Texas General Land Office

Community Development and Revitalization

"The GLO stands ready to help our state maximize the use of this disaster recovery funding to build back stronger and more resilient communities."

~ George P. Bush, Commissioner

Fraud Waste and Abuse Training 2021

What is Fraud, Waste, and Abuse?

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Government Accountability Office(GAO) definition of Fraud, Waste and Abuse:

- **Fraud** is defined as the **wrongful or criminal deception intended** to result in financial or personal gain.
- **Waste** is defined as the **thoughtless or careless expenditure**, mismanagement, or abuse of resources to the detriment (or potential detriment) of the U.S. government.
- **Abuse** is defined as **excessive or improper use** of a thing or to use something in **a manner contrary to the natural or legal rules** for its use. Abuse can occur in financial or non-financial settings.

Examples of Fraudulent Behavior

- Asset Misappropriation
  - Cash-Billing Scheme, Payroll Scheme, Skimming, Refunds
  - Non-Cash-Theft/misuse of equipment

- Corruption
  - Conflict of Interest
  - Bribery/Kickback

- Financial Statement Fraud
  - Falsifying entries-fictious sales, overstatement of assets
  - Manipulating timing- delayed expense recording

Common Fraud Schemes for Disaster Recovery Grants

- **DUPLICATE BENEFITS:**
  - Disaster victims who apply for and receive benefits from multiple agencies; often seen for duplicate rental assistance and repairs.
- **FALSE ELIGIBILITY CLAIM:**
  - Homeowners falsely claim damage to a primary residence when it was an investment property. Rental properties are not eligible for repair funding. This also refers to cases where recipients falsely obtain Section 8 assistance when they own an undamaged home. They sublet the Section 8 unit and keep the rents as profit.
- **CONTRACT REPAIR FRAUDS:**
  - Home repair firms that contract for work but do shoddy work or leave when paid while performing little to no work.

The Fraud Triangle

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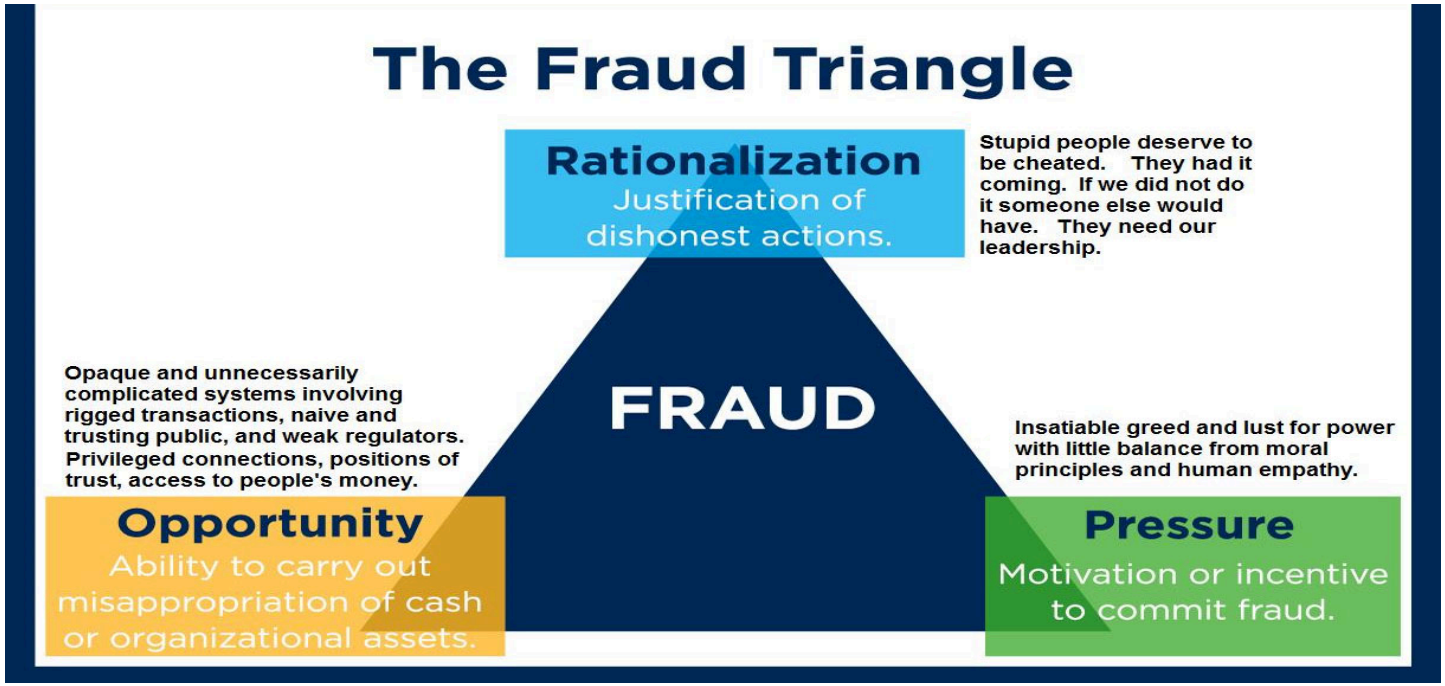
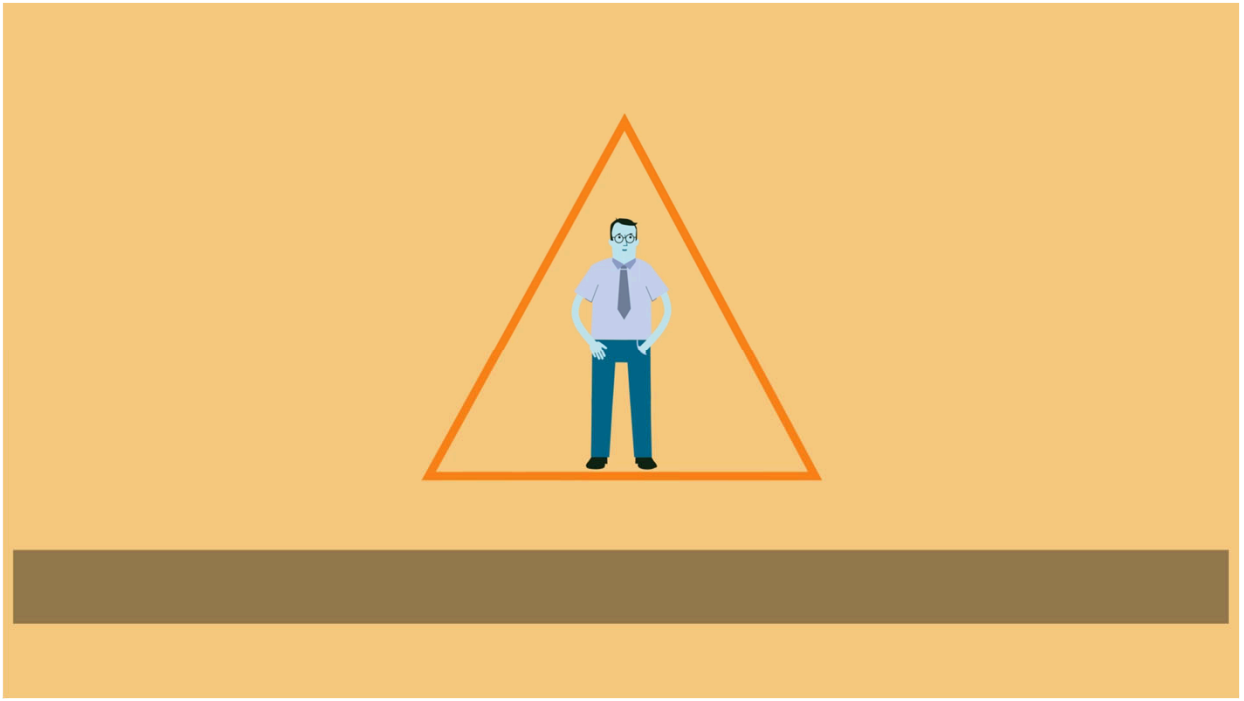


Video: Why do People Commit Fraud

The ACFE(2017, September 28). Why do people commit fraud [Video 1:11]. https://youtu.be/wRixN7Fsimc



Examples of Abuse

Examples of abuse include but are not limited to:

- Misusing authority to write technical specifications or contract terms to favor a specific contractor
- Not disclosing a known conflict of interest
- Using an agency computer to download non-work-related content, such as personal music downloads
- Buying digital music players for “official data storage”

Examples of Fraud

Misrepresentation of:
- Income (Underreported or overreported)
- Household composition
- Transferred or hidden financial resources
- Residency or ownership (primary residence v. second home)

Inflating hours billed

Selling counterfeit materials

Using another person's identification

Falsifying records and forging signatures or documents

Applying for and receiving duplicate benefits from multiple agencies

Misrepresenting a medical condition to obtain additional benefit

Misappropriation of funds, supplies or assets

Construction contractor fraud
- poor workmanship or
- abandonment of job after receiving payment having performed little to no actual work

Bribery – both giving or accepting money or favors for influence (e.g. contractors offering money or other items of value to program officials to award a grant)

Kickback of funds because of a confidential agreement or coercion (e.g. program officials requiring funds or items of value from contractors to obtain a contract)

Examples of Waste

Examples of waste include, but are not limited to:

Excessive or improper utilization of services, supplies or equipment

Diversion of program resources

Incurring unnecessary costs through carelessness or inefficiency

Buying unnecessary or overpriced equipment

Disposing of functioning equipment instead of following allowable disposal methods

Polling Question #1

What are three elements of the Fraud Triangle?

A. Responsible, Opportunity, and Portions
B. Rationalization, Opportunity, and Pressure
C. Redesigning, Opportunity, and Pressure

Fraud Facts

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- **Fraud and illegal acts** against the Federal Government are a **widespread problem**.
- The government fights a losing battle once these illegal acts occur. They **seldom recover losses**, and the **perpetrators are rarely punished**.
- **Weakness** in internal controls often **allows fraud** to occur.
- Given the poor state of controls in many programs, it is probable that **most fraud remains undetected**.
- It is essential to **improve internal controls** so that fraud and related **illegal acts are more difficult to commit**.
- Ensuring that controls are understood, encouraged, and enforced will make it less likely that fraudulent acts will occur.

How fraud often goes undetected

Collusion	Audit Materiality levels	Weak internal controls	Lack of segregation of duties
Very well concealed and covered up(complex web of journals, rolling of debtors)	Fraudsters in senior positions & able to explain away/intimidate	Fraudsters can be territorial	Job Attitude

Responsibility to Prevent

Internal Controls to prevent FWA includes identifying instances where possible fraud and non-compliance should determine a project ineligible.

CFR § 3c.3 - Reporting fraud, waste, abuse, and corruption and cooperation with official inquiries.

Applies to vendors and staff.

Airport Rule: See something, say something. Is it preventable or is it reportable.

Subrecipients, Vendors, and Contractors

Subrecipients, vendors, contractors are responsible for the detection and prevention of fraud, waste, and abuse, misappropriations, and other irregularities. Each employee should be familiar with the types of fraud, waste, and abuse that can occur, remain alert for any indication of irregularity, and understand their duty to report suspected fraud, waste, and abuse.

Subrecipients, vendors, contractors should never attempt to resolve any fraud, waste, or abuse allegations, or communicate with the complainants or applicants regarding the complaint. All fraud, waste, and abuse allegations received through subrecipients, vendors, and contractors must be referred immediately to GLO-CDR MQA.

GLO-CDR Program Staff Responsibilities

GLO Employee Handbook, including the GLO Fraud Prevention Policy maintained on the GLO intranet in the agency's Employee Handbook; policy includes how, when, and where to report possible fraud, waste, and abuse

GLO on-boarding of new staff includes training, a review of the code of ethics, whistleblower procedures, and conflicts of interest

Mandatory Annual Fraud Prevention and Ethics training including a staff acknowledgement form for all GLO-CDR employees

Organizational charts that denote segregation of duties

Fraud prevention and reporting information is published on the GLO-CDR website

Technology-related fraud prevention and security controls

Polling Question #2

Choose which scenario is an example of fraud.

A. Renting out a CDBG-DR built home after it is completed.

B. Misrepresenting your income.

Potential Actions to Prevent FWA

What could be done to prevent this from recurring?

- Controls
- Processes
- Segregation of duties
- Disclose conflict of interest
- Regular monitoring
- Professional skepticism

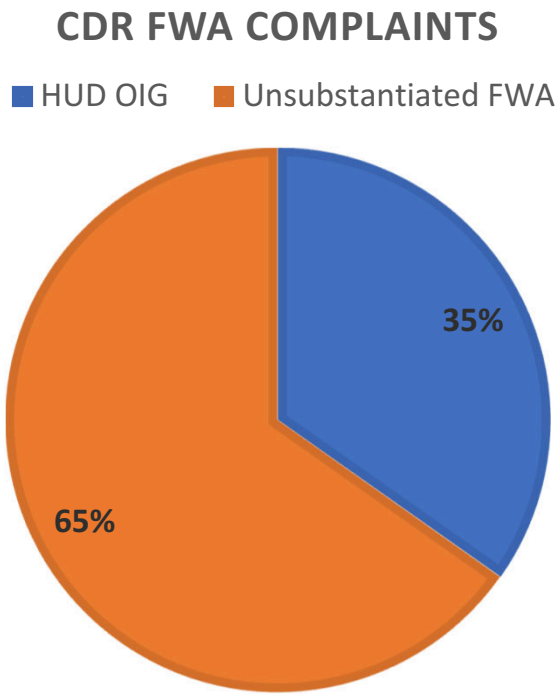
Potential Actions and Examples

- Hotline/Whistleblowing installation and monitoring
- Pre-loss Fraud Risk Assessment: risk-based approach not one size fit all
- Independent management review
- External & internal audit
- Awareness & training
- Surprise audits
- Background checks and lifestyle audits

2019-2021 FWA Data

CDR 2019-2021 Fraud, Waste, and Abuse Data		
# of Complaints 2019-2020	2019-2020 Disposed Cases	2019-2020 sent to HUD OIG
69	25	16
# of Complaints 2020-2021 as of May 1,2021	2020-2021 Disposed Cases	2020-2021 sent to HUD OIG
22	**12**	**1**

Types of Fraud Allegations Sent to HUD OIG



Type of Fraud Allegation

- Builder Complaint - 2
- Duplicate Benefits - 6
- Household Composition - 1
- Falsified Residents - 1
- Undisclosed Income - 1
- No Storm Damage - 6
- Not Primary Residence - 4
- Ownership Not Documented - 1
- Program Complaint - 1
- OTHER: Example From Vendor - 1

Polling Question #3

What types of reports are not accepted by the HUD OIG Hotline?

a. Embezzlement and theft
b. Contracting and procurement fraud
c. Child support enforcement
d. All of the above

MQA FWA Review

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- Nature
- Amount
- Names
- When
- Period
- Where
- How
- Documentation

How to Report Fraud to GLO

(877) 888-0002

https://s3.glo.texas.gov/cdr/fraud-waste-abuse.html

reportfraud@recovery.texas.gov

GLO-CDR Director of MQA
Texas General Land Office
PO Box 12873
Austin, TX 78711-2873

How to Report Fraud to HUD OIG

(800) 347-3735

https://www.hudoig.gov/hotline/report-fraud

Resources

- **Texas General Land Office (GLO)**
  https://recovery.texas.gov/
- **State Auditor's Office (SAO)**
  https://sao.fraud.texas.gov/ReportFraud
- **HUD Office of Inspector General (HUD OIG)**
  https://www.hudoig.gov/hotline
- **Government Accountability Office (GAO)**
  https://www.gao.gov/fraudnet/

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Polling Question #4

The intentional act of deception, misrepresentation, or concealment in order to gain something of value is:

A. Fraud
B. Abuse
C. Waste
D. All of the above

Questions?

Contact MQA at

reportfraud@recovery.texas.gov