



Guide Sheet

Preventing Fraud, Waste, and Abuse

Grant Financial Management Requirement

The U.S. Department of Justice (DOJ) awards grants to fund justice programs that benefit communities in the U.S. and U.S. territories. Funds are to be used only for intended purposes and within the established guidelines. As an OJP grantee, you are responsible for providing adequate safeguards to prevent fraud, waste, and abuse of federal funds. Proper management of award funds prevents misuse of funds.

Important Information to Know

What are common types of grant fraud?

There are three common types of grant fraud identified by DOJ:

- ▶ Conflict of interest—when an employee or volunteer has a personal or business interest that conflicts with their professional obligations or responsibilities to the organization.
- ▶ Failure to properly support the use of award funds.
 - ▶ Deliberate re-budgeting of funds in a manner different from the purpose outlined in the award agreement.
 - ▶ Failure to appropriately track and document transactions such as personnel costs, contracts, indirect cost rates, matching funds, program income, or other sources of revenue.
- ▶ Theft—the embezzlement of the funds that are awarded to the organization.

Additional examples of misuse of grant funds include:

- ▶ Fraud—an attempt to obtain something valuable through intentional misinterpretation.
- ▶ Waste—misuse of funds or resources through excessive or nonessential expenditures.
- ▶ Abuse—occurs when there is an intentional and unacceptable use of grant funds or misuse of one’s position.

What are examples of fraud, waste, and abuse?

Below are five case examples of fraud, waste, and abuse,

Case Example One: Fraudulent Activities on a Grant Funded Project			
Background	Possible Fraud Indicator	Scheme Identified	Result
An individual was tasked with purchasing equipment using a federal award.	Circumvention of the established procurement process and vendor complaints.	Individual stole over \$100,000 by directing contracts to bogus companies that he established.	A 240-month prison sentence.

Case Example Two: Theft			
Background	Possible Fraud Indicator	Scheme Identified	Result
A nonprofit received \$2.7 million in federal award funds to assist underprivileged children.	Unsuccessful program, lack of internal control, and unexplained income.	Funds were diverted to pay for a wedding reception, building construction, plasma TV, and personal credit card bill, with an estimated total loss of \$450,000.	A 36-and 66-month prison sentence and full restitution.



**Case Example Three:
Mismanagement of Grant Funds Due to
Failure to Properly Support Use of Funds**

Background	Possible Mismanagement Indicator	Result
A recipient received funds for a school safety summer program for middle and high school students.	Contract for a 12-month lease; spoiled food due to excessive purchase of perishable items; and insufficient documentation to support a substantial number of purchases.	Recipient paid the federal government over \$300,000 to settle civil fraud allegations.

Case Example Four: Waste

Background	Possible Waste Indicator	Result
A program manager purchased laptop and printer sets at LMX Tech at a price that was \$650 more than for the same model at Computer Co.	Funds should not be used to purchase overpriced equipment due to vendor preferences.	Recipient repaid funds as the agency deemed the \$18,500 excessive for the grant employees.

Case Example Five: Abuse

Background	Possible Abuse Indicator	Result
Tablets were purchased for program staff to have access while monitoring afterschool programs.	Monitoring has not occurred during the life of the project, while tablets are filled with game applications, personal documents, videos, and music.	Recipient repaid the federal government for the purchase of the 15 tablets.

How This Applies to Your Grant

Penalties for fraud, waste, abuse, and mismanagement

Per the [DOJ Grants Financial Guide](#), if a grant recipient or subrecipient is found guilty of grant fraud, waste, and abuse the consequences could be any or all of the following:

- ▶ The recipient or subrecipient is banned from receiving future federal funding.
- ▶ The recipient or subrecipient is responsible for the administrative recoveries of the funds.
- ▶ The recipient or subrecipient has a civil lawsuit or criminal prosecution brought against them.

Ways to reduce the risk of fraud, waste, and abuse

Recipients or subrecipients of award funds develop and implement preventative measures and processes to decrease the risk of fraud, waste, and abuse. See below for examples.

- ▶ Examine existing operations and internal controls to identify if they are vulnerable to fraud. Examples of vulnerabilities include:
 - ▶ Lack of separation of duties.
 - ▶ Unclear authorization for transactions.
 - ▶ Outdated or ineffective accounting systems.
 - ▶ Improperly collected and stored documentation.
 - ▶ Incomplete, unclear, or not implemented conflict of interest policies.
- ▶ Implement fraud prevention measures and have regular trainings to educate staff and volunteers on risks.
- ▶ Review and test internal control systems regularly for vulnerabilities and areas of improvement.
- ▶ Verify that all financial and progress reports are sufficiently supported with the required documentation.
- ▶ Develop and implement procurement processes that are reasonable, fair, and transparent.
- ▶ Conduct monthly bank reconciliations to identify errors or irregularities in bank statements and detect fraud.



Reporting fraud, waste, abuse, and mismanagement

DOJ requires recipients and subrecipients of grant awards to notify the awarding agency, and the federal cognizant audit agency, if they identify illegal activities, irregularities, or potential fraudulent actions. Examples of activities that should be reported are conflict of interest situations, records that have been falsified, fabricated reports, or other misuse of assets and funds.

If a recipient and subrecipient has an issue or a question regarding their grant, they should contact their grant program manager and/or the contact listed in the solicitation. If additional help is needed, contact the Office of the Chief Financial Officer Customer Service Center at 1-800-458-0786 (TTY: 202-616-3867) or ask.ocfo@usdoj.gov.

Resources

Government Accounting Office. (2019). Fraud, waste, abuse, and mismanagement: Know how to recognize and report them. <https://www.gao.gov/assets/680/676651.pdf>

Office of Justice Programs. (2020). Grants 101: Definitions. <https://www.ojp.gov/funding/grants101/definitions>

U.S. Department of Justice. (2024). DOJ Grants Financial Guide: Grant Fraud, Waste, and Abuse. <https://www.ojp.gov/funding/financialguidedoj/iii-postaward-requirements#ytg3wm>

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OJP FMSC



The **Office of Justice Programs Financial Management and Support Center (OJP FMSC)** is composed of the **Tribal Financial Management Center (TFMC)** and the **Territories Financial Support Center (TFSC)**. Together they provide high-quality training and support to increase the financial management capacity for OJP grantees operating from American Indian/Alaska Native (AI/AN) communities and in the U.S. territories.

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