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OFFICE OF INSPECTOR GENERAL

ANTI-FRAUD ADVISORY

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VOL 7: INCREASED FRAUD RISKS IN TIMES OF UNCERTAINTY



RIGHT NOW: HEIGHTENED RISK OF FRAUD

The Fraud Triangle explains why fraud happens by highlighting three key elements: pressure, opportunity, and rationalization.

All three elements typically need to be present for fraud to occur. Understanding this model helps in identifying and mitigating fraud risks.

Rationalization: Grantees or their staff may feel justified in misusing funds that they feel were deserved or when they feel that cuts to their programs are unjustified. Grantees may also rationalize that these costs would be allowed if the grants were allowed to continue.

Pressure: Grantee organizations and individuals are under increasing financial pressure due to cuts, layoffs, and economic uncertainty.

Opportunity: Reduction in staff can lead to lack of checks and balances and a lack of segregation of duties.

WHO MIGHT BE AT RISK?

- Grantees or subgrantees relying on AmeriCorps funds for a substantial portion of their funding
- Grantees or subgrantees experiencing cuts in other programs
- Grantees whose financial statements reflect poor financial condition
- Grantees filing late single audit reports
- Grantees who submit financial or performance reports late

WHAT SHOULD I LOOK FOR?

- Grantee does not provide requested information
- Grantee not returning calls/emails
- Grantee slow to respond
- Unusual or unexplained drawdowns
- Timesheets that were altered to meet minimum Education Award requirements

WHAT CAN I DO?

- More frequent check-ins
- Request documentation
- Discuss operating plans and financial forecasts
- Discuss other potential sources of revenue

WHY ARE GRANTEE OVERSIGHT RESPONSIBILITIES IMPORTANT?

In times of uncertainty, (i.e., when grants are terminated or otherwise closed), there are unique and increased risks of fraud, waste, and abuse.

Due to the nature of AmeriCorps' funding relationship with prime grantees (i.e., State Service Commissions and large National Direct grantees) that act as pass-through entities, it is particularly important that these entities are aware of their responsibilities in relation to their subgrantees.

RECORDS TO MAINTAIN

Remember, grantees and subgrantees are responsible for complying with Federal laws, regulations, and grant terms and conditions, even during grant terminations and close outs.

These include record retention requirements that grantees and subrecipients maintain records for three years from the date of submission of final reports.

Records you are required to retain include:

- Ledgers supporting amounts claimed on Federal grants
- Payroll registers for staff and participants charged to awards
- Timesheets for staff and members charged to awards
- Periodic Expense Reports (PERs) and reconciliations of PER to ledgers
- Copies of policies and procedures
- National Service Criminal History Check (NSCHC) records for staff and members
- Invoices, travel vouchers, canceled checks/bank statements and other supporting documentation for other expenses charged to awards
- Member files including member service agreements, member timesheets, evaluations
- Performance reports and records supporting performance information reported
- Payroll tax records

GRANTEES SHOULD

- ✓ Treat drawdowns as cost reimbursements, not advances.
- ✓ Be knowledgeable of the operating status & financial conditions of subgrantees.
- ✓ Know that subgrantees that rely solely or primarily on AmeriCorps funding present a significant risk.
- ✓ Have plans in place to ensure grant records are properly maintained for the required three years after final report submission and available for audit if subgrantees cease operations/significantly reduce capacity.
- ✓ Know that they may be held liable for subgrantees' costs charged to a Federal award if the costs are not adequately supported.

DON'T FORGET THE FALSE CLAIMS ACT

Grantees should be aware that under the False Claims Act, grantees can be liable for up to **three times** the amount of damages plus a penalty for either knowingly submitting unsubstantiated claims or submitting with deliberate ignorance or reckless disregard.

KEEP IN TOUCH

Check out the library of Anti-Fraud Advisories on our website.

Report suspected instances of fraud, waste, and abuse to the Office of Inspector General's hotline by using this QR code.



Did you know whistleblowers are protected under federal law? To find out more about your rights as a whistleblower, [click here](#).