

Compliance and Control Fraud Prevention Training

Recovery Office
City of Philadelphia

American Recovery and Reinvestment Act of 2009



The \$78 billion Recovery Act includes approximately \$400 billion for grants/cooperative agreements, \$60 billion for procurements, and \$327 billion for tax cuts and other federal spending programs.

Key Facts:

- **The Recovery Act's emphasis is on:**
 - **Job Creation**
 - **Transparency**
 - **Accountability**
 - **Oversight**



- **To date, the City of Philadelphia has been awarded \$216,619,096 and is currently competing for additional awards.**
- **Funds are being spent at unprecedented speed.**
- **Grant projects are subject to unprecedented levels of visibility and review from Federal and State officials, Mayor Nutter, City Council, Commissioners, the Recovery team, and the public.**



**Public employees, who work to ensure
we get what we pay for,
are the eyes and ears of the taxpayer.**



What is Grant Fraud?

Federal grant funds are awarded for a specific “public purpose” and grantees must use those funds within certain parameters.



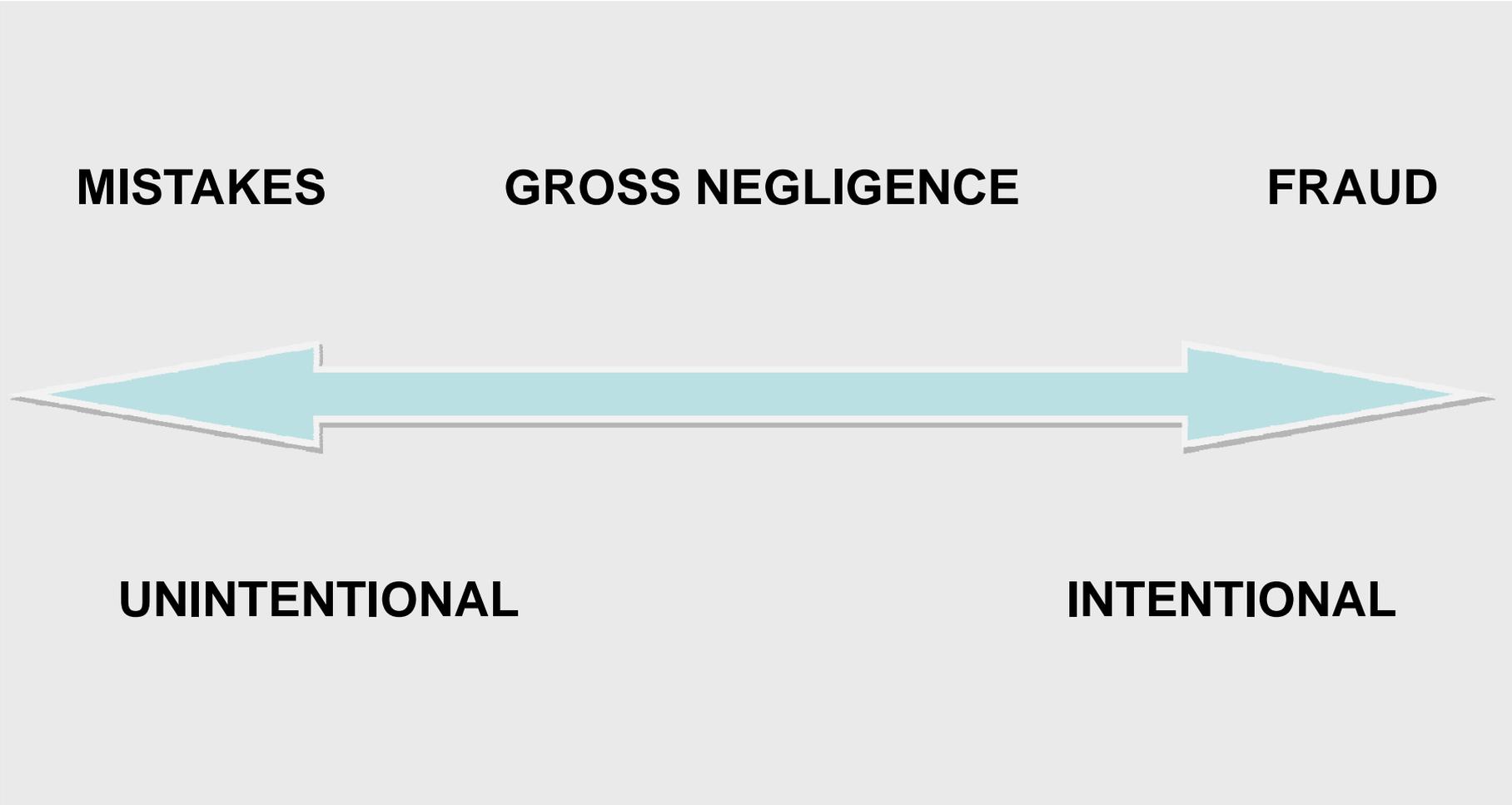
Unfortunately, fraud, waste and misuse of these funds can and does occur.



The best strategy to mitigate these risks is:

- To increase awareness of the common grant fraud schemes.**
- To encourage appropriate risk management efforts to prevent issues or detect them as early as possible.**

What is Grant Fraud?



Common Grant Fraud Schemes

Most fraud, waste and misuse of funds falls into one or more of the following three categories—

- **Conflicts of interest**
- **“Lying” or failing to properly support the use of funds.**
- **Theft**



Types of Contract Improprieties

Bid Rigging –

Competitors agree in advance who will submit the winning bid on a contract.

1. Bid Suppression
2. Complementary Bidding (Bidding high)
3. Bid Rotation
4. Subcontracting

Types of Contract Improprieties

Price Fixing –

Competitors agree to raise, fix or maintain the price at which their goods or services are sold.

Types of Contract Improprieties

Product Substitution –

Counterfeit and/or substandard material or other forms of unauthorized substitution; one product or service is purchased, but the actual product or service delivered is misrepresented or contains undisclosed substitutions.



Types of Contract Improprieties

Davis Bacon –

The federal requirement for paying prevailing wages for public works projects.



Types of Contract Improprieties

Bribery –

Influencing a public official or person to commit or aid in committing, colluding in, or allowing any fraud with the promise to give, offer, or promises of anything of value.



Types of Contract Improprieties

Kickbacks –

Money paid for the referral of business for a contract without the knowledge of a customer and without the customer's best interests in mind.



Types of Contract Improprieties

Conflicts of Interest –

An employee in a decision-making position has a direct or indirect interest (financially), which influences the individual's ability to perform job duties and fulfill responsibilities.



Types of Contract Improprieties

False Claims –

The act of knowingly making, using or causing to be made a false record or statement that results in payment or approval by a Federal, State or Local government.

(e.g., Labor and Material Overbilling)

Types of Contract Improprieties

Disadvantaged Business Enterprise (DBE)–

The act of a business to misrepresent its standing as a DBE to win contract awards.



Types of Contract Improprieties

Corruption of Public Officials—

The lack of integrity or honesty and/or the use of a position of public trust for dishonest personal gains.

Made in the USA



No American Recovery and Reinvestment Act (ARRA) funds may be expended or used for the construction or repair of a public building unless all of the iron, steel and manufactured goods used in the project were produced in the United States.

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