



Office of Investigations

U.S. Department of Health and Human Services
Office of Inspector General

Overview of the Office of Inspector General and Grant Fraud Schemes

August 4, 2011





Overview of HHS



- One of the largest civilian departments in the federal government
- Principle agency for protecting health of all Americans
- 11 Operating Divisions
- Department includes more than 300 programs

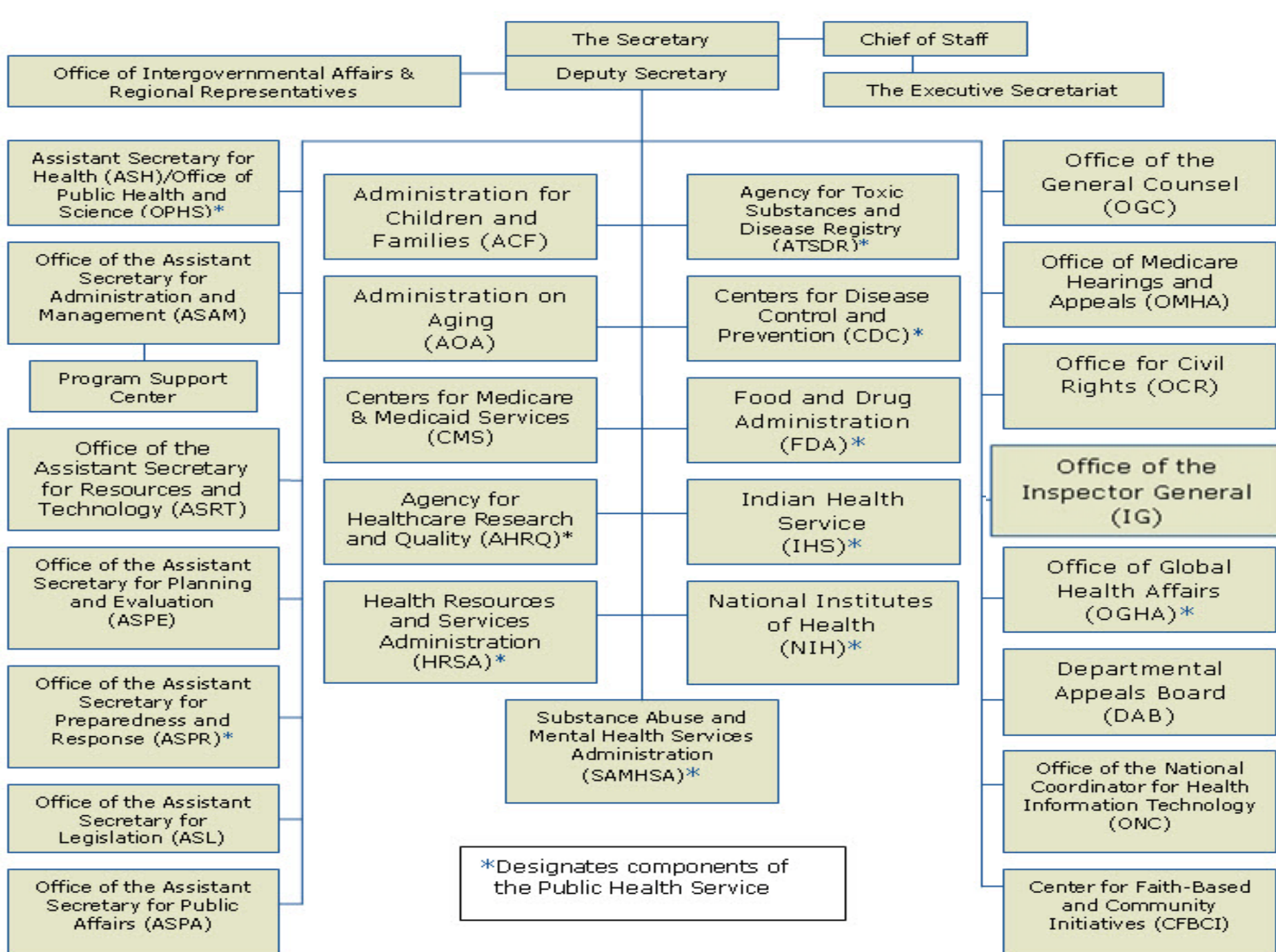
Secretary Kathleen Sebelius





HHS Programs in Indian Country







Other Inspector General Offices



- Statutory creation of IGs by IG Act of 1978
- Currently 69 IGs
- Provide independent oversight and protect programs against fraud, waste & abuse



Council of the
INSPECTORS GENERAL
on INTEGRITY and EFFICIENCY



CIGIE Executive Chair
[The Honorable Jeffrey Zients](#)
[Deputy Director for Management, Office of Management and Budget](#)



CIGIE Chair
[The Honorable Phyllis K. Fong](#)
[U.S. Department of Agriculture IG](#)
[\(biography\)](#)



CIGIE Vice-Chair
[Mr. Carl A. Clinefelter](#)
[Farm Credit Administration IG](#)
[\(biography\)](#)

www.IGnet.gov



Inspector General Act of 1978



IG Act Mission:

- Conduct independent and objective audits, investigations and inspections
- Prevent and detect waste, fraud and abuse,
- Promote economy, effectiveness and efficiency,
- Review pending legislation and regulation, and
- Keep the agency head and Congress fully and currently informed.



Inspector General Act of 1978



Four primary criteria:

- An independent and objective OIG
- Semiannual reporting to Congress
- Direct / unrestricted access to agency records & information
- Subpoena authority for information and documents outside the agency



Daniel R. Levinson, Inspector General





HHS-OIG's Mission

OIG's Mission is to Protect the integrity of HHS programs and the health and welfare of program beneficiaries





U.S. Department of Health & Human Services Office of Inspector General



[OIG.HHS.GOV/Recovery](#)

[Stop Medicare Fraud](#)

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Mission

The mission of the Office of Inspector General (OIG), as mandated by Public Law 95-452 (as amended), is to protect the integrity of Department of Health and Human Services (HHS) programs, as well as the health and welfare of the beneficiaries of those programs.

OIG has a responsibility to report both to the Secretary and to the Congress program and management problems and recommendations to correct them. OIG's duties are carried out through a nationwide network of audits, investigations, evaluations and other mission-related functions performed by OIG components.

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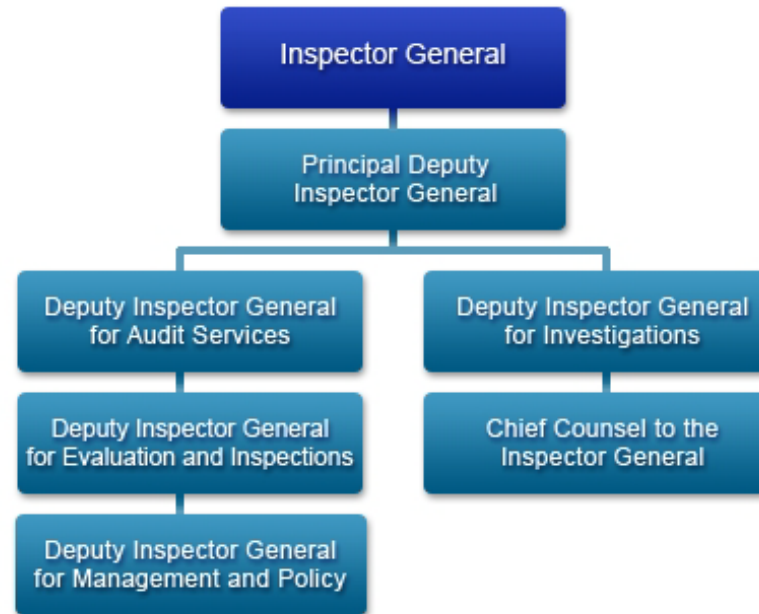


Overview of HHS-OIG



- Immediate Office
- OAS
- OEI
- OMP
- OI
- OCIG

Office of Inspector General Organization Chart



The Inspector General is appointed by the President with Senate confirmation.



HHS-OIG-01



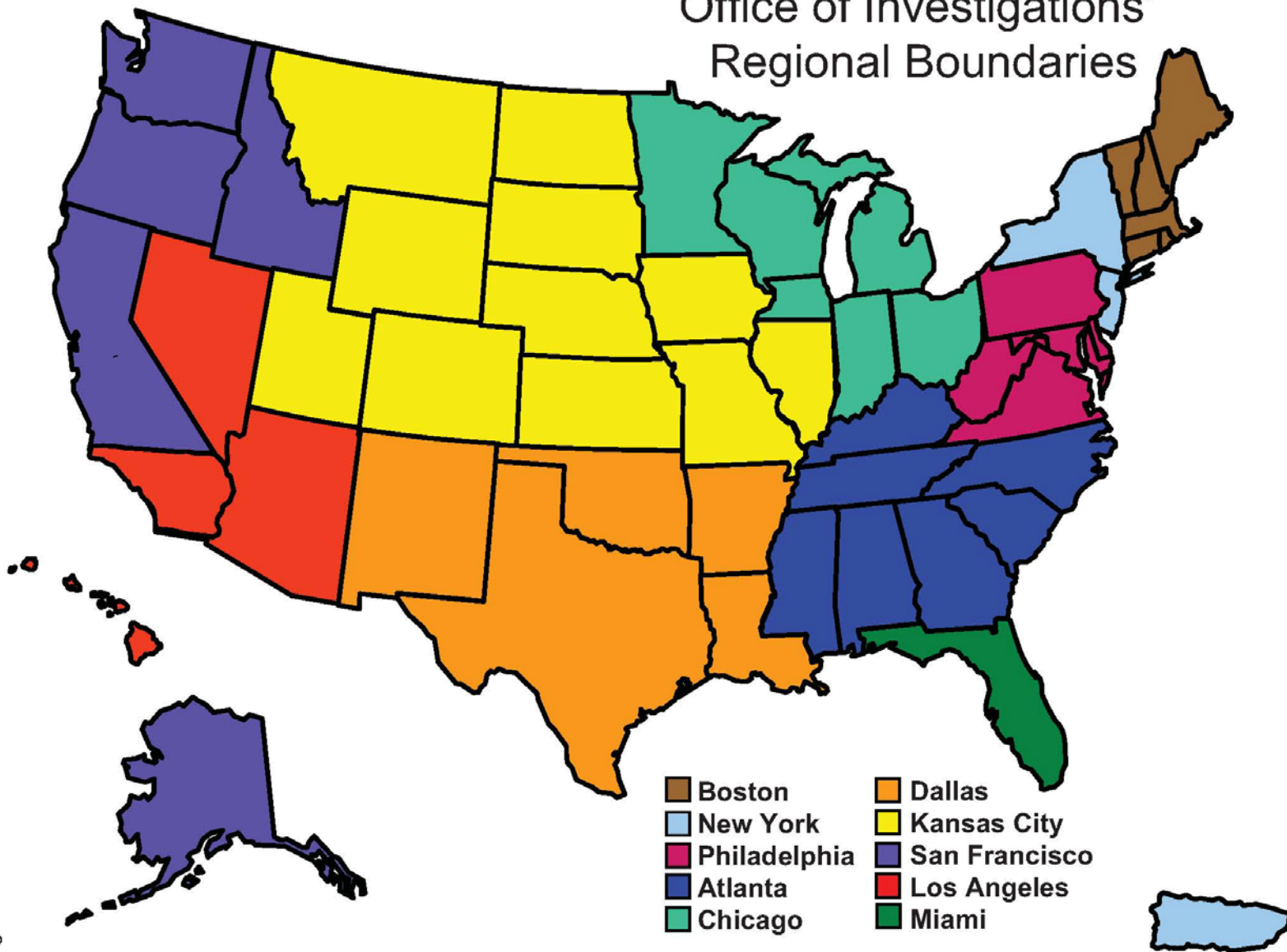
Office of Investigations



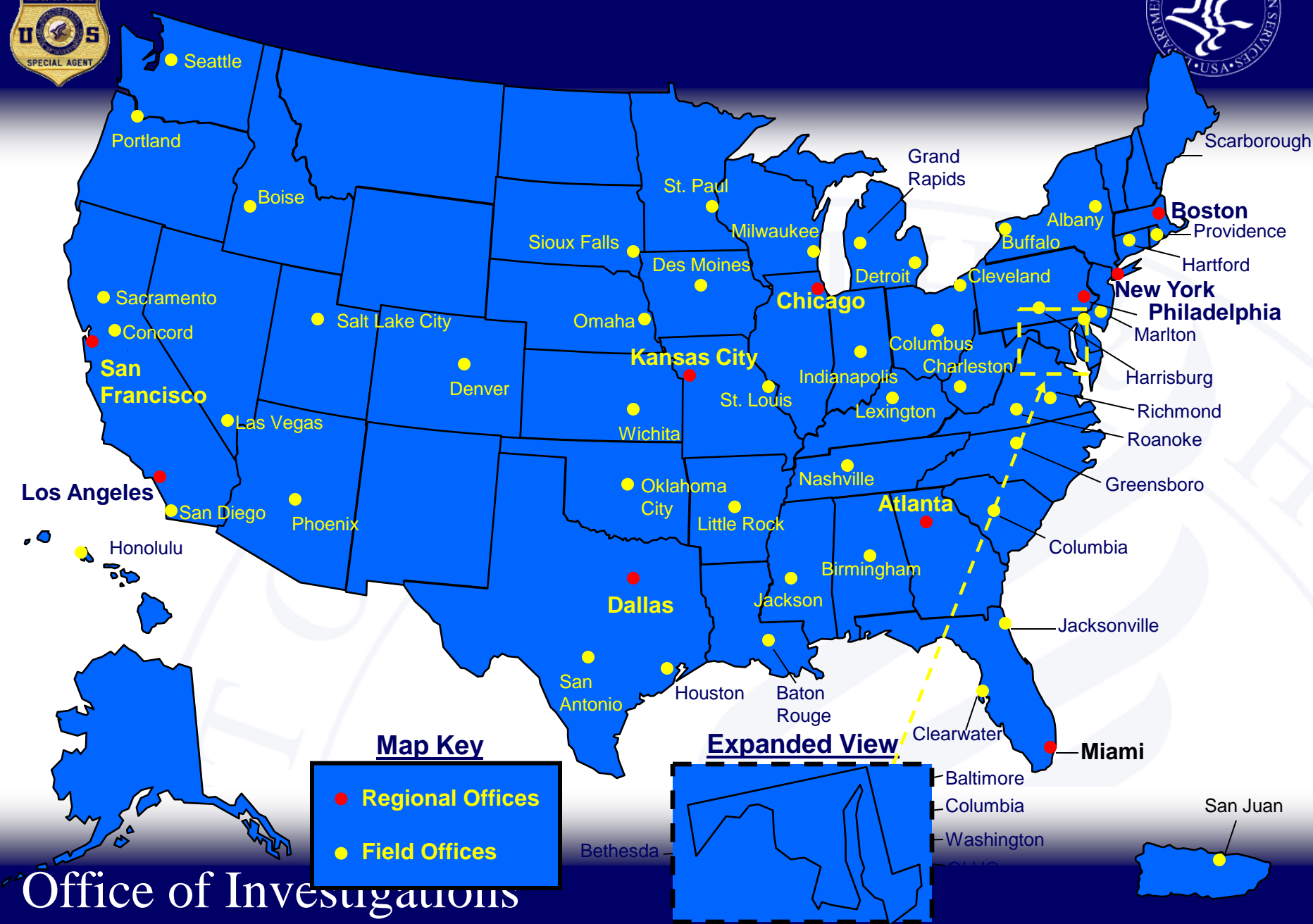
- OI has more than 500 employees nationwide, including over 400 criminal investigators and other mission support staff, such as general investigators, forensic computer examiners, investigations analysts, investigations assistants, and administrative staff.



Office of Investigations' Regional Boundaries



8



Map Key

- Regional Offices
- Field Offices

Expanded View

- Baltimore
- Columbia
- Washington
- Bethesda
- San Juan

Office of Investigations



Office of Investigations Mission



- Protect the integrity of the programs administered by HHS.
- Conducts criminal, civil, and administrative investigations of fraud and misconduct related to HHS programs.
- Provide protective services to the Secretary and participates in the Department's continuity of operations program as well as a full range of public safety and security incident management activities.



OI Investigative Priorities



- Health Care Fraud
- HHS Employee Investigations
- Child Support Enforcement
- Grant and Contract Fraud
- Exclusions
- Self Disclosures
- Other Program Related Investigations



Investigative Activities



- Search Warrants
- Arrest Warrants
- OIG and Grand Jury Subpoenas
- Consensual Monitoring
- Surveillance
- Undercover Operations
- Strike Force Operations



OI Authority



- Inspector General Act, as amended
- Title 18 (Criminal Laws)
- Title 31 (Civil Laws)
- Title 42 (Public Health and Welfare)
- Other Federal Laws
- Ability to investigate and present to State and Tribal jurisdictions



Partnership Driven Approach



HHS Contractors
(e.g. Medicare
Contractors)

DOJ/US
Attorneys

Federal, State &
Tribal LEOs and
Agencies

State, Local
& Tribal Agencies

OpDivs/StaffDivs





Recent Statistics



	FY07	FY08	FY09	Total
Criminal Actions	447	575	671	1,693
Civil Actions	262	342	394	998
Exclusions	3,308	3,129	2,556	8,993
HHS Investigative Receivables	\$2.1B	\$2.3B	\$3.0B	\$7.4B
Non-HHS Investigative Receivables	\$902.8M	\$846.3M	\$1.0B	\$2.7B
Total Investigative Receivables	\$3.0B	\$3.2B	\$4.0B	\$10.2B



Fraud



Let's talk fraud.....



What is Fraud?



- **There are a number of different definitions, but essentially it is...**
 - Deliberate deception to secure an unfair gain
 - Deceit, trickery, sharp practice, or breach of confidence, perpetrated for profit or to gain some unfair or dishonest advantage.
 - Sham



Grant Fraud



- Federal grant funds are awarded for a specific “public purpose” and grantees must use those funds as agreed.
- Unfortunately, fraud, waste, misuse, and/or misapplication of these funds can and does occur. These issues can range from poorly managed programs to the extremes of intentional criminal fraud schemes.



Grant Fraud Consequences



- Debarment from receiving future funding
- Administrative recoveries of funds
- Civil penalties
- Criminal prosecution
- Combination of all or some of these remedies.



Mitigating Risk with Grants

- The best strategy to mitigate these risks is to increase awareness of the common grant fraud schemes and encourage appropriate risk management efforts to prevent issues or detect them as early as possible so grant funded programs have every chance of success and taxpayer funds are used as efficiently and effectively as possible.



Common Grant Fraud Schemes



Most fraud, waste, and misuse schemes fall within one or more categories below:

1. Conflicts of Interest
2. “Lying” or Failing to Properly Support the Use of Funds
3. Theft



Conflicts of Interest



- Typical Issues:
 - Related Party Transactions (Grantee or Board Member)
 - Grant / Sub Grant Award Decisions
 - Consultants: Who, What, How, How Much?
 - Grant Writer Fees / Contingent Fees
- Know your Grantee Conflict of Interest Statement



Lying



- Typical Issues:
 - Labor Hours / Wages; Types of Equipment / Supplies / Events; Indirect Cost Rates; “Level of Effort”
 - Program Income / Matching Funds
 - Other Grants Fund the Same Program
 - Political changes to use of funds
- Financial Certifications & Draw Downs must be supported with evidence such as receipts, expense reports or cancelled checks.
- Progress reports must be factually accurate.
- Signed grant agreement is a contract: changes to budgets and program must be approved.



Certification Statement



- *By signing this application, I certify (1) to the statements contained in the list of certifications and (2) that the statements herein are true, complete and accurate to the best of my knowledge. I also provide the required assurances and agree to comply with any resulting terms if I accept an award. I am aware that any false, fictitious, or fraudulent statements or claims may subject me to criminal, civil, or administrative penalties.*



Theft and Embezzlement



- Single most common risk for every entity– It can and does happen.
- Poor or no internal controls = Virtually inevitable theft.
- “Trust” is not part of the equation.
- Checks routinely written to employees as “reimbursement” of expenses should be carefully analyzed.
- Gift Cards / ATM / Debit / Credit Cards are easily abused.



Preventing Theft



- Ensure internal controls are well-designed and properly implemented and tested.
 - Separation of Duties: receipt, disbursement, recording, custody, & audit / review functions should be done independently.
- Consider using a fiscal agent or bookkeeper.
- Carefully control debit / credit / gift cards and checks.
- Pay close attention to: “payroll advances”; employee reimbursement checks; IRS tax withholding payments & other payroll issues; past-due vendor invoices.
- To increase deterrence and detection, educate every employee, board member, and coalition partner about this risk.



Possible Fraud Indicators



- ✓ One person in control
- ✓ No separation of duties
- ✓ Persons living beyond means
- ✓ Missing or incomplete internal controls
- ✓ No prior audit
- ✓ Unusual behavior
- ✓ Recent money problems
- ✓ Lack of internal controls
- ✓ Lack of regulations / operating procedures
- ✓ Lack of oversight to enforce regulations
- ✓ Altered / suspect records



Myths about Fraud



- Only certain types of people will commit fraud.
- Most fraud goes undetected.
- Fraud is usually well concealed.



OIG Most Wanted



OIG

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MOST WANTED FUGITIVES





Contact HHS-OIG



HHS-OIG Website

www.oig.hhs.gov

HHS-OIG Hotline

- 1-800-HHS-TIPS (1-800-447-8477)
- HHSTips@oig.hhs.gov



OI HQ & Regional Points of Contact



- Headquarters (202) 619-3210
- Boston Regional Office (617) 565-2664
- New York Regional Office (212) 264-1691
- Philadelphia Regional Office (215) 861-4586
- Atlanta Regional Office (404) 562-7603
- Miami Regional Office (305) 530-7756
- Chicago Regional Office (312) 353-2740
- Dallas Regional Office (214) 767-8406
- Kansas City Regional Office (816) 426-4000
- San Francisco Regional Office (415) 437-7961
- Los Angeles Regional Office (714) 246-8302