to the **OIG** is evidence of:

- Violation of a law, rule, or regulation (*related to a federal contract or grant)
- Gross mismanagement (*of a federal contract or grant)
- Gross waste of funds (*of federal funds)
- Abuse of authority (*relating to a federal contract or grant)
- Substantial and specific danger to public health or safety

DOC OIG CASE EXAMPLE #1



Funds Spent Inappropriately (Cost Principles: 2 CFR Part 200 Subpart E)

<https://www.justice.gov/usao-co/pr/boulder-weather-research-organization-and-officers-pay-over-2-million-resolve>

Allegations Included:

- October 2021: A Boulder weather non-profit, the Center for Severe Weather Research (CSWR), did not follow federal cost principles—**expenses must be allowable, allocable, and reasonable**
- CSWR improperly requested payments from federal grants for expenses that they had not incurred.
- CSWR had inadequate internal controls and documentation for the federal funds it received.

Outcome:

- Company agreed to a settlement amount of \$2,409,647
- Ordered to pay \$203,776 for individual liability
- NOAA received **\$294,390.15**

DOC OIG CASE EXAMPLE #2



Fabrication of Results (31 U.S. Code § 3729 - False claims)

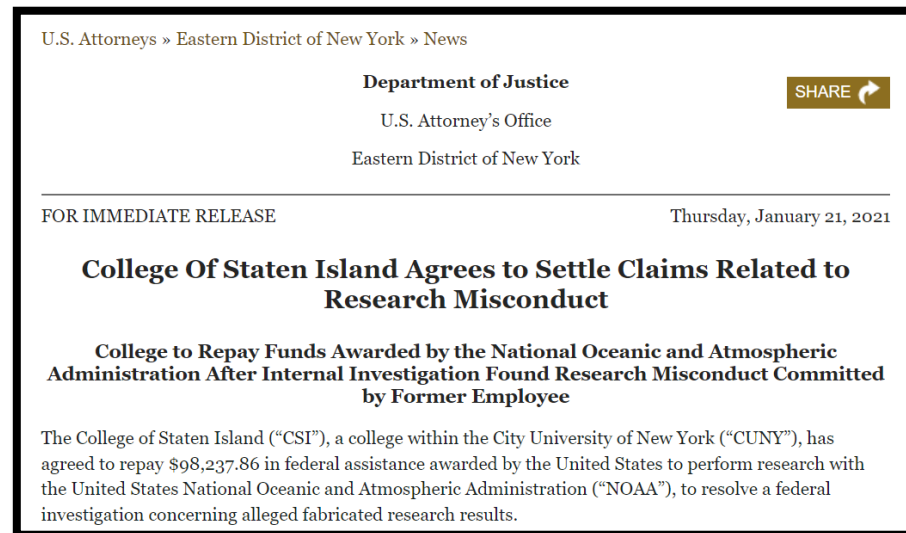
<https://www.justice.gov/usao-edny/pr/college-staten-island-agrees-settle-claims-related-research-misconduct>

Allegations Included:

- Jan 2021: A professor at the College of Staten Island within the City University of New York (CUNY) fabricated research results funded by a NOAA cooperative agreement
- NOAA representative notified the OIG

Outcome:

- The College of Staten Island had to repay \$98,237.86 and modify its policies and procedures to resolve allegations they violated the False Claims Act



DOC OIG CASE EXAMPLE #3



Embezzlement

(18 U.S. Code § 666 – Theft/Embezzlement of Federal funds)

[Anchorage Woman Charged with Embezzling Funds from a Tribal Organization in Alaska](#) | [USAO-AK](#) | [Department of Justice](#)

Allegations Included:

- June 2020: Joni Raelle Bryant, 43, of Anchorage, AK embezzled approximately \$174,290 from the ANHSC for personal use.
- Bryant was the Executive Director at the ANHSC and was responsible for managing federal grants and the organization's financial management.

Department of Justice
U.S. Attorney's Office
District of Alaska

FOR IMMEDIATE RELEASE Thursday, June 25, 2020

Anchorage Woman Charged with Embezzling Funds from a Tribal Organization in Alaska

U.S. Attorney Bryan Schroder announced today that an Anchorage woman has been federally charged with embezzling approximately \$174,290 from the Alaska Native Harbor Seal Commission (ANHSC), which was primarily funded from federal grants issued by the National Oceanic and Atmospheric Administration, with additional federal grant funds provided by the Bureau of Indian Affairs.

Joni Raelle Bryant, 43, of Anchorage, was named in the indictment charging her with one count of embezzlement from an Indian tribal organization, and two counts of embezzlement from an organization receiving federal funds.

The indictment alleges that, from July 2014 to October 2016, Bryant embezzled approximately \$174,290 from the ANHSC for her personal use. During that time, Bryant was employed as the Executive Director at the ANHSC, and was responsible for managing federal grants, as well as the day-to-day financial management of the organization.

Outcome:

- Bryant pled guilty and was sentenced to 17 months in prison, 36 months of probation, she was ordered to pay \$174,290.67, and was debarred for one year.

Working Together



- We need your help!
 - You see the day-to-day activities for potential red flags
 - You have the relevant documentation in your possession
 - You are the subject-matter experts
 - Your actions in overseeing broadband grant money can greatly impact how incidents of fraud are identified and remedied
- If you see (hear, suspect) something, say something. Your programs, mission, and taxpayer funds are at stake.

REPORT FRAUD, WASTE, AND ABUSE



**U.S. Department of Commerce
Office of Inspector General
Office of Investigations**

**OIG HOTLINE
Phone: (800) 424-5197**

Online Complaint Form:

<https://www.oig.doc.gov/Pages/Hotline.aspx#complainthotline>



**For more information
please visit our website
www.oig.doc.gov**