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Avoiding an Orange Jumpsuit: Fraud, Federal Funds, and You!

PRESENTED BY

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Your Instructor



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Agenda



Learning Objective

By the end of this course, you should be able to:

- Identify fraud risks associated with federal financial assistance and key requirements of 2 CFR Part 200.

Disclaimers



None of the information provided within this presentation is intended to and does not purport to be legal advice.



Today's presentation addresses and presents current language within 2 CFR Part 200. Note that U.S. Office of Management and Budget (OMB) published proposed revisions to it in the Federal Register on May 29, 2026.

Poll 1: Your Familiarity with 2 CFR 200

How familiar are you with fraud risks and compliance requirements related to 2 CFR 200?

- Very familiar
- Somewhat familiar
- Limited familiarity
- Not familiar at all



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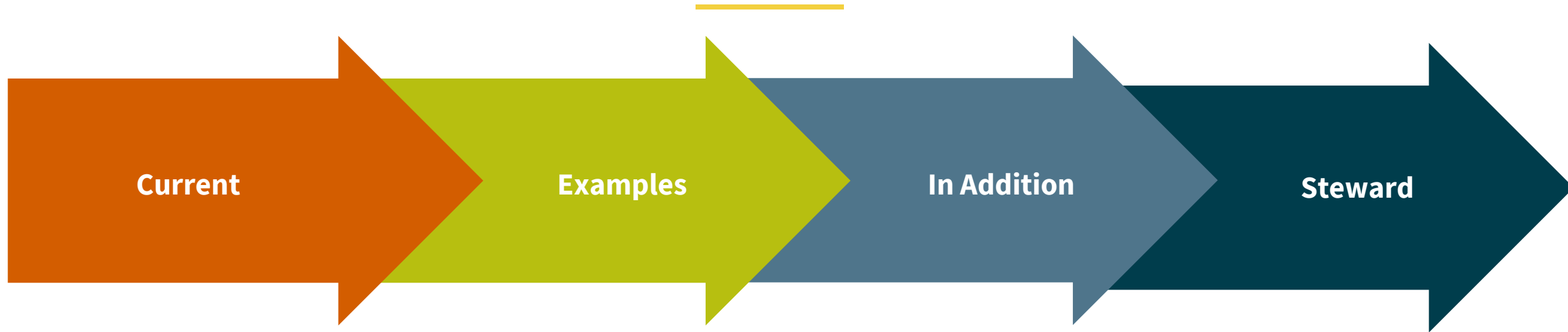
Current Events:
What's
Happening?



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Available Resources Continue to Tighten

We're encountering a time when resources are tightening while public needs are expanding.



- This is currently the situation regarding available federal financial assistance.

- Examples are grants, cooperative agreements, and cost reimbursement contracts.

- U.S. government has signaled through both written and public oral discussions a significant increase in focus on preventing, detecting, and pursuing issues of fraud and improper payments.

- What does this mean for you, as a steward of federal funds?

The Pressure is On!

During the fiscal year ended September 30, 2024, the U.S. Department of Justice (DOJ) reported settlements and judgments under the False Claims Act exceeding \$2.9 billion.



A

979 Whistleblowers

Whistleblowers filed 979 qui tam lawsuits, which set a single-year record.

B

558 Settlements and Judgments

U.S. government and whistleblowers were party to 558 settlements and judgments. Second-highest total in history.

C

\$2.9 Billion in Settlements and Judgments

See [False Claims Act Settlements and Judgments Exceed \\$2.9B in Fiscal Year 2025](#).

Additional Examples

Minnesota	Two residents have been arrested for a \$21 million Medicaid fraud scheme. This involved improper billings submitted to the Minnesota Early Intensive Development and Behavioral Intervention (EIDBI) Program over four years.
New York	70 NYC Housing Authority employees charged in February 2024 corruption sweep led by the U.S. Department of Housing and Urban Development (HUD). Office of the Inspector General pled guilty or were found guilty at trial of bribery, fraud, or extortion tied to more than \$2.1 million in bribes associated with \$15 million in contracts. Improper procurement and use of the micro-purchase threshold were identified as systemic root causes.
HUD OIG	A Richmond, VA homeless shelter operator pled guilty and was sentenced to 36 months in prison and ordered to pay nearly \$200,000 tied to the submission of fabricated invoices for services never provided.
Guidehouse Inc.	Paid \$7.6 million, and Nan McKay agreed to pay \$3.7 million tied to failure to comply with cybersecurity requirements associated with federal grant funds intended to support NY residents applying for federal rental assistance.

Fraud and Federal Assistance

In summary, we are seeing suspected fraud, settlements, judgments, and lawsuits associated with the following.

- Non-compliance
- Financial reporting and non-financial issues prompting fraud concerns
- Corruption
- Improper or unsubstantiated billings

How does this relate to federal financial assistance and your responsibilities?

- Responsibility for data, information, reports, and claims submitted by and through your organization.
- Obligation to report certain identified or suspected actions or situations. This can include fraud, bribery, and other illegal acts.

Recall Provisions of 2 CFR Part 200.415, Required Certifications

Financial reports must include a certification, signed by an official who is authorized to legally bind the recipient, which reads as follows:

“By signing this report, I certify to the best of my knowledge and belief that the report is true, complete, and accurate, and the expenditures, disbursements and cash receipts are for the purposes and objectives set forth in the terms and conditions of the Federal award. I am aware that any false, fictitious, or fraudulent information, or the omission of any material fact, may subject me to criminal, civil or administrative penalties for fraud, false statements, false claims or otherwise. (U.S. Code Title 18, Section 1001 and Title 31, Sections 3729-3730 and 3801-3812).”

Subrecipients under the federal award must certify to the pass-through entity (PTE) whenever applying for funds, requesting payment, and submitting financial reports:

“I certify to the best of my knowledge and belief that the information provided herein is true, complete, and accurate. I am aware that the provision of false, fictitious, or fraudulent information, or the omission of any material fact, may subject me to criminal, civil, or administrative consequences including, but not limited to violations of U.S. Code Title 18, Sections 2, 1001, 1343 and Title 31, Sections 3729-3730 and 3801-3812.” Each such certification must be maintained pursuant to the requirements of § 200.334. This paragraph applies to all tiers of subrecipients.

Mandatory Disclosures Requirements: 2 CFR Part 200.113

An applicant, recipient, or subrecipient of a Federal award must promptly disclose whenever, in connection with the Federal award (including any activities or subawards thereunder), it has credible evidence of the commission of a violation of Federal criminal law involving fraud, conflict of interest, bribery, or gratuity violations found in Title 18 of the United States Code or a violation of the civil False Claims Act (31 U.S.C. 3729-3733).

The disclosure must be made in writing to the Federal agency, the agency's Office of Inspector General, and pass-through entity (if applicable). Recipients and subrecipients are also required to report matters related to recipient integrity and performance in accordance with Appendix XII of this part. Failure to make required disclosures can result in any of the remedies described in § 200.339. (See also 2 CFR part 180, 31 U.S.C. 3321, and 41 U.S.C. 2313.)

Poll 2: Mandatory Disclosures

Does your organization have a documented procedure regarding mandatory disclosures?

- Yes
- Working on it
- I'm not sure
- No



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Understanding Known and Suspected Fraud



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Suspected, Potential, or Alleged Fraud

The *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* codified at 2 CFR 200 — Uniform Guidance — defines fraud as the following. See 2 CFR 200.435.

Acts of fraud or corruption or attempts to defraud the federal government or to corrupt its agents.

Acts that constitute a cause for debarment or suspension as specified in agency regulations.

Acts that violate the 31 U.S.C. 3729-3732, *False Claims Act*, or 42 U.S.C. 1320a-7b(b), the Anti-kickback Act.

False Claims Act (FCA)

A key vehicle the government uses to apply penalties for fraud and recover funds.

1

31 U.S.C. §§ 3729 — 3733

Appears in this statute and applies when a person **knowingly** presents, or causes to be presented, a false or fraudulent claim for payment or approval or makes, uses, or causes to be made or used a false record or statement material to a false or fraudulent claim. It also provides for up to triple damages each occurrence.

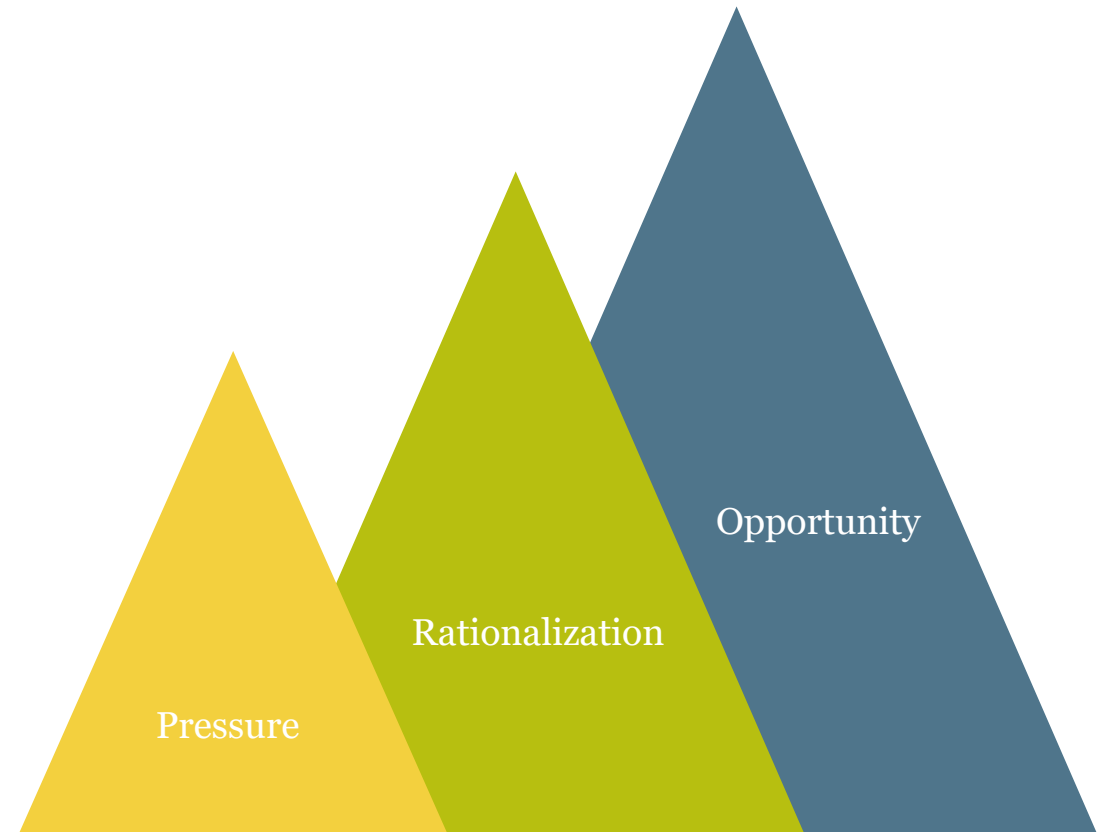
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DHHS OIG Overview

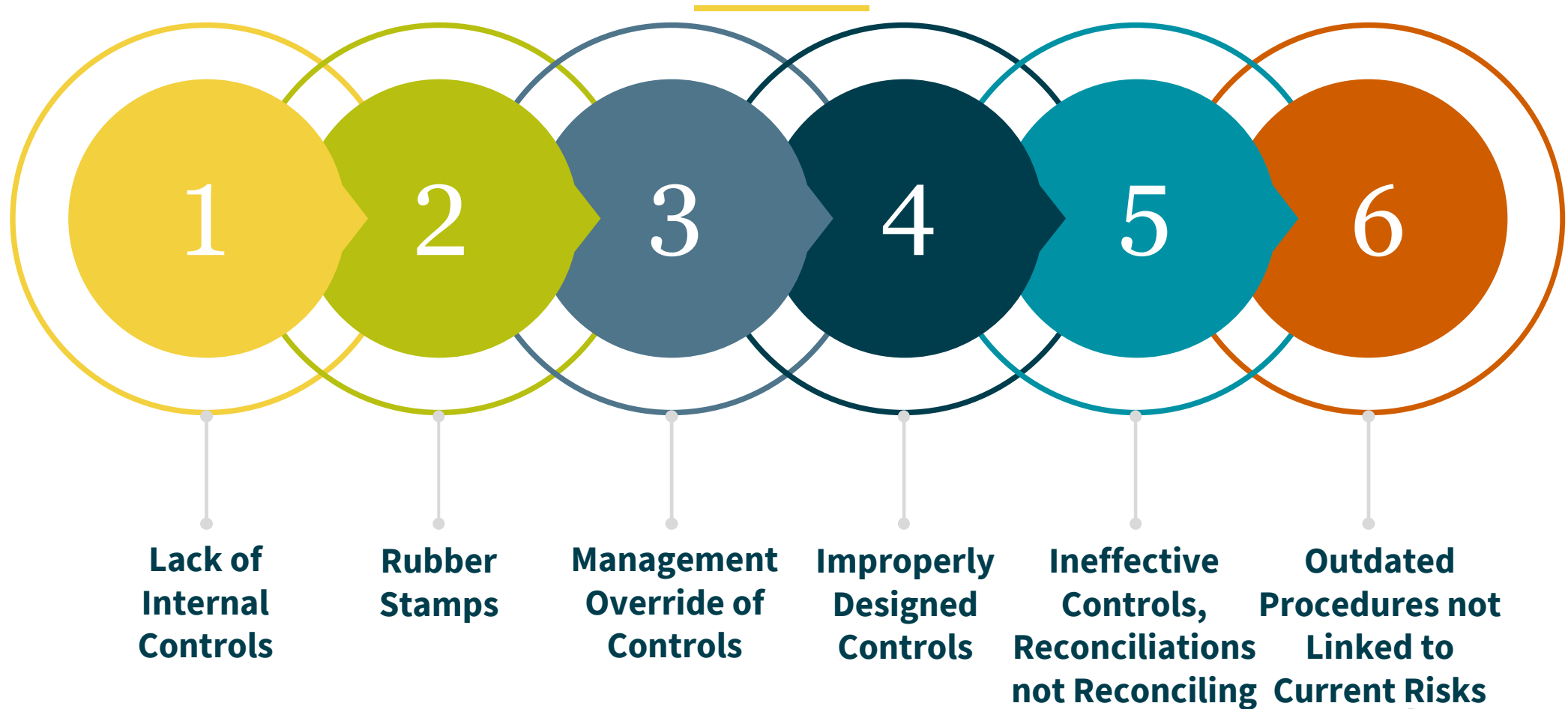
U.S. DHHS OIG Attorney Katie Fink explains that **knowingly** is interpreted to mean **knew or should have known**. She said innocent mistakes are not typically pursued under the FCA. Read about it [here](#).

Roles as Managers

- This is where our and your roles as managers of federal funds and those involved in internal control structures come into play.
- In 1953, criminologist Donald Cressey unveiled the fraud triangle. It provides a paradigm to explain when and why individuals commit fraud.
- Which aspect of the triangle do you have the most control over?



What Opportunity Looks Like in Practice



2 CFR Part 200.303, *Internal Controls*

Presents requirements addressing opportunities and overall risk of fraud.

1. Establish, document, and maintain effective internal control over the federal award that provides:
 - a) Reasonable assurance that the recipient or subrecipient is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. These internal controls should align with the guidance in **the Standards for Internal Control in the Federal Government, issued by the Comptroller General of the U.S., or the Internal Control-Integrated Framework**, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
2. Comply with U.S. Constitution, federal statutes, regulations, and the terms and conditions of the federal award.
3. Evaluate and monitor recipients' or subrecipients' compliance with statutes, regulations, and the terms and conditions of the federal awards.
4. Take prompt action when instances of noncompliance are identified.
5. Take reasonable cybersecurity and other measures to safeguard information, including protected:
 - a) Personally identifiable information (PII) and other types of information. This also includes information federal agency or PTE designates as sensitive or other information the recipient or subrecipient considers sensitive and is consistent with applicable federal, state, local, and tribal laws regarding privacy and responsibility over confidentiality.

Poll 3: Internal Training

Do you provide training on how and when to report known or suspected fraud and red flags to your personnel regarding mandatory disclosures?

- Yes
- Working on it
- I'm not sure
- No



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Risk Mitigation: Avoiding the Poor Shade of Orange

Risk Mitigation

Risk mitigation is founded upon taking action when risks are identified, including identified, realized, and potential risks.

The Association of Certified Fraud Examiners (ACFE) released its 2026 Report to the Nations, which identified the top three methods of fraud detection.

1. Tips
2. Management review
3. Internal audit



Some Top Risks

... within the context of the federal assistance program. What are some other significant risks to consider?

Internal control gaps, like improperly designed or not risk-aligned

01

07

Failure to timely address identified instances of noncompliance

Outdated, undocumented, or unclear internal controls

02

06

Changing laws, rules, and regulations

Third-party risks like the supply chain and subrecipients

03

05

Loss of legacy knowledge and experience

04

Cybersecurity and information security

Risk Mitigation

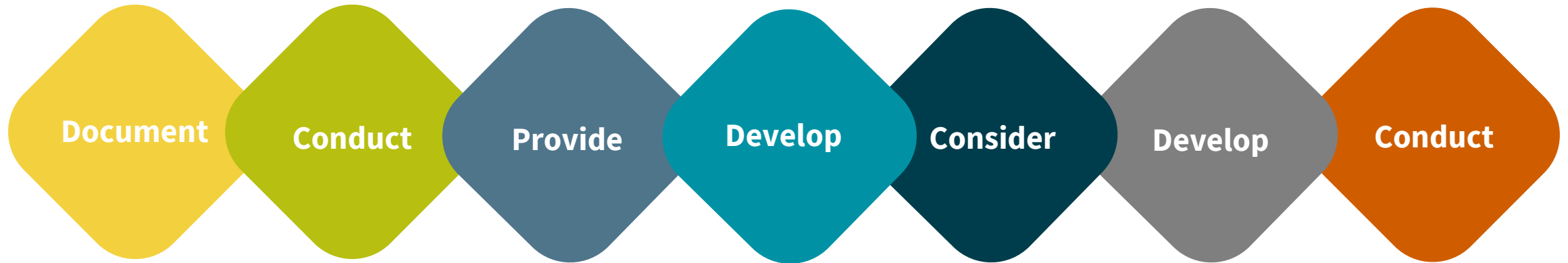
Report to the Nation

... noted the top three most effective anti-fraud controls, measured in terms of lower losses and faster detection as the following.



Actionable Recommendations

... to help protect you, your organization, and your constituents, funds, and beneficiaries.



- Document internal control and anti-fraud monitoring programs.
- Conduct self-assessment of your control effectiveness.
- Provide training on fraud prevention, detection, and mandatory disclosures, including roles and responsibilities.
- Consider conducting culture assessments to get a feel for the organizational tone.
- Develop monitoring plans including, but not limited to, financial operations and financial controls.
- Develop, document, and communicate a whistleblower policy, now required for federal financial assistance.
- Conduct periodic assessments of internal control effectiveness and design.

Poll 4: Effective Internal Controls

**How does your organization ensure its internal controls are effective?
Select all that apply.**

- We have an internal audit unit assessing effectiveness
- We rely on external single audit results
- Senior management monitors internal control implementation and effectiveness
- I'm not sure if we look at effectiveness or evaluate implementation

**ANY
QUESTIONS?**

Poll questions: Join [MGOcpa.cnf.io](https://mgocpa.cnf.io)



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