

# Grant Fraud in the Charitable Sector

05.09.24 | Linda J. Rosenthal, JD



In late November 2023, leading global experts gathered in London for the Eighth Annual Charity Fraud Awareness Week. Participants included organizational and sector leaders as well as law enforcement representatives and charity regulators.

We covered this important event in a four-part series:

- [Charity Fraud Awareness Week Begins November 27th](#) (November 21, 2023)
- [Charity-Fraud Learning Opportunities This Week and Beyond](#) (November 27, 2023)
- [New Charity Fraud Awareness Survey 2023 is Out](#) (November 30, 2023)
- [Averting Charity Fraud: Tips and Actions](#) (December 5, 2023)

The highlight of the conference was the release by sponsors [BDO UK](#) and the [Fraud Advisory Panel](#) of the results of the [2023 Charity Fraud Survey](#). “Among the key takeaways in the Report is the need for continued – indeed, heightened – vigilance against this critical danger to the charitable community and the general public. [Charity fraud is a huge problem that is morphing regularly](#) by creative con artists who seem always to be one step ahead of the organizations they victimize.”

The goal is to ensure that charitable institutions of all sizes “[know what \[they\] are up against](#) and to “have a plan so that [they] are prepared, should the worst happen.”

In the [Survey Report](#), the author-experts “revealed crucial current data about the broad scope and all-too-common incidents of deception, misappropriation, and other wrongdoing by bad actors – both insiders and strangers.” They discussed in considerable depth “the most common types of charity fraud in seven distinct categories: Insider Fraud; Payment Diversion Fraud; Cyber Fraud; Expenses Fraud; Donation Fraud; Grant Fraud; and Procurement Fraud.”

In order to confront and combat this threat, [everyone in an organization](#) – leadership, staff, board members, and volunteers – must understand its many variations and nuances.

In February 2024, we plucked out three of these fraud categories (in no particular order) to begin a new series on more in-depth coverage of this critical topic:

- [Procurement Fraud in the Charitable Sector](#) (February 11, 2024)
- [Expenses Fraud in the Charitable Sector](#) (February 19, 2024)

- [Payment Diversion Fraud in the Charitable Sector](#) (February 26, 2024)

Let's now continue with another category: "grant fraud."

### ***Grant Fraud – What is It?***

In [Giving or Taking – is your charity losing funds to fraud?](#) (September 23, 2023), BDO UK's head of Quality and Risk Management, Kaley Crossthwaite, focused on two categories of wrongdoing – grant fraud and donation fraud – that had already been identified in the 2022 Fraud Awareness Report as major threats.

She identifies grant fraud by describing its six main [sub]categories:

- *Application or fictitious project fraud*: Applying for funding for a particular program without a "genuine intention of delivering on the project."
- *Identity fraud*: Making a grant application in the name of a specified organization but giving banking and contact details of the perpetrators.
- *Fraud by false representation*: Making a grant application but the evidence submitted is "fake or forged, potentially with a genuine application's information that has come into the fraudster's possession."
- *Overstating costs*: Exaggerating costs of a project or inflating budget figures in order to win larger grant awards.
- *Misuse or unapproved use of grant funding*: Diverting some funding for "personal expenses or other unapproved uses." This is often seen in combination with an "overstating costs" scenario.
- *Double funding*: Applying for (and receiving) grant funding for the same project from multiple funders.

### ***Examples of Grant Fraud***

The 2023 Fraud Awareness Survey Report gives case studies of grant fraud in PDF downloadable format.

In [Grant Fraud Example 1](#), the situation described is a grant holder discovering "systematic fraud carried out by staff in one of its partner" charities and reporting it to the funder. "Key characteristics of the fraud included poor financial records, unexplained cash withdrawals and fake suppliers."

Similarly, in [Grant Fraud Example 2](#), "an employee of a partner charity working on an aid programme" is discovered to have "used false purchases and overpayments" in significant amounts. "Insufficient oversight made it possible for a field supervisor in Niger to make ghost payments to beneficiaries, and overpayments for goods and services. False purchases were also found to have been charged to the aid programme."

And our own readers need look no further than the brazen identity theft situation we described in [Some Charity Fraud With Your Hot Dog, Sir?](#) (September 1, 2023) and [Charity Fraud & Hotdogs: An Update](#) (September 14, 2023).

### ***Prevention and Loss Mitigation***

“Grant fraud comes in many different guises,” warns BDO UK’s Kaley Crossthwaite. “They can range from high-value serial offenders with a large network of individuals attacking your organisation, or lone opportunists who may have started with good intentions.”

She adds that they “...will go to great lengths to conceal their activity and avoid your controls.” That includes, especially in cases when the grant applicant has not yet received the money, putting “pressure on you and your team to make a payment even if they are aware that you are challenging it .... Don’t be surprised by how persistent fraudsters can be.”

In the “Top Tips for Preventing Fraud” section of the [2023 Fraud Awareness Report](#), on p. 21, the authors list several “grant-fraud” specific actions to take:

- Have robust due diligence procedures with strict eligibility criteria; conduct appropriate level of background checks on applicants, and verify the accuracy of information provided in grant applications
- Ensure that your grant management system is fit for purpose, captures information accurately and is easily accessible for checks and cross-references through the grant management process
- Carry out a risk assessment to identify high-risk applications
- Implement regular monitoring and auditing procedures
- Share best practice ... and identify emerging risks

### *Conclusion*

Charity Fraud Awareness Week is not a once-a-year event. Rather, it’s an ongoing educational effort.

To that end, there are many worthwhile offerings on the [Prevent Charity Fraud](#) website. Among them, and particularly relevant to this topic, is a presentation from a few years ago (that’s still up on YouTube): See [Grant Fraud: Current and Future Risks](#) [36:18] (October 27, 2021). Check it out!

– *Linda J. Rosenthal, J.D., FPLG Information & Research Director*