



OFFICE OF
INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

DOI OIG Internal Controls & Fraud Briefing

October 25, 2023

Rene Olivas, Special Agent
Infrastructure Program Coordinator, Eastern Region
Office of Investigations

Katelyn Bell, Auditor
Infrastructure Coordination and Oversight Division
Office of Audits, Inspections, and Evaluations



OFFICE OF
INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR



Honorable Mark
Lee Greenblatt,
Inspector General



Matthew Elliott, Assistant
Inspector General for
Investigations



Kathleen R. Sedney, Assistant
Inspector General for Audits,
Inspections, and Evaluations



OFFICE OF
INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

Why is the DOI OIG interested in the IIJA/BIL AML funds?

- Abandoned Mine Lands can present serious threats to human health and environment.
- 0.5% or \$56,465,000 was required in the IIJA/BIL to be transferred to the OIG for oversight funding.
- Likely the largest DOI funded program for next several years.



OFFICE OF
INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

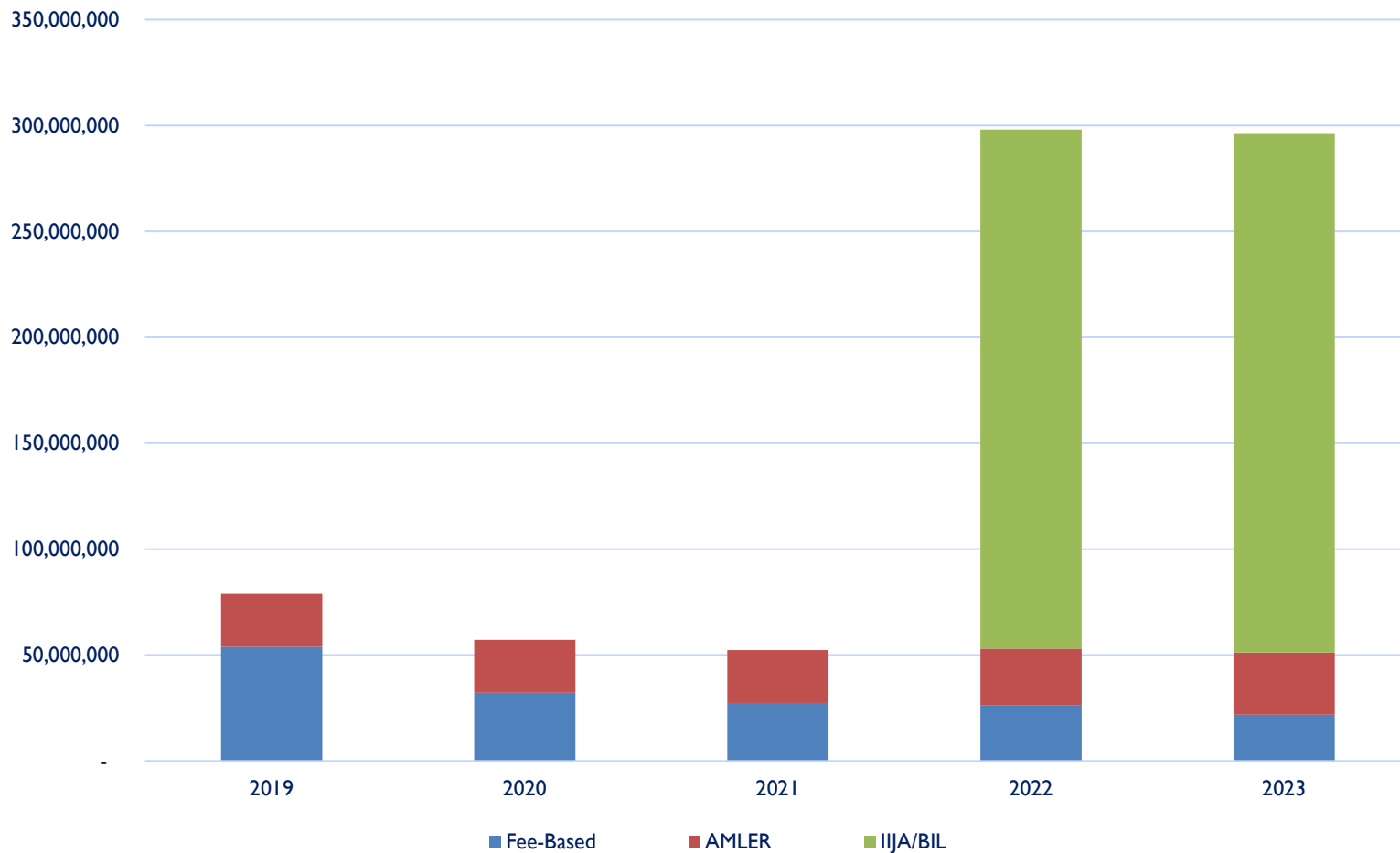
Pennsylvania AML IIJA Funds

- FY 2022 - \$244,904,081
- FY 2023 - \$244,786,476
- Possible 15 Year Total Funding - \$3.6 Billion



OFFICE OF
INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

PA AML Funding Over Prior 5 Years





OFFICE OF
INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

Prior Oversight

- **Report No. 2022-INF-037**, *Flash Report: Abandoned Mine Lands, The U.S. Department of the Interior Prepares to Spend \$11.3 Billion*
- **Report No. 2016-EAU-007**, *Office of Surface Mining Reclamation and Enforcement's Oversight of the Abandoned Mine Lands Program*
 - Followed up in **Report No. 2022-CR-022**, *The Office of Surface Mining Reclamation and Enforcement Made Progress in Implementing Corrective Actions to Improve Its Oversight of the Abandoned Mine Lands Program, but Some Reclamations Remain Outstanding*
- **Report No. 2015-ER-025**, *Audit of the Abandoned Mine Land Reclamation Program, State of Indiana*
 - Findings related to unsupported payroll charges, unallowable and unsupported costs, misreported expenditures in a Federal Financial Report, missing internal controls, and risk assessment concerns.



OFFICE OF
INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

Current Oversight

- **Project No. 2023-INF-014**, *The OSMRE's Preparedness to Expend IJIA Funds* announced on April 7, 2023. We are performing this review to ensure that proper guidance is provided to the OSMRE staff, the States, and the Navajo Nation. Our objectives are:
 - To what extent has the OSMRE provided guidance to the States and the Tribes to ensure completion of the grant application and subsequent monitoring.
 - What steps has the OSMRE implemented to ensure timely review of grant applications, modifications, and authorizations to proceed.
 - To what extent has the OSMRE provided guidance to the OSMRE grants staff to ensure that the individuals have guidance and/or policies on their roles and responsibilities to make determinations when awarding funds.
 - To what extent has the OSMRE considered relevant risk factors during the risk assessment of IJIA AML Reclamation grant recipients.



OFFICE OF
INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

Future Oversight

- Conduct site visits, physical observations, quality assurance tasks, and inspections.
- Reviewing Single Audits and grant files.
- Conduct audits, inspections, and evaluations of recipients and subrecipients.
- Reviewing State and Tribe announcements for projects.
- Reviewing available subrecipient data.
- Respond to any requests for audit or hotline submissions.



OFFICE OF
INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

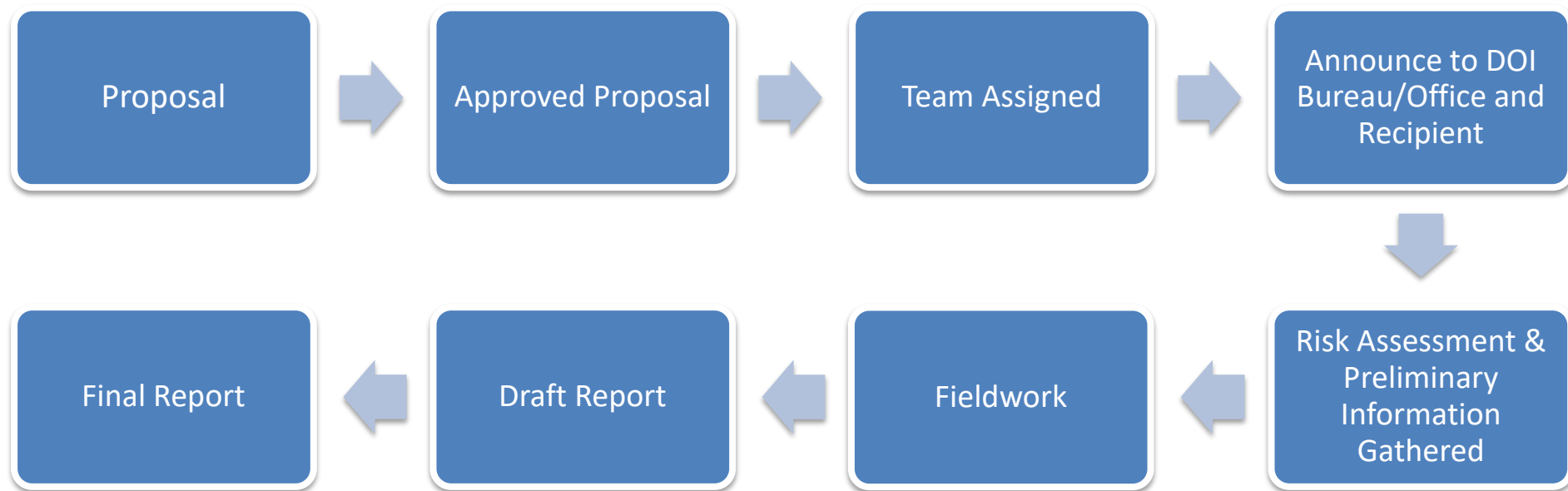
Who is Benefitting From Funds?

- Are the projects for a priority 1 – priority 3, addressing water supply restoration, or an AML emergency?
- Who is receiving the funds and what is their intended use of the funds?
- Are the funds benefiting the public or a company?



OFFICE OF
INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

Audit, Inspection, and Evaluation Project Process





OFFICE OF
INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

DISCLAIMER

- We are not providing official guidance.
- OSMRE and Pennsylvania provide guidance to be followed.



OFFICE OF
INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

Standards for Internal Control in the Federal Government

- U.S. Government Accountability Office published the Standards for Internal Control in the Federal Government on September 10, 2014, aka the “Green Book”.

- Internal controls - 2 CFR § 200.303.
 - Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” ...
 - Comply with the U.S. Constitution, Federal statutes, regulations, and the terms and conditions of the Federal awards.
 - Evaluate and monitor the non-Federal entity's compliance with statutes, regulations and the terms and conditions of Federal awards.
 - Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.



OFFICE OF
INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

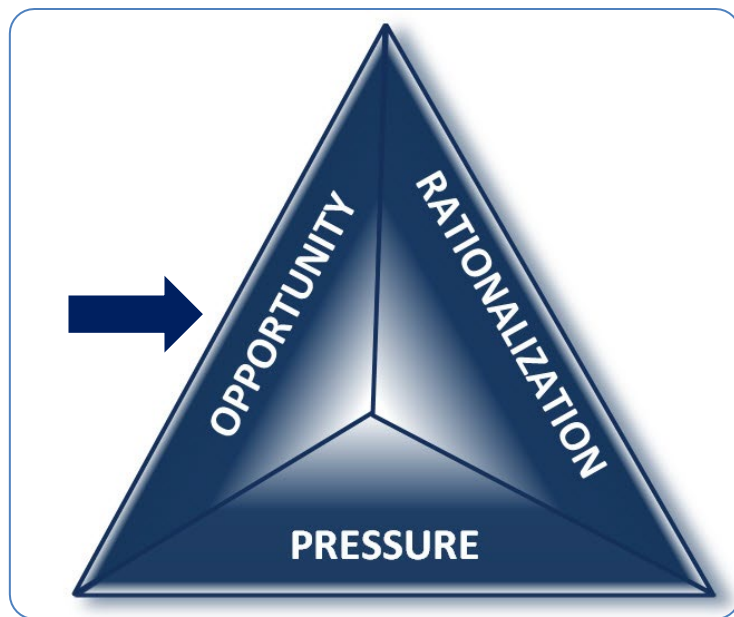
Internal Controls

- Preventive Controls
 - These are practices and polices designed to stop problems before they occur.
- Detective Controls
 - These procedures are designed to identify already existing problems.



OFFICE OF
INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

Internal Controls Help Take Away Opportunity





OFFICE OF
INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

Common Findings in Audits, Inspections and Evaluations

Inadequate
Oversight

Financial
Mismanagement

Non-Compliance
with Regulations

Weak Internal
Controls

Inaccurate
Reporting



OFFICE OF
INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

Internal Control Considerations Based on Common Findings

- Inadequate Oversight
 - Reviewing and documenting grant requirements.
 - Ensuring grant requirements are properly flowed down.
 - Processes are documented with policies and procedures.
 - Staff are following the policies and procedures.
 - Inspections of sites including those on site and work being done.
- Financial Management
 - Each award has separate account.
 - Ensure costs are recorded to the proper account.
 - Review supporting documentation from contractors or subgrant recipients when claiming costs.



OFFICE OF
INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

Internal Control Considerations Based on Common Findings

- Non-Compliance with Regulations
 - Ensure guidance from the OSMRE is followed and documented.
 - Ensure reporting requirements are followed and met.
 - Ensure procurement policies and procedures are followed.
- Weak Internal Controls
 - Ensure there is a segregation of duties.
 - Ensure that documentation is thorough and easy to find.
 - Ensure policies and procedures are followed.
 - Reconcile funds regularly.
 - Ensure that employees have regular training.
 - Do not rely on just a few key individuals



OFFICE OF
INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

Internal Control Considerations Based on Common Findings

- Inadequate Reporting
 - Ensure that required reports has all information and is not incomplete or inaccurate.
 - Ensure internal reports (site visits, discussions, etc.) are documented and accessible for the future.
 - Consider reports from contractors or subrecipients for files on work completed, individuals involved, and cost.
 - Monitor compliance with grant requirements.
 - Ensure staff are reporting information the same way across projects. Checklists or fillable documents can assist with this.
 - Report if noncompliance is found.



OFFICE OF
INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

Partnership with the Office of Investigations

- Ol's mission
- Our jurisdiction over fed funds through multiple award layers
- Our resources and expertise
- Our investigative priorities
- Grant fraud, procurement fraud, corruption, conflicts
- Tools and remedies (help us root out bad actors)
- **Key takeaway* (better to contact us early even if it turns out to be a non-issue, than to not contact us at all)**
- Grants and contracts lost to fraud can be “zero sum”



OFFICE OF
INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

What is Fraud?

- A) Deliberately stealing from program funds
- B) Lying, cheating, or stealing anywhere in the process
- C) Anytime a fraud statute is violated
- D) Intentionally stealing over \$1,000 from any grant program



OFFICE OF
INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

For a given pool of funds, the percentage typically lost to waste, fraud, or inefficiency is about:

- A) 3%
- B) 15%
- C) 7%
- D) 2%



OFFICE OF
INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

PRESS RELEASE

Former WVDEP Official Pleads Guilty to Theft of Federal Grant Funds

Friday, June 2, 2023

Share



For Immediate Release

U.S. Attorney's Office, Southern District of West Virginia

CHARLESTON, W.Va. – Jerry D. Elkins 54, of Danville, West Virginia, pleaded guilty to theft from programs receiving federal funds. Elkins admitted to fraudulently obtaining \$94,197.93 of federal abandoned mine land (AML) remediation sub-grant funds while employed by the West Virginia Department of Environmental Protection (DEP).

According to court documents and statements made in court, from on or about April 2017 until on or about August 7, 2019, Elkins assisted an individual, A.K., and his company apply for and obtain an AML sub-grant. Thereafter, Elkins set up a shell limited liability company to receive a portion of the sub-grant award funds and created fraudulent invoices in an attempt to conceal the nature of the payments.



OFFICE OF
INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

Lessons Learned From Case

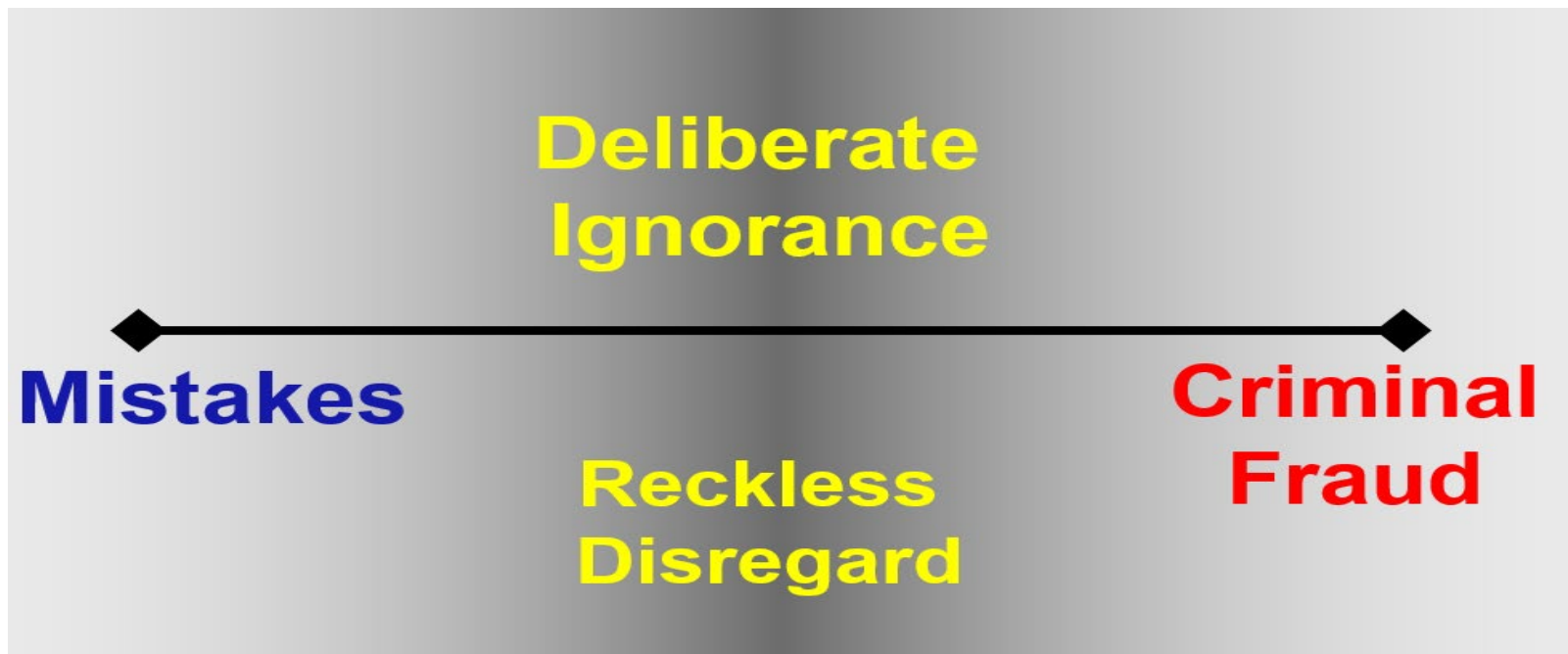
- Questions could have been asked earlier about the LLC relationships
- Improved application and vetting could have identified self dealing early
- State could have called OIG earlier (knowing about OIG is the start)
- State had the authority to stop making payments early
- Scrutiny of invoices for costs outside of budget could have been scrutinized



OFFICE OF
INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

What is Fraud?

- What is the lie and why does the lie matter?
- Fraud can occur anywhere in the award process





OFFICE OF
INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

Types of Fraud Schemes

- Progress Payment Fraud
- Phantom Sub-Awards (Consulting)
- Bribery/Kickbacks (illegal payments, gratuities, payments to govt officials)
- Bid Rigging/Rotation
- Conflicts of Interest
- Embezzlement
- Non-payment of subcontractors
- False Claims for Services not Rendered



OFFICE OF
INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

Fraud Indicators and Red Flags

- Early or accelerated drawdowns
- “Loans” to and from employees
- Delinquent payroll and other taxes
- Conflicts/Self-Dealing/Use of related consultants
- Yelp/Better Business Bureau poor reviews
- Limited or no internal controls
- No established ledger system
- Cash withdrawals and frequent transfers
- Large variations month-to-month in reimbursement amounts
- Inadequate or disorganized records
- Newly formed LLC’s



OFFICE OF
INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

Fraud Indicators and Red Flags (cont.)

- Uncooperative and evasive staff
- Prolonged delays with providing requested documents
- High employee turnover
- Frequent misstatements, exaggerations
- Prior complaints against company or organization
- Family members associated with company
- Excessive use of consultants and “fees”
- Problems/poor performance in other states



OFFICE OF
INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

Conflicts of Interest and Why They Matter

A conflict of interest occurs when an employee or volunteer has a personal or business interest that conflicts with their professional obligations or responsibilities to the organization.

§ 2 CFR 200.112 - Affirmative duty to disclose actual conflicts and potential/perceived conflicts

Where does the loyalty reside? What would a concerned citizen think?

- Conflicts in Fact
- Conflicts in Appearance



OFFICE OF
INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

Conflicts in Fact

Occurs when the employee or volunteer of a grantee or subgrantee is responsible for decisions, approval, recommendations, or disapproval concerning any of the following people or groups:

- An immediate family member.
- A spouse/partner.
- An organization in which they are serving as an officer, director, trustee, partner, or employee.
- Any person or organization with whom they are negotiating or who has an arrangement concerning prospective employment, has a financial interest, or for other reasons can have less than an unbiased transaction.



OFFICE OF
INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

Conflicts in Appearance

Occurs when an employee or a volunteer of a grantee or subgrantee takes actions that create the appearance that they are:

- Using their official position for private gain.
- Giving special treatment to any person.
- Losing complete independence or objectivity.
- Making an official decision outside official channels.
- Affecting, in a negative way, the public's confidence in the integrity of the government or the program.



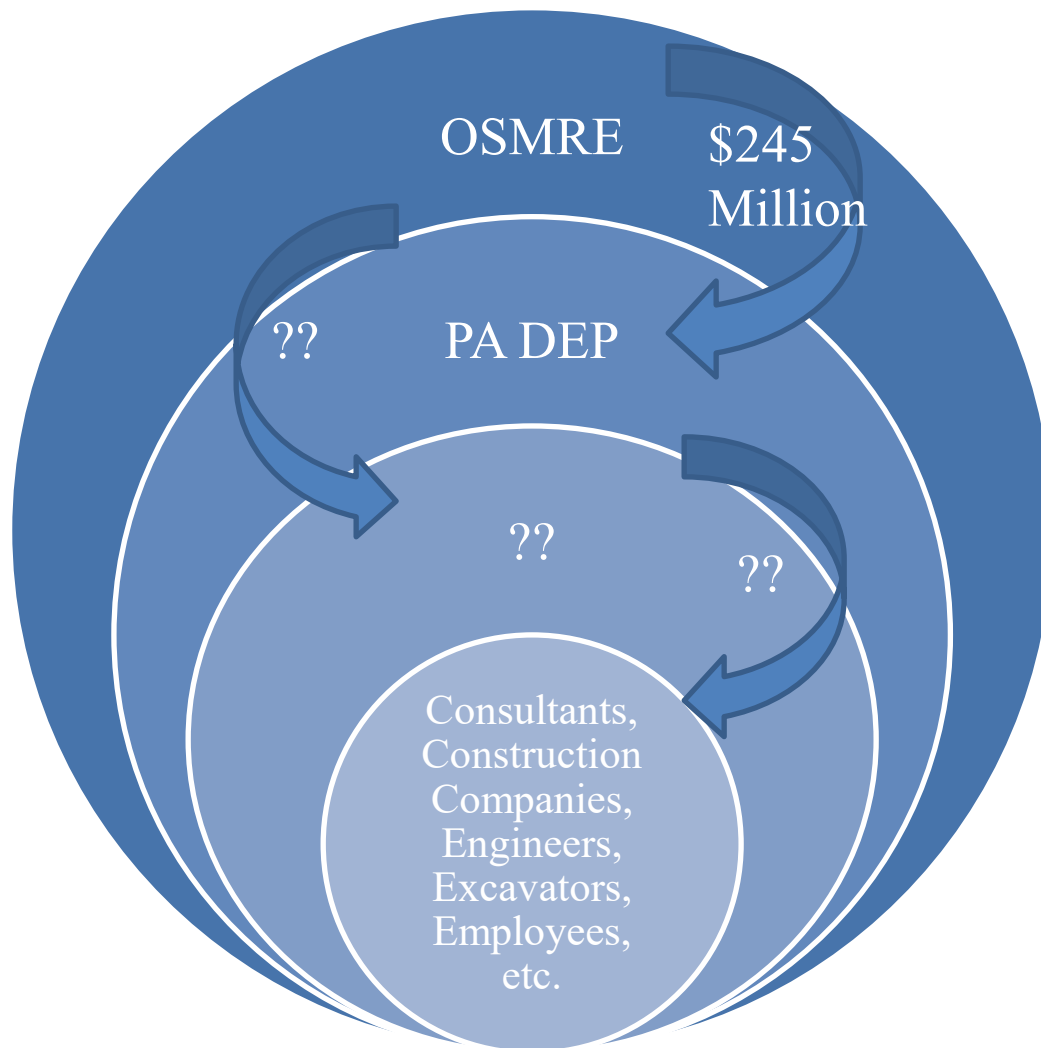
Why Document Details Matter (What to look for)

- What is the scope of work? Is it measurable?
- Are there warnings anywhere about fraud or false claims?
- Is the award based on a detailed budget and accounting of costs?
- Are the subrecipient's obligations clearly incorporated?
- Are modifications/change orders described adequately?
- Do invoices contain adequate detail? Are pay requests within approved budget?
- Are reports complete, accurate, and logical based on your knowledge of the project?
- Do applications capture potential conflicts of interest?



OFFICE OF
INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

Lack of Subrecipient Data and Impact on Oversight





OFFICE OF
INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

What to do when you suspect fraud

- Report it
 - Follow internal procedures
 - Don't tell the contractor
- Ask Questions
- Trust your instincts
- Communicate in Writing
- Gather Documents
 - Anything with a signature is critical
 - Preserve emails/correspondence
- *Consider:*
 - Additional Inspections
 - Clarification of contract requirements
 - Additional certifications
 - Full contract audit



OFFICE OF
INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

Investigations: David House, Special Agent in Charge

National IJA Coordinator

Cell: 720-428-0601

Email: David_House@doioig.gov

Investigations: Rene Olivas, Special Agent

Regional IJA Coordinator

Cell: 571-752-0955

Email: Rene_Olivas@doioig.gov

AIE: Chris Stubbs, Director

Infrastructure Outreach and Coordination Division

Cell: 703-638-4945

Email: Christopher_Stubbs@doioig.gov

AIE: Kate Bell, Auditor

Cell: 303-345-1573

Email: Katelyn_Bell@doioig.gov

REPORT FRAUD, WASTE, ABUSE, AND MISMANAGEMENT

The Office of Inspector General (OIG) provides independent oversight and promotes integrity and accountability in the programs and operations of the U.S. Department of the Interior (DOI). One way we achieve this mission is by working with the people who contact us through our hotline.



If you wish to file a complaint about potential fraud, waste, abuse, or mismanagement in the DOI, please visit the OIG's online hotline at www.doioig.gov/hotline or call the OIG hotline's toll-free number: **1-800-424-5081**

Who Can Report?

Anyone with knowledge of potential fraud, waste, abuse, misconduct, or mismanagement involving the DOI should contact the OIG hotline. This includes knowledge of potential misuse involving DOI grants and contracts.

How Does it Help?

Every day, DOI employees and non-employees alike contact the OIG, and the information they share can lead to reviews and investigations that result in accountability and positive change for the DOI, its employees, and the public.

Who Is Protected?

Anyone may request confidentiality. The Privacy Act, the Inspector General Act, and other applicable laws protect complainants. Section 7(b) of the Inspector General Act of 1978 states that the Inspector General shall not disclose the identity of a DOI employee who reports an allegation or provides information without the employee's consent, unless the Inspector General determines that disclosure is unavoidable during the course of the investigation. By law, Federal employees may not take or threaten to take a personnel action because of whistleblowing or the exercise of a lawful appeal, complaint, or grievance right. Non-DOI employees who report allegations may also specifically request confidentiality.