



Detecting & Preventing Fraud in Travel



Grants.GOV 2015

1074 Programs – for Higher Ed Institutions
13 Different R&D Agencies – Over \$140 Billion
NSF/DoD/NASA/DoE/NIH/DoEd/EPA/NOAA/DOT
HHS-CDC – Health/Education/Daycare Programs
DO Justice – Assessments & Response Programs
DO State– Study Abroad/Exchange Programs
Interior –Land Management/Watershed Programs
Homeland Security/National Archives /HUD/VA/
FDA & Corp for Community SVC – Community
Programs

IG Act of 1978

- IGs for Cabinet Level Departments
- Independent & Objective units to Audit and Investigate Programs
- To promote Efficiency & Effectiveness
- To Prevent Fraud, Waste & Abuse
- Amended in 1988 - all Agencies & Entities
- 73 Different Inspectors General

Traditional Audit Approaches

External Audits - Cognizant Audit Agency
Financial Statement Audits by CPA Firm -
State Audit & Internal Audit testing

- Random sampling
- Request supporting documents
- Determine whether transactions are Reasonable/Allowable/Allocable

Data Based Audit Approach

- All transactions from accounting system over several Fiscal Years
- Perform Data Analytics on Transactions
- Identify Patterns and Outliers
Look for Red Flags
- Request support for transactions
Question related transactions

Travel Red Flags

- Cost Transfers/Correction ratios
- Spend Patterns/Budget to Actuals
- Pre-award/Post-award expenses
- Late term charges/last 90 days
- Reimbursed Airfare vs. University Travel
- Similar Invoices and Vouchers
 - Reasonable/Allowable/Allocable?

Audit & Civil Resolution

- Misuse of Grant Funds – Mischarging
Cost Resolution/Return Funds/Corrective Action Plan
- Civil False Claims Act – 31 USC 3729-33
Liability for Defrauding Government Programs
- Fines \$10,000 per claim & Treble Damages
- Burdon of Proof - Preponderance of the Evidence
Deliberate Ignorance or
Reckless Disregard for the Truth
- Compliance Plan may accompany settlement

Criminal Fraud Cases

Burdon of Proof – Beyond Reasonable Doubt

- ✓ Gov't must prove Knowledge and Intent
- Travel Fraud – False or Duplicate Payments
- Payroll Fraud – False Time & Effort Report or Fictitious Employees
- Stipend Fraud – False recipients/vouchers
- Invoice Fraud – Fake/Enhanced Consultant Invoices or Vendor Receipts

Travel for Greed

Internal Audit at University identified possible mischarging of grant funds by Department Chair:

- Questionable Travel – Personal Vehicle
- Questionable Payroll – Secretary's Overtime
- Possible Personal Expenses and Gifts

Analyzed 4 years of expenditures and found 44,000 miles on 100 different travel vouchers.

Chair confessed to \$100,000 Fraudulent Payments

University Returned \$270,000 to NSF & Private Inst.

Travel not Relate to Grant

Allegations of an Assistant Association Director misused grant funds and improper influence:

- Grant Funds for Professional Conferences
- AD Traveled extensively for Association.
- Traveled repeatedly to some locations.

Analyzed 3 years of expenditures and found \$300,000 in Misused funds, including \$30,000 for False Travel.

AD Plead Guilty to False Travel Statements.

Travel For Personal Business

University Endowed Professor complained to NSF that his University was improperly investigating him:

- Travel Payments – Undisclosed Business
- Payroll – False Time & Effort Reports
- Personal Business Expenses Charged to University Accounts, including Grants

Misused \$480,000 in Fed & State Grant Funds.

Professor Plead Guilty in State Court \$40,000 Fraud.

Duplicate Travel Payments

University Internal Audit identified possible duplicate payments to School Superintendent, who was the California Research Site Director:

- 10 Duplicate Payments - School & University
- 11 Duplicate Payments to School Staff
- Hands-on Science Grant Training Program

Began 5 years investigation involving multiple grants, millions in grant funds, multiple institutions, and multiple individuals.

ro school District - To University

RR 571478460
 MICHAEL

#01

VEHICLE: 01492 / 3613155
 07NAVS LIC: NC VVP1454
 FUEL: 8/8 OUT 8/8 IN
 CDP: 195328 - ELCENTRO SCHOOL DISTRICT
 FF: COBA328588
 RES: D5893262216 / 0501A / F
 COMPLETED BY: 3063 / NCRAL11
 RENTED: RALEIGH-DURHAM A/P
 RENTAL: 04/29 / 07 17:18
 RETURN: 05/01 / 07 14:58

PLAN IN: 0501A RATE CLASS: F
 PLAN OUT: 0501A

MILES IN: 8564 TR-X MILES
 MILES OUT: 8427 MILES ALLOWED
 MILES DRIVEN: 137 MILES CHARGED

DAYS	2 @ \$ 70.75 / DAY	\$	141.50
SUBTOTAL 1		\$	141.50
DISCOUNT -	R 20%	\$	28.30
SUBTOTAL 2		T\$	113.20
CONCESSION FEE RECOVERY		T\$	11.32
FF SURCHARGE		T\$	1.00
LDW	DECLINED		
LIS	DECLINED		
PAI, PEC	DECLINED		
TAX 14.500% ON	125.52	\$	18.20
NET DUE		\$	143.72
PAID BY	VISA XXXXXXXXXXXX1010		

FF: COBA328588 - 100 MILES
 AWARDED

571478460
 CHAEL

#02

VEHICLE: 01492 / 3613155
 07NAVS LIC: NC VVP1454
 FUEL: 8/8 OUT 8/8 IN
 CDP: 195328 - ELCENTRO SCHOOL DISTRICT
 FF: COBA328588
 RES: D5893262216 / 0501A / F
 COMPLETED BY: 3063 / NCRAL11
 RENTED: RALEIGH-DURHAM A/P
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TAX 14.500% ON	125.52	\$	18.20
NET DUE		\$	143.72
PAID BY	VISA XXXXXXXXXXXX1010		

FF: COBA328588 - 100 MILES
 AWARDED

Provided to University



Confirmation:
BG1YB7

Print your boarding pass
 at continental.com
 within 24 hours of your flight

Issue Date: August 30, 2006

Traveler	eTicket Number	Frequent Flyer	Seats
██████████/MICHAELDR	0052175140562	██████████ Platinum / ST Elite Plus	14C/4B/6D/7C

FLIGHT INFORMATION

Day, Date	Flight	Class	Departure City and Time	Arrival City and Time	Aircraft	Meal
Sun, 24SEP06	1606	B	SAN DIEGO CA (SAN) 9:45AM	HOUSTON BUSH INTL (IAH) 2:55PM	737-800	Snack
Sun, 24SEP06	2765	B	HOUSTON BUSH INTL (IAH) 3:40PM	RALEIGH (RDU) 7:27PM	ERJ-145	
Tue, 26SEP06	551	T	RALEIGH (RDU) 6:01PM	HOUSTON BUSH INTL (IAH) 7:59PM	737-300	Snack
Tue, 26SEP06	1547	T	HOUSTON BUSH INTL (IAH) 8:55PM	SAN DIEGO CA (SAN) 10:16PM	737-800	

Operated by EXPRESSJET AIRLINES INC doing business as CONTINENTAL EXPRESS

FARE INFORMATION

Fare Breakdown

Airfare:	346.05 USD
U.S. Flight Segment Tax:	13.20
U.S. Security Service Fee:	10.00
U.S. Passenger Facility Charge:	9.00
Tax:	25.95
Per Person Total:	404.20 USD
eTicket Total:	404.20 USD

Form of Payment:

VISA
 Last Four Digits 1010

The airfare you paid on this itinerary totals: 346.05 USD

The taxes you paid on this itinerary totals: 58.15 USD

Provided to School District

Continental Airlines - Your Purchase is Confirmed

Page 1 of 2

SEARCH FLIGHTS → CHOOSE FLIGHTS → TICKET DETAILS → TRAVELER INFORMATION → COMPLETE PURCHASE → CONFIRMATION

Your Purchase is Confirmed

Continental Confirmation Number: **BG1YB7**

San Diego, CA (SAN) to Houston, TX (IAH - Intercontinental) on Sun., Sep. 24, 2006
Houston, TX (IAH - Intercontinental) to Raleigh/Durham, NC (RDU) on Sun., Sep. 24, 2006
Raleigh/Durham, NC (RDU) to Houston, TX (IAH - Intercontinental) on Tue., Sep. 26, 2006
Houston, TX (IAH - Intercontinental) to San Diego, CA (SAN) on Tue., Sep. 26, 2006

A confirmation e-mail of your itinerary will be sent to [REDACTED].K12.CA.US.

Continental Airlines - Your Purchase is Confirmed

Page 2 of 2

Is someone picking you up or dropping you off for this trip? Set up a [one-time flight status notice](#) that will be sent to them via e-mail.

Price:

1 Adults (age 18 to 64)	\$372.00
Taxes/Fees	\$32.28
Total Price	\$404.20

Payment Information:

Name of Cardholder: Michael [REDACTED]
Card Type: Visa
Expiration Date: 01/09

5/13
9/24

Manage Your Reservations:

To view your reservation at any time, visit [Manage Reservations](#). Your direct link to this reservation is [Flight: San Diego, CA \(SAN\) to Houston, TX \(IAH - Intercontinental\)](#)

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4000 North Central • Phoenix, AZ 85012
 Phone (602) 279-9811 • Fax (602) 285-2932
 Reservations
 www.hiltongardeninn.com or 1 877 STAY HGI

Name & Address

MICHAEL
 EL CENTRO, CA 92244-0222
 JS

Room 214/K1D
 Arrival Date 02/07/07 3:48PM
 Departure Date 02/08/07
 Adult/Child 1/0
 Room Rate \$159.00

RATE PLAN LVO
 HH# 877957278 SILVER
 AL: CO #BA328588
 BONUS AL: CAR:

Confirmation: 3259819328

02/08/07 PAGE 1

DATE	REFERENCE	DESCRIPTION	AMOUNT
02/07/07	454890	GUEST ROOM	\$159.00
02/07/07	454890	STATE TAX	\$11.56
02/07/07	454890	CITY TAX	\$7.63
WILL BE SETTLED TO VS *1010 EFFECTIVE BALANCE OF			\$178.19 \$0.00

T
H
A

Provided to Education Publisher

02/12/2008 15:23 TEL 847 486 3653

PEARSON EDUCATION

019



4000 North Central • Phoenix, AZ 85012
 Phone (602) 279-9811 • Fax (602) 285-2932
 Reservations
 www.hiltongardeninn.com or 1 877 STAY HIL

Name & Address

MICHAEL
 HOTEL CENTRO, CA 82244-0222
 US

Room 214/K1D
 Arrival Date 02/07/07 3:48PM
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Adult/Child 1/0
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02/07/07	454890	GUEST ROOM	\$159.00
02/07/07	454890	STATE TAX	\$11.56
02/07/07	454890	CITY TAX	\$7.83
WILL BE SETTLED TO VS *1010 EFFECTIVE BALANCE OF			\$178.19
			\$0.00

T
H
A

To School District & Discovery Center

Owner Kentsche/Olaguer

GOODWOOD BBQ MERID

(208) 884-1021

SERVER: Sara B
 CHECK #A2120 TABLE: D-25
 DATE: 06-10-07 TIME: 06:25PM

Merchant # 434237605887

Cardmember: MICHAEL [REDACTED]
 VISA : *****1010
 Exp : **/**

Included in the purchase are

Purchases . . . \$ 41.61
 Tip \$ *7.4*
 Total \$ *49.01*

**** Guest Copy ****

#Auth 620110

Thank you!

GOODWOOD BBQ MERID

Check # 2120 Table #D-25
 Date: 06-10-07 Time: 06:25PM
 Guests: 2 TCP : 07:12PM

1 SUB GARDEN	1.99
1 NC GARDEN SALAD	14.99
1 2/3 BABY	17.99
1 DELMONICO	2.29
1 LEMONADE	1.99
1 COKE	2.36
SUB TOTAL: 39.25	
TAX: 2.36	
DUE: 41.61	

Thank you for dining with us!
 Sara B
 Check us out at:
www.goodwoodbbq.com

Undisclosed Consulting and Duplicate Travel Payments

- 68 Duplicate payments to the superintendent charged to the School District and payments from 27 institution.
- 11 Duplicate payments to his Science Center staff, all cash returned to Superintendent.
- \$60,000 - duplicate travel payments
- \$70,000 - unreported consulting/speaking fees.

Undisclosed and Fraudulent Payments from TN University

- **\$150,000 - CA Site Director to Superintendent**
- **\$46,000 to family friends for processing student test scores**
- **\$24,000 to superintendent's son for work that duplicated work for School District**
- **\$20,000 for test scores compiled by School District employees paid through a 3rd party Consultant**

Undisclosed and Fraudulent Payments from CA University

Over \$100,000 to Superintendent from Grants.

- Superintendent collaborated on grant projects, publications, and presentations with Education Professor and a Dean at CA University campus.
- Superintendent, as PI on NSF and DoED Grants, transferred funds to CA University.
- Ed Professor was University PI on NSF sub-award from school district; was Co-PI on the NSF Grant.
- Dean was University PI on DoED sub-award.

Undisclosed Payments from Dean's Consulting Company

- Superintendent was paid \$90,000 by Dean through the company as Assistant Researcher.
- Superintendent initiated DoED Grant payments to Dean's Consulting Company totaling \$395,000.
- Dean and Ed Professor received \$152,500 each as Evaluators.
- Superintendent approved company invoices, that included the \$90,000 was for Assistant Researcher & \$305,000 for Evaluators.

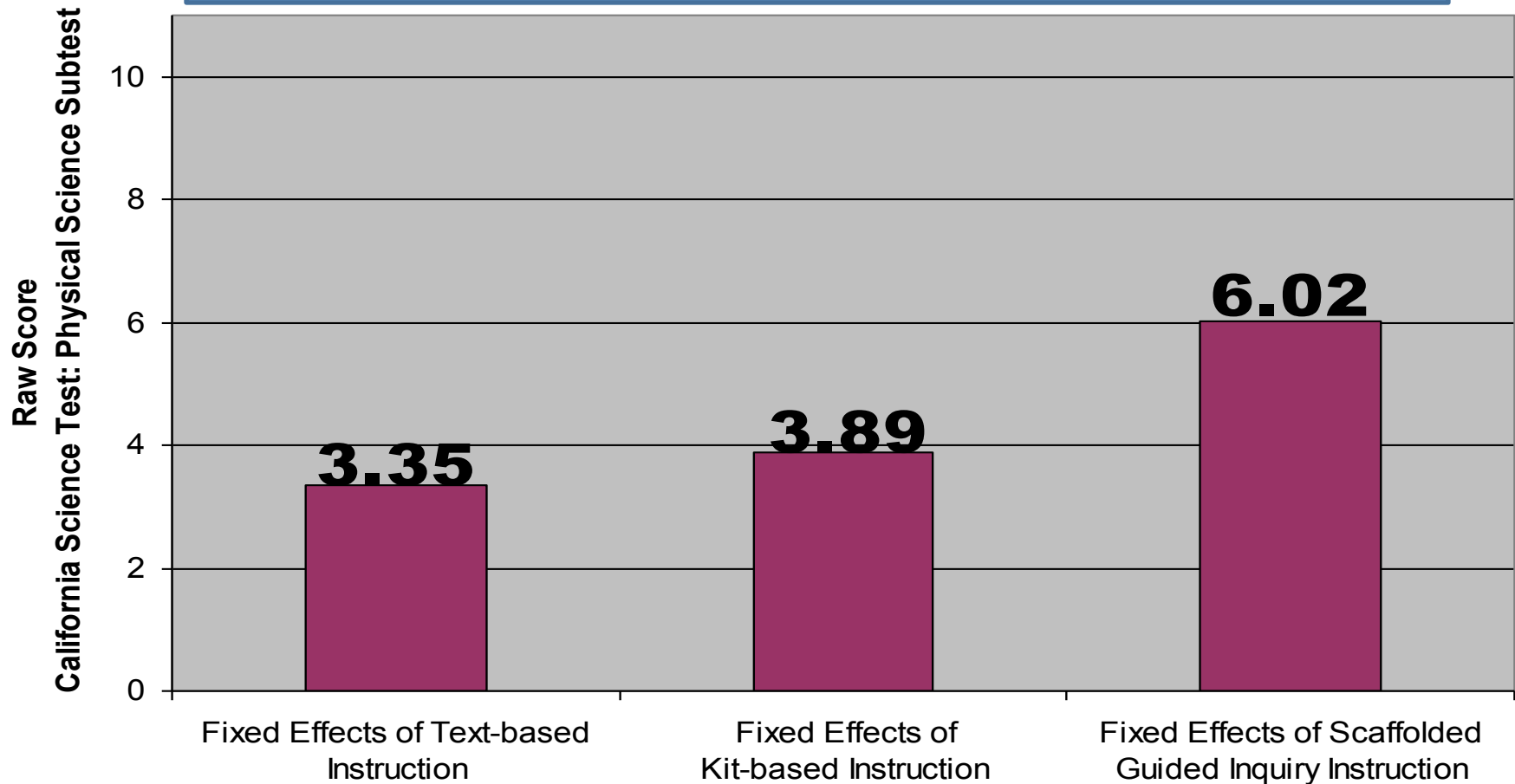
Falsification of Research Data

- TN University Hands-on Science Research Team conducted site visit to CA and found:
- Research design and protocols were not followed and were misrepresented;
- Student test scores from the Superintendent's schools were altered
- Test scores from other school districts in CA were questioned.
- Investigation compared test scores from five school districts to the Superintendent's data.

Study 3: HLM Analysis of Combined Study Using Study 1 and Study 2

California Science Test: Physical Science Subtest

75% of these test scores were fabricated or altered.



Convictions and Costs

- Superintendent plead guilty to two counts of Wire Fraud related to the TN grant funds and related to the CA grant funds.
- Assistant Dean and Ed Professor plead guilty to submitting False Statements to University.
- TN Univ.: all \$2 Mil expended after 2006 was wasted because research was unusable.
- CA Univ.: Over \$1 Mil misused from Grants
- Investigation collected over 300,000 documents from 28 different institutions.

Travel Data Analysis

- Patterns in your Travel Data
 - Frequent Travelers/Cost Transfers
 - Same Locations/Receipts/Amounts/Mileage
 - Multiple or Late Authorizations & Vouchers
 - Reimbursed Airfare vs. University Travel System
- Identifying Outside Interests & Duplicates
 - Lodging or Airfare paid by other sources
 - Receipts identified as “copy” or “Receipt #2”
- Outliers - Large Payments/Airfare only
- Travel Justifications not Clearly Documented

Questions?

Contact Info

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[*www.pauljcoleman.com*](http://www.pauljcoleman.com)

703-869-1828