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Supportive Services for Veteran Families Fraud Awareness Training

Department of Veterans Affairs
Office of Business Oversight (OBO)

[Link to Audio](#)



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Introductions

Presenters

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Overview

- Basics
- Prevention
 - Internal Controls
 - Risk Mitigation
- Detection
 - Red Flags
- Conflict of Interest
- Integrity
- Theft
- Incidents
- Contact Information



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Fraud Basics

- Fraud is any crime for gain that uses deception as its principal modus operandus. More specifically, fraud is defined by Black's Law Dictionary as:
 - A knowing misrepresentation of the truth or concealment of a material fact to induce another to act to his or her detriment. Any intentional or deliberate act to deprive another of property or money by deception or other unfair means.



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Fraud Basics

- Fraud against an organization can be committed internally by employees, managers, owners of the company, or externally by customers, vendors, and other parties.
- Fraudsters have also devised schemes to defraud individuals (i.e. identity theft, Ponzi schemes, advanced-fee and phishing schemes) to steal money from unsuspecting victims/organizations.



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Fraud Basics





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Internal Controls

Internal Controls are everyone's responsibility and are key to reducing the *opportunity* that might lead an employee astray.



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Internal Controls

- Internal Policies
 - Approval Chain
 - Separation of Duties
 - Job Cross-Training
 - Bonded Cash Handlers
 - Independent Reviews
 - Update based on changes in the operational environment

- Board of Directors
 - Qualified Board Members
 - Timely Meetings
 - Strong Oversight/Direction
 - Documentation of Meeting Minutes



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Internal Controls

- Conflicts of Interest
 - Disclose Relationships with Families or Friends
 - Avoid Personally Beneficial Relationships
 - Contracts/MOU's
 - Kick Backs and Gifts

- Payment Requests
 - Maintain all Justification and Documentation
 - Evidence of payment (check, bank/CC statement, ACH)
 - Record Properly
 - Eliminate Petty Cash



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Internal Controls

- Best Practices
 - Well developed Quality Assurance/Quality Control process
 - Segregation of duties for Temporary Financial Assistance (TFA)
 - Case manager requesting rental payments should not be the person inspecting the unit
 - Have employee complete a Vendor verification of the EIN
 - Have a separate employee use local resources (tax appraisers website) to determine who owns rental unit
 - Have a separate employee conduct a post placement follow up with the Veteran to ensure their copy of the lease matches the one on file
 - Ensure all documents (leases, notices, etc.) have hand written dates and signatures
 - Review the Veterans signature on the lease to previously signed SSVF documents
 - Ensure that the lease agreement includes the Veterans name; is executed (signatures) by Landlord and Veteran
 - For continuing rental payments – call the landlord/rental agency to verify the Veteran is still occupying the unit before making any payments



Risk Mitigation

- Read and understand your Grant Agreement to ensure you know the rules; Agency Guidance; CFR's; Mandatory Disclosure, etc.
- Managers must design, evaluate, and monitor Internal Controls
- Examine your programs to identify fraud vulnerabilities: time & effort records; control of "cash"
- Develop a compliance plan
- Implement specific fraud prevention strategies including educating others – the more people are aware the more they can help prevent problems or detect them as early as possible
- Maintain a well designed and tested system of internal controls
- Develop a fraud reporting/ follow up process
- Ensure all financial and progress reports are adequately supported with appropriate documentation and evidence
- Ensure solid relationship between fiscal and operational activities
- Identify any potential conflicts of interest issues and disclose them to the appropriate officials for specific guidance and advice. Ensure everyone involved in the grant process understands the conflict of interest prohibitions
- Ensure there is a fair, transparent and fully-documented procurement process especially when utilizing consultants. Ensure the rate of pay is reasonable and justifiable and that the work product is well-defined and documented



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Detection - Red Flags

- Payment Requests or Drawdown of Grant Funds- Agency
 - Insufficient Justification or Documentation
 - Drawdowns After Award Period Ends
 - Payment Request Exceeds Expenditures

- Lack of Proper Internal Controls
 - Lack of Segregation of Duties
 - Unsupervised Spending
 - Lack of Internal Policies
 - Lack of Management Oversight (QA/QC)

- Ineffective Board of Directors
 - Unqualified Board
 - Meets Infrequently
 - Absence of Oversight/Direction
 - Insufficient Documentation of Meeting Minutes



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Conflict of Interest

- Grantees are required to use federal funds in the best interest of their program and these decisions must be free of undisclosed personal or organizational conflicts of interest— both in appearance and fact
- Typical Issues -
 - Less than Arms-Length Transactions: purchasing goods or services or hiring an individual from a related party such as a family member or a business associated with an employee of a grantee
 - Sub grant award decisions and vendor selections must be accomplished using a fair and transparent process free of undue influence. Most procurements require full & open competition
 - Consultants can play an important role in programs, however, their use requires a fair selection process, reasonable pay rates, and specific verifiable work product



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Integrity

- A grant agreement is essentially a legally binding contract. Grantees are obligated to use grant funds as outlined in the agreement and to act with integrity when applying for and reporting their actual use of funds. Grantees are also obligated to properly track the use of funds and maintain adequate supporting documentation.
- Typical Issues -
 - Unilaterally redirecting the use of funds in a manner different than outlined in the grant agreement
 - Failing to adequately account for, track or support transactions such as personnel costs, contracts, indirect cost, program income, or other sources of revenue
 - Grantee's must accurately represent their eligibility for funding and cannot provide false or misleading information in their application or subsequent narrative progress or financial status reports



- Theft is the most common issue in almost all organizations – including those that receive federal grant funding
- People that embezzle funds can be extremely creative and appear very trustworthy which is why they can do so much damage to an organization and remain undetected for extended periods of time.
- Poor or no internal controls equals virtually inevitable theft. A lack of appropriate separation of duties is one of the most common weaknesses.
- Checks written to employees as “reimbursement” of expenses and the use of ATM/Debit/Gift/Credit Cards must be carefully controlled and require robust oversight.
- Inconsistent coding of general ledger accounts and expenditure data



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COVID-CARES Funds

- SSVF has provided relief in the administration and Program Guide requirements to assist grantee's with barriers in the process of service to Veterans during the pandemic.
- Grantees should continue to ensure that systems are in place to prevent FWA with potential opportunities due to changes in processing and internal controls.
- When possible and safe, grantees should consider returning to normal established protocols as their community allows.
 - Review Veteran housing plan and coordinate with client.
 - Review TFA payments, EHA and credit card usage.
 - Review documentation or verbal information for accuracy.



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Actual SSVF Cases

Discussion of actual SSVF Fraud cases.

- Lack of Proper Internal Controls
 - Segregation of Duties
 - Unsupervised Spending
 - Lack of Internal Policies
- Conflicts of Interest
 - Disclose Relationships with Families or Friends
 - Avoid Personally Beneficial Relationships
- Payment Requests or Drawdown of Grant Funds



Payment Requests or Drawdown of Grant Funds

- Grantee had employee who processed and reviewed TFA for landlord and rental payments.
- Employee used position to create “fake” rental agreements, used Veteran information to appear real.
- Collaborated with landlord to split funds.
- Fraud discovered during audit due to outliers with amount of rent payments to same vendor.
 - Activity occurred over multiple years.
 - Employee terminated.
 - Office of Inspector General pursuing criminal charges.
 - Grant with SSVF and terminated
- During investigation employee indicated they were disgruntled due to pay and being passed on for promotion



Payment Requests or Drawdown of Grant Funds

■ UPDATE

- A former case manager at a nonprofit organization dedicated to combating veteran homelessness and a property agent have pleaded guilty to conspiring to steal approximately \$124,000 in federal funds intended to help homeless Veterans.
- The grantee learned that case manager was not making rental payments on behalf of Veterans and directed the landlord to no longer work with the case manager.
- Sentencing is scheduled for April 2021
- The VA OIG's continued oversight of VA's grant programs, which are used to provide housing for at-risk homeless Veterans, is one of the agency's highest priorities because it safeguards the integrity of VA's programs designed to end Veteran homelessness. As detailed in the charging document, the defendants' fraud scheme adversely impacted the well-being of homeless Veterans, their families, and the programs designed to assist them during a time of need,"



Subcontractor Fraud – Lack of Proper Internal Controls

- Forged documentation ranging from vendor letters to eligibility documentation
- Forged Veteran signatures to warrant TFA assistance
- Failed to produce documentation for TFA payments
- Non-Compliance with financial assistance limits resulting in multiple over payments
- Falsified client records

Employees terminated

Subcontractor relationship terminated



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To report potential fraud, waste, or abuse, contact the OIG Hotline (800) 488-8244 or submit an online form at:

www.va.gov/oig/hotline



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Questions



Email questions to SSVF@VA.Gov