

ARIZONA DEPARTMENT OF ECONOMIC SECURITY



**WORKFORCE INNOVATION AND
OPPORTUNITY ACT POLICY
MANUAL**

**CHAPTER 3 – Fiscal Policies
SECTION 500**

SUBJECT: Fraud and Abuse

500 FRAUD AND ABUSE

All sub-recipients of Workforce Innovation and Opportunity (WIOA) Title I-B funds, including Local Workforce Development Areas (LWDAs), contractors and service providers must implement policies and procedures to prevent and detect fraud, abuse and criminal activities involving WIOA Adult, Dislocated Worker, and Youth program funds. Additionally, sub-recipients must report allegations, suspicions and complaints of possible fraud, program abuse and criminal activities involving WIOA Title I-B Funds to the U.S. Department of Labor (DOL) Office of Inspector General (OIG), the Arizona State Attorney General Office, and the Department of Economic Security (DES) Workforce Administration (WA), Office of Finance and Budget.

References: P.L. 113-128 Sections 184 and 188; 20 CFR Sections 683.200, 683.285, 683.620, 683.630, 684.630, 667.270, Department of Labor Training and Employment Guidance Letter (TEGL) No. 2-12, and Appendices I through XI, including any exceptions identified by the Department at 2 CFR part 2900.

501 STANDARDS OF CONDUCT

Identification processes for violations of terms and conditions are required. A violation is considered evident when the following General Assurances are not met.

- A. Every reasonable course of action has been taken in order to maintain the integrity of expenditures of public funds and avoid favoritism, questionable activity or improper conduct.
- B. Federal funds have been administered in an impartial manner, free from personal, financial or political gain.
- C. Executive staff and employees avoided situations, which give rise to a suggestion that any decision was influenced by prejudice, bias, special interest or personal gain.

502 REPORTING REQUIREMENTS

Sub-recipients must report allegations, suspicions, and complaints of possible fraud, program abuse and criminal activities involving WIOA Title I-B funds.

.01 Reportable Issues

Incidents involving possible or suspected fraudulent or criminal use of WIOA Title I-B funds must be reported to the OIG using the DOL's [Incident Report form \(OIG 1-156\)](#). Reports must also be sent concurrently to the Arizona State Attorney General's Office and the DES WA, Office of Finance and Budget. Incidents requiring reporting include:

A. Allegations of fraud

Fraud is any deceitful act, by omission or willful device, used with the intent to obtain some unjust advantage for one party, or to cause an inconvenience or loss to another party. Types of fraud include embezzlement, forgery, theft, solicitation and receipt of bribes (kickbacks), and falsification of records and claims regarding trainees (e.g., knowingly enrolling ineligible participants).

1. Criminal fraud is a type of larceny and is punishable under both federal and Arizona law as a felony.
2. Civil fraud is subject to tort actions under civil laws.
3. Tort is damage, injury, or a wrongful act done willfully, negligently, or in circumstances involving strict liability, but not involving breach of contract, for which a civil suit can be brought.

B. Illegal or improper activities

1. An executive or employee of a federally funded agreement or an elected official in the LWDA has solicited or accepted money or any other consideration from a third party for the performance of an act.
2. Reimbursements in whole or in part by the LWDA for

supplies, materials, equipment or services purchased with sub grant funds are used for any purposes other than for what is allowed by the Federal WIOA;

3. A relative by blood, adoption or marriage of any executive or employee receives favorable treatment for enrollment in services provided by or employment with, the contractor. "Relative by blood or marriage" includes: wife, husband, son, daughter, mother, father, brother, brother-in-law, sister, sister-in-law, son-in-law, daughter-in law, mother-in-law, father-in-law, aunt, uncle, niece, nephew, stepparent and stepchild.

C. Misapplication of funds

Misapplication of funds is any use of funds, assets, or property not authorized or provided for in the grant or contract. This category includes, but is not limited to, nepotism, political patronage, use of participants for political activity, intentional services to ineligible enrollees, conflict of interest, failure to report income derived from federal funds, violation of contract provisions, maintenance of effort violations and the use of the WIOA Title I-B funds for other than WIOA Title I-B purposes.

D. Gross mismanagement

Gross Mismanagement is an action or situation arising out of management ineptitude or lack of oversight, which leads to a major violation of contract provisions and/or which severely hampers the accomplishment of program goals. These include situations, which lead to waste of government resources and put into serious jeopardy future support for a particular project. This category includes, but is no limited to:

1. Unauditable records,
2. Unsupported costs,
3. Highly inaccurate fiscal and/or program reports,
4. Payroll discrepancies,
5. Payroll deductions not paid to the Internal Revenue Service

or the State of Arizona, and

6. Lack of internal control procedures.

E. Employee/ Participant misconduct

1. Actions occurring during or outside work hours that reflect negatively on the program or its purpose. These may include, but are not limited to:

- a. Conflict of interest involving outside employment,
- b. Business and professional activities,
- c. Receipt of gifts, fees, entertainment and favors,
- d. Misuse of federal property,
- e. Misuse of official information, and
- f. Other activities that might adversely affect the confidence of the public regarding the integrity of government funds.

2. A participant displaces a currently employed worker (including partial displacement such as reduction in the hours of non-overtime work, wages or employment benefits). A client is employed or a job opening is filled when:

- a. Any other individual is on layoff from the same or any equivalent job; or
- b. The employer has terminated the employment of any regular employee or otherwise reduced its workforce with the intention of filling the vacancy created by hiring a participant whose wages are subsidized with WIOA Title I-B funds.

F. Other suspected criminal activity.

G. Situations involving health and safety concerns or loss of funds exceeding \$50,000 are classified as emergencies. In addition to

the written incident report, emergencies must be reported immediately to the fraud hotline at 1-800-347-3756.

.02 Assurance Requirements

No action will be taken against any complainant for reasonably disclosing information concerning suspected or actual abuse of the WIOA Title I-B programs. Complainants may choose to remain anonymous and may send the report directly to DOL OIG or the Office of Financial and Administrative Management (OFAM).

LWDAs/Sub-recipients must notify employees of the hotline and provide instructions for the [Incident Report](#). The LWDA directors must provide policy and procedures to staff, LWDB members, and contracted service providers regarding reporting requirements specific to fraud, abuse, and criminal acts involving WIOA Title I-B funds. The LWDA policy on fraud and abuse with contact information to report instances of fraud and abuse must be prominently displayed in an area where the public and staff can view it.

.03 Submission Requirements

Contact information for the DOL OIG, Arizona State Attorney General's Office, and the DES WA, Office of Finance and Budget is as follows:

A. Contact Information

U.S. DOL/Office of Inspector General

Attention: Office of Investigations
Room S5506
200 Constitution Avenue NW
Washington D.C. 20210
Hotline number 1-800-347-3756
www.oig.dol.gov/contact.htm.

Arizona Attorney General

1275 W. Washington Street
Phoenix, Arizona 85007
Phone number (602) 542-5025
E-mail: ag.inquiries@azag.gov

**Department of Economic Security, Employment
Administration, Office of Finance and Budget**

Attention: Financial Manager
1789 West Jefferson Street, Site Code 920Z
Phoenix, Arizona 85007
Phone number (602) 542-2957

- B. Questions about or complaints alleging a violation of the nondiscrimination provisions of WIOA Section 188 may be reported to either the Local Equal Opportunity (EO) Officer, the State WIOA State EO Officer, or the Civil Right Center/ Director.

WIOA State Equal Opportunity Officer

Workforce Administration
P.O. BOX 6123
Mail Drop 5771
Phoenix, AZ 85005-6123

Civil Rights Center/Director

ATTENTION: Office of External Enforcement
U.S. Department of Labor
200 Constitution Avenue, NW
Room N-4123
Washington, DC 20210
Faxed to (202) 693-6505, ATTENTION: Office of External
Enforcement (limit of 15 pages)
Emailed to CRCEXternalComplaints@dol.gov

- C. The US DOLs Civil Rights Center's Complaint Information Form available online at the following link:

[US DOL's Civil Rights Center Complain Information Form](#)