

EYE ON ED

Episode 3—The OIG’s Disaster Recovery Efforts

[INTRO] This is Eye on Ed, your source for information about audits, investigations, and other work by the U.S. Department of Education Office of Inspector General. Tune in for the latest news on our efforts to find and stop fraud, waste, and abuse in Federal education programs, operations, and funding.

[Stephanie Bloom] Hi, I’m Stephanie Bloom. Welcome to Eye on ED.

When people think about natural disasters, like hurricanes or wildfires, and the Federal response to those disasters, they are probably thinking about FEMA, not the U.S. Department of Education. Yet the Department received about \$2.7 billion to help schools in the states and territories impacted by the 2017 hurricanes and wildfires

Today we’re going to talk about the OIG’s role in overseeing Federal education disaster recovery funds with two OIG staffers who are right in the thick of the OIG’s efforts. From OIG’s Investigation Services, we have Neil Sanchez, Special Agent in Charge of the OIG’s Southern Regional Office. And from OIG’s Audit Services, we have Keith Cummins, Acting Director of our K–12 audit unit. Gentlemen, thank you for being here today.

[Neil Sanchez] Happy to be here.

[Keith Cummins] My pleasure. Thanks for having us.

[Stephanie Bloom] Keith, let me start with you. Federal education disaster recovery funds—what can that be used for?

[Keith Cummins] Disaster recovery funds for education can be used for a number of different things. From renting mobile educational units in the immediate aftermath of a disaster, to replacing textbooks and other instructional materials, developing curricula, transporting students in cases where the entire school was destroyed and they ended up going someplace else, recovering electronic student and personnel data, and even in some cases replacing entire school district information systems. In some cases, these entire systems were wiped out. They’re really important because they contain all sorts of information: demographic data, student grades, attendance data—all these things that are necessary for districts and schools for accountability purposes.

[Stephanie Bloom] Neil, what is the OIG’s role?

[Neil Sanchez] We play a critical role in the process. We audit grantee spending, we examine the effectiveness of the programs, and we investigate allegations of fraud, theft, and other wrongdoing involving these funds. It’s our job to make sure that these funds are spent appropriately and as intended.

[Stephanie Bloom] So when does the OIG begin its work, after the Department has distributed the funds?

[Keith Cummins] Well, we actually started our work *before* the aid was disbursed. We met with the State and territorial departments of education and government officials to talk about establishing strong accountability and oversight controls—the sorts of things they need to do to protect disaster recovery funds from fraud, waste and abuse. We also developed a plan for overseeing how these funds are going to be used. We discussed these plans at conferences with Federal education program and financial administrators—these are the folks that are actually on the ground at both the State and local levels. And we’ve met with Department leaders and staff and others in the oversight community to share information on our work and related concerns.

[Neil Sanchez] And we did the same with our law enforcement colleagues. We met with state and local police and prosecutors to discuss our planned disaster-related work to raise awareness of the potential fraud and other criminal activity.

[Stephanie Bloom] You were actually on the ground right after the 2017 disasters?

[Neil Sanchez] We were. We visited Puerto Rico and the Virgin Islands. The devastation—just overwhelming for those folks in those communities. The schools were almost completely destroyed. When we got there, even months after the storms, a lot of the students hadn’t been back to school or were on half-time schedule and really just taking advantage of whatever space they could find.

While we were out there, we also met with our law enforcement partners and prosecutors out in those areas and other affected areas as well, to discuss ways we could work together to tackle some of this disaster-related fraud.

[Keith Cummins] Yeah, and we learned through our previous disaster recovery work that these early meetings are really helpful. They allow State agencies—and, in turn, local agencies—to prepare and put in place systems that will actually help them better handle the very large amount of funding that they’re about to receive and that they’ll need to spend in a very short period of time. You know, when I think about this, it reminds me of that Ben Franklin quote: “An ounce of prevention is worth a pound of cure.” I think is just as relevant today as it was back then. Try to get it right from the get-go. Things work a lot better that way.

[Stephanie Bloom] That makes sense. Keith, let’s start with audits. How does the OIG determine what to audit in its disaster recovery efforts?

[Keith Cummins] In a word, money. But there’s more to it than that. We’re generally going to the States and territories that received the most funding under each program, which are also the areas that were hit hardest by the disasters. But we also consider the results of prior audits and other reviews and factor in everything we know about the Department’s work with the affected entities. Most of our audit work is compliance-based—which is making sure that everyone is following the laws and regulations. So, whether it’s how the State or territorial education agency disburses the funds or how the schools and school districts spend the funds. And we also do a lot

of work on data reliability, too, since the Department makes funding decisions based on what it gets from the States. The bottom line is we want to make sure the funds are used to help the schools and children impacted by the disasters get back to normal.

[Stephanie Bloom] It's unfortunate that disasters and recovery efforts provide unique opportunities for criminals to exploit people during vulnerable times and to steal Federal disaster recovery funds. Neil, is there a particular reason why?

[Neil Sanchez] Primarily it's because disaster recovery funds tend to be more susceptible to fraud. Large amounts of money are being distributed and spent in a short amount of time. This opens the door for criminals to take advantage of the situation and prey on those who are trying to help.

[Stephanie Bloom] Can you give us some examples of what this fraud looks like?

[Neil Sanchez] Certainly. At the college and university level, for example, an institution can experience a high level of student withdrawals after a disaster. If the school is going through a financial hardship, they might be tempted to falsify student attendance records—making it appear that the student is still attending classes in order to avoid having to return funds to the Department, or to justify drawing additional funds on behalf of the students. At the elementary and secondary level, a vendor might offer a kickback to a public official in order to win a school contract, or a vendor could charge an excessive fee for modular buildings or other items a school needs to get back to educating children.

[Stephanie Bloom] What is the most common type of fraud you've seen involving disaster recovery funds?

[Neil Sanchez] Historically, it's criminal misapplication and procurement fraud.

[Stephanie Bloom] Let's break that down for listeners who might not be familiar with those term. Starting with criminal misapplication

[Neil Sanchez] Misapplication is the using of funds for other than their intended purpose. It's usually when a school official, business, or a public official misuses Federal funds for their personal benefit, purchases such as mortgage payments, boat or car payments, or travel. It's almost always prosecuted when it leads to personal or corporate enrichment.

[Stephanie Bloom] That's the criminal part.

[Neil Sanchez] Yes.

[Stephanie Bloom] Then what's procurement fraud?

[Neil Sanchez] Procurement fraud generally is anything outside the normal procurement process...bid rigging, violations of conflict of interest statutes, gratuities, kickbacks, and bribes. And of course there is theft and embezzlement by school employees in trust positions, which

usually involves false invoices and bogus vendors. Sometimes, they just flat out wire money to their personal bank accounts.

[Stephanie Bloom] How does the OIG become aware of possible fraud or criminal activity?

[Neil Sanchez] The OIG becomes aware of possible fraud in a number of ways: through other law enforcement agencies, local or State education agencies, and perhaps most importantly, from everyday people. This could be someone working at a school that notices something isn't right with a contract award, or a financial aid administrator who notices that students have withdrawn but are still on the school's attendance rolls. Or it can be someone noticing an unexplained increase in wealth of a public official or where it appears they are living well beyond their means.

[Stephanie Bloom] I'd imagine that's a huge challenge for people: how to identify fraud.

[Neil Sanchez] There are really two big challenges. One, how do people know if it's fraud or not, and two, fear of reporting allegations of fraud. For the first, how do we know if it's fraud? If something doesn't seem right, it may not be. That's why we put together the red flags and fraud indicator posters and materials to help people become aware of possible improprieties involving disaster recovery funds. Now people may think that they have to bring a completed investigation to us—you don't. We'll take care of that. All you have to do is contact us and let us know what you have seen or heard or have experienced and we'll take it from there.

The second challenge is fear. People might be hesitant to bring an allegation for fear that they would be retaliated against. That's why the allegations that we receive are handled in a confidential manner.

[Keith Cummins] That's important.

[Neil Sanchez] That's really important because we need everyone's help to protect these public dollars and get our schools back to the business of educating students. It is people's hard-earned tax dollars that are funding recovery efforts. We want to make sure that these dollars are used as intended and not lining the pockets of criminals.

[Stephanie Bloom] So what can people do to help protect disaster recovery funds?

[Keith Cummins] First thing, click on the disaster recovery page on our website—it's right there on the front page. There you'll find a lot of information about our ongoing work and Department disaster recovery funds, including examples of red flags and indicators of fraud. We've even broken it down so that we have indicators that are specific to K-12 schools, colleges and universities, and the general public. We have posters that you can download and put up in your office so that you have that information right at your fingertips.

[Neil Sanchez] Right and we encourage you to familiarize yourself with those indicators, particularly if you work at a school, college, or university, or a business that is supplying services or materials to schools. And if you suspect waste, fraud, abuse, or other criminal activity

involving disaster recovery funds, let us know by contacting our Hotline. The link is right here on our website.

[Stephanie Bloom] All right. Keith, Neil thank for being here today and for sharing this great information.

[Neil Sanchez] Thank you Stephanie.

[Keith Cummins] Sure thing—thanks again for having us.

[Stephanie Bloom] Thanks to our listeners for tuning in. You can read more about the OIG's disaster recovery efforts on our website. And be sure to check back with us for additional podcasts and updates.

I'm Stephanie Bloom with the U.S. Department of Education Office of Inspector General, and this has been Eye on ED.