

**U.S. Department of Education
Office of Inspector General
(ED OIG)**

**Small Business Innovation Research
(SBIR)
Fraud Awareness**

Geoffrey Wood, Special Agent in Charge
Robinette Brown, Special Agent

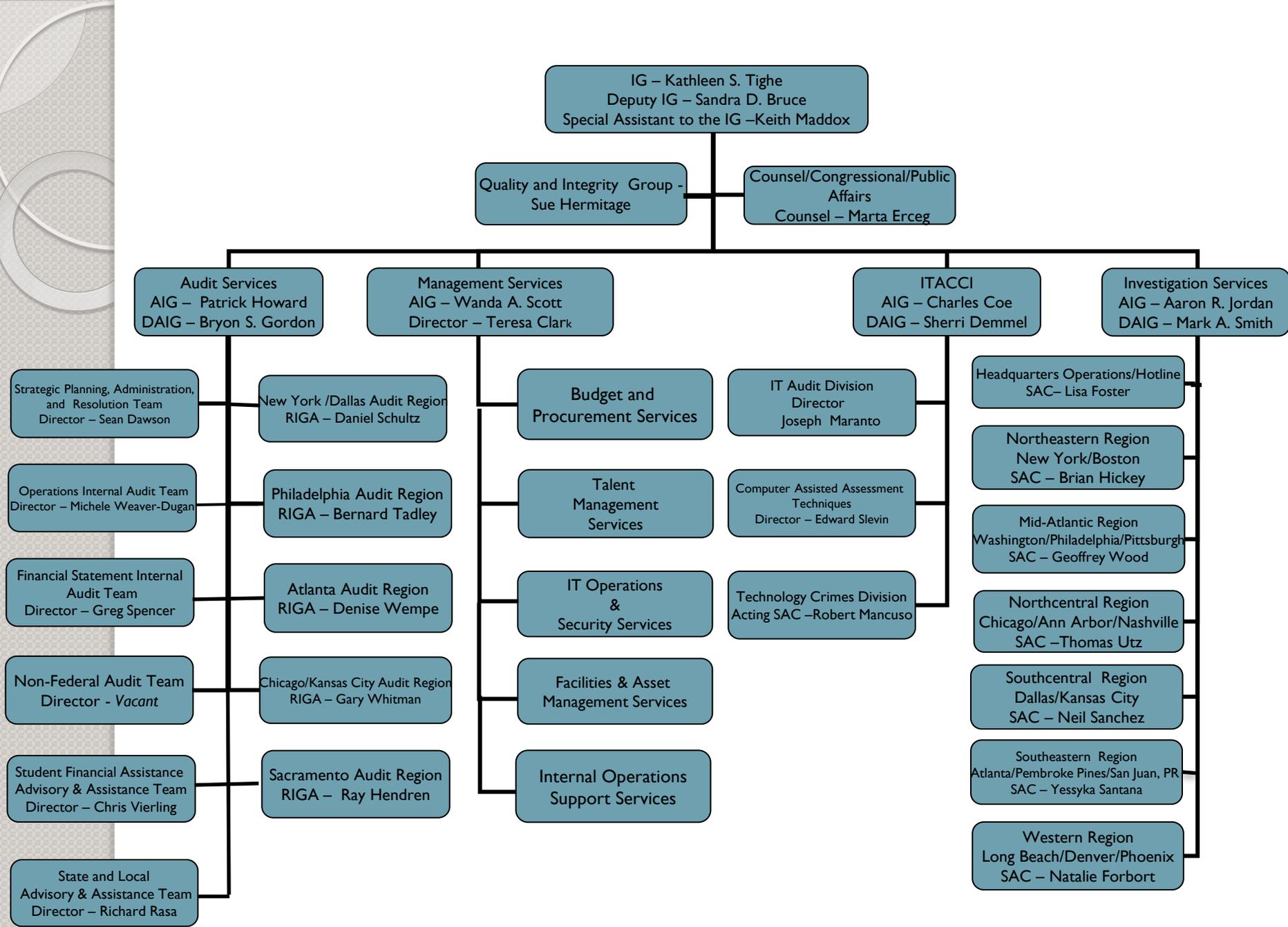


The ED OIG Mission

- We conduct independent, objective audits, investigations, and inspections.
- To promote the efficiency, effectiveness, and the integrity of ED's programs and operations.

ED OIG Authority

- Inspector General Act of 1978
 - Oversight
 - Transparency
 - Subpoena Authority - Obtain information and records outside the agency
 - Semiannual Report to Congress



IG – Kathleen S. Tighe
Deputy IG – Sandra D. Bruce
Special Assistant to the IG –Keith Maddox

Quality and Integrity Group -
Sue Hermitage

Counsel/Congressional/Public
Affairs
Counsel – Marta Erceg

Audit Services
AIG – Patrick Howard
DAIG – Bryon S. Gordon

Management Services
AIG – Wanda A. Scott
Director – Teresa Clark

ITACCI
AIG – Charles Coe
DAIG – Sherri Demmel

Investigation Services
AIG – Aaron R. Jordan
DAIG – Mark A. Smith

Strategic Planning, Administration,
and Resolution Team
Director – Sean Dawson

New York /Dallas Audit Region
RIGA – Daniel Schultz

Operations Internal Audit Team
Director – Michele Weaver-Dugan

Philadelphia Audit Region
RIGA – Bernard Tadley

Financial Statement Internal
Audit Team
Director – Greg Spencer

Atlanta Audit Region
RIGA – Denise Wempe

Non-Federal Audit Team
Director - Vacant

Chicago/Kansas City Audit Region
RIGA – Gary Whitman

Student Financial Assistance
Advisory & Assistance Team
Director – Chris Vierling

Sacramento Audit Region
RIGA – Ray Hendren

State and Local
Advisory & Assistance Team
Director – Richard Rasa

Budget and
Procurement Services

Talent
Management
Services

IT Operations
&
Security Services

Facilities & Asset
Management Services

Internal Operations
Support Services

IT Audit Division
Director
Joseph Maranto

Computer Assisted Assessment
Techniques
Director – Edward Slevin

Technology Crimes Division
Acting SAC –Robert Mancuso

Headquarters Operations/Hotline
SAC– Lisa Foster

Northeastern Region
New York/Boston
SAC – Brian Hickey

Mid-Atlantic Region
Washington/Philadelphia/Pittsburgh
SAC – Geoffrey Wood

Northcentral Region
Chicago/Ann Arbor/Nashville
SAC –Thomas Utz

Southcentral Region
Dallas/Kansas City
SAC – Neil Sanchez

Western Region
Long Beach/Denver/Phoenix
SAC – Natalie Forbort

Investigations

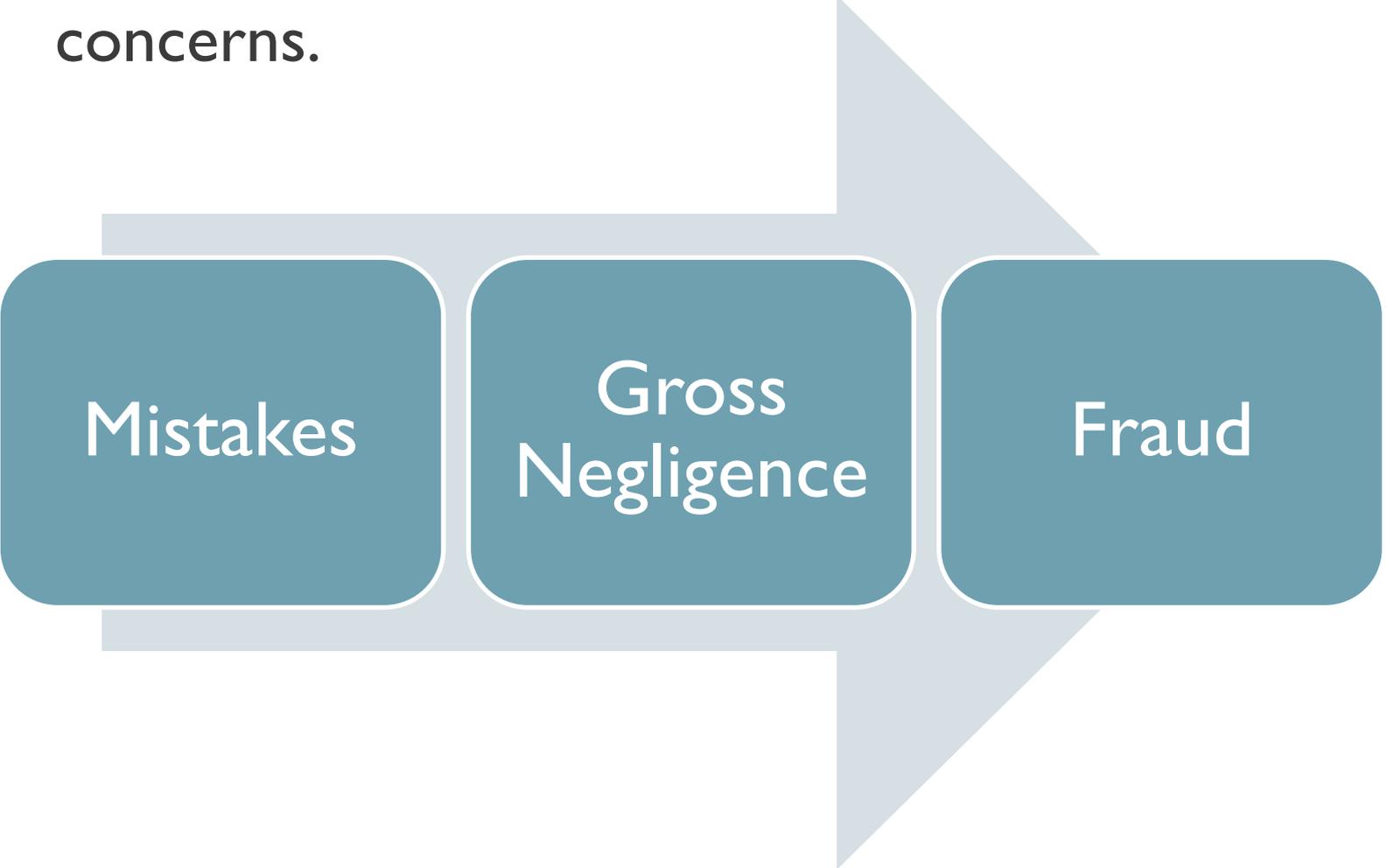
- We investigate fraud, waste, and abuse.
- Federal Agents:
 - Execute Arrest and Search Warrants
 - Serve Grand Jury Subpoenas
 - Carry Firearms



Fraud

- What is fraud?
 - Using dishonest methods to take something of value from another
 - Deceit, trickery, misrepresentation
 - Lying and cheating
- “There is no kind of dishonesty into which otherwise good people more easily and frequently fall than that of defrauding the government.” - Benjamin Franklin

Indicators of fraud, waste and abuse of grant funds can be due to a variety of causes and are rarely simple - we must follow-up on all such concerns.



Mistakes

Gross
Negligence

Fraud

Sources of Investigations

- Sources of Investigations
 - Anonymous – OIG Hotline
 - **ED Program Offices**
 - School Administrators & Employees
 - Other Law Enforcement Agencies
 - U.S. Attorney's Offices
 - Guaranty Agencies
 - **Grantees**
 - **Contractors & Subcontractors**
 - Students, Citizens

Grant Fraud

- Basically, lying, cheating or stealing to obtain grants you are not entitled to receive.
 - When grants are applied for, received, or not spent for their intended purposes, generally through theft, misappropriation, or false statements
 - Providing false information on the grant applications
 - Fraud can also occur during performance of a grant, such as through false assertions on a performance report, theft or misappropriation of grant funds.
 - Trying to cover up underlying problems by creating false documents, by destroying documents, or by not being truthful with investigators or others.
 - Bribery and/or kickbacks

SBIR Grant Fraud

- Falsification of Eligibility
 - U.S. ownership / U.S. based
 - Small business (fewer than 500 employees)
 - At least 51% owned
- Duplicate Funding
 - Cannot receive SBIR funding from other Federal agencies for equivalent work
- Principle Investigator (PI)
 - Cannot be employed full-time elsewhere unless granted waiver
 - PI cannot be different than PI listed in the application unless granted waiver

SBIR Grant Fraud (cont.)

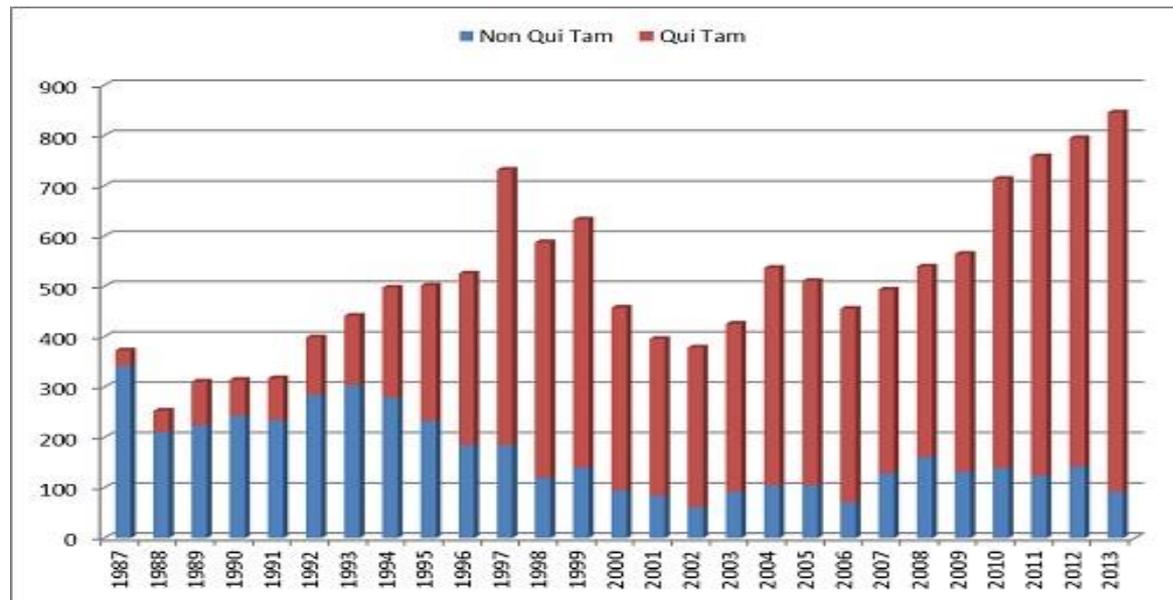
- Grantee not performing substantial portion of research
 - Phase I – 2/3 of research
 - Phase II – 1/2 of research
- False statements and claims:
 - Includes info furnished by grantee leading to grant award or grant performance.
 - Includes false certifications
 - Lying to obtain SBIR Grant (18 USC § 1001)

Grant Fraud Related Offenses

- False Statements (18 USC § 1001)
 - Submission of lies and false certifications
- False Claims Act (31 USC § 3729)
 - Knowingly filing a claim for payment for work not performed
- Program Fraud Civil Remedies Act (31 USC § 3801)
- Other Federal Offenses:
 - Theft / Misuse of Grant Funds
 - Wire and Mail Fraud
 - Embezzlement
 - Kickbacks & Bribery
 - Conflict of Interest (Self-dealing)

Results of Investigations

- Incarceration, Restitution, Forfeiture
- Administrative & Civil Penalties – False Claims Act
- Suspension & Debarment
- Grant Termination



Grant Fraud Case Examples

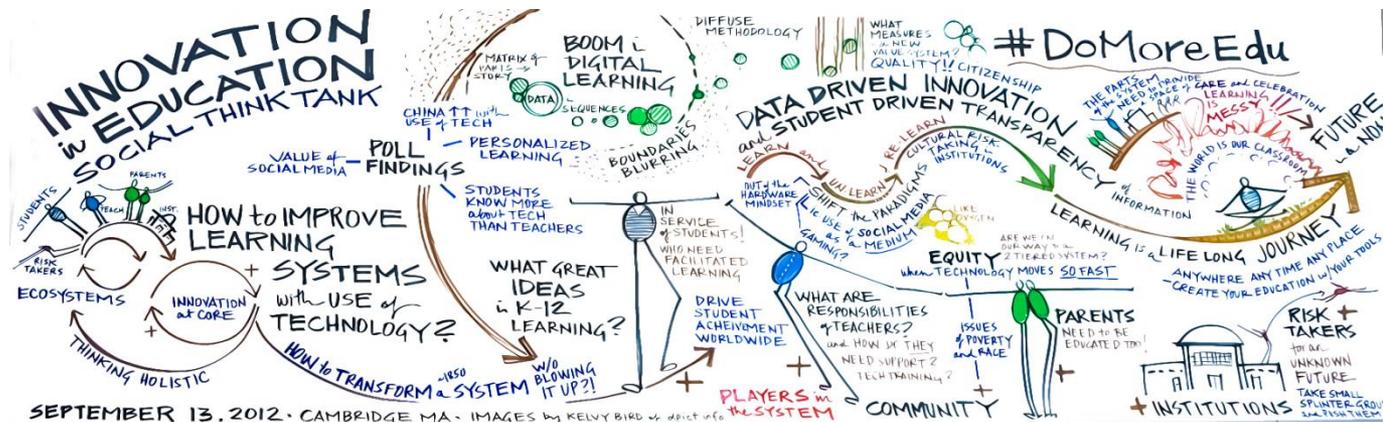
- As a result of an ED/OIG investigation the Puerto Rico Department of Education agreed to a \$19 million civil fraud settlement for submitting false child counts between 2002 and 2005 that were based upon falsified student eligibility documents for the Migrant Education Program
- An ED/OIG audit of Valencia Community College (VCC) determined that VCC did not administer the matching requirement for its GEAR-UP grant in accordance with statutory, regulatory and administrative requirements. 6 of the 7 partnerships did not contribute \$1.6 million of the required non-federal match, and VCC claimed \$4.1 million in unallowable matching costs by using commercial rental rates instead of actual depreciation costs or use allowance as required by Federal cost principles (OMB Circular)

Grant Fraud Case Examples

- As a result of an ED/OIG investigations a former administrative assistant of the Pine Bluff School District in Arkansas pled guilty for forgery and theft of over \$800,000 during a seven-year period by diverting school funds, through false invoices, purchase orders, and checks, into an account she owned under a false vendor name.
- The former Vice President for Student Development at Stevens Institute of Technology in Hoboken, NJ, was sentenced to 24 months incarceration, and was ordered to pay \$264,000 in restitution for conspiracy and theft charges. He conspired with others to obtain government grants and other funds by creating fictitious invoices and purchase requisitions resulting in the University issuing payments totaling \$264,000.

ED SBIR

- \$2.5 Billion Government-Wide Annually
- ED Grants = \$7.5 Million Annually
- Up to \$1,050,000 per grant for research and development of commercially viable education technology products



SBIR Requirements & Oversight

- Establish fraud detection indicators to prevent fraud, waste, and abuse
- Identify vulnerabilities and potential conflicts of interest
- Review SBIR policies and guidelines
- Conducting investigations of suspected fraud

Reporting Suspected Fraud

- Anyone who suspects fraud should report it
- **Don't** “tip off” subjects of actual or pending investigation
- Suspected fraud can be reported to:
 - ED OIG Regional Offices
<http://www2.ed.gov/about/offices/list/oig/misused/index.html>
 - ED OIG Hotline
<http://www2.ed.gov/about/offices/list/oig/hotline.html>
 - 1-800 MIS-USED
 - Fax: 202-245-7047

Questions and Contacts

Robinette Brown
Special Agent

202-245-6500

Robinette.Brown@ed.gov

Geoffrey Wood
Special Agent in
Charge

212-656-8693

Geoffrey.Wood@ed.gov