

# Coronavirus Funding State and Local Programs Overview



*Presentation to*

*Office of Elementary and Secondary Education and State Education Agencies*

**Office of Inspector General**  
**Special Investigations Unit**  
**Investigation Services**  
**U.S. Department of Education**

# Agenda

- OIG Background and Mission
- Fraud Cases
- How to Report Fraud

# **OIG Background and Mission**



## OIG Operational Components

Audit Services

Information Technology  
Audits and Computer  
Crime Investigations  
(ITACCI)

Investigation Services

# Investigation Services

- Investigation Services is the law enforcement arm of ED. This team of law enforcement professionals conducts criminal and civil investigations covering a wide range of wrongdoing, including Federal student aid fraud, diploma mill schemes, fraud and corruption in after school programs, and fraudulent billing of contracts.
- OIG special agents conduct criminal investigations of suspected fraudulent activities by ED employees, contractors, grant recipients, school officials, teachers, and students—in essence, by any entity or individual that awards, disburses, or receives ED funds or participates in ED programs.

# Investigation Services

- Coordinate with other Federal, State, and local law enforcement agencies and Federal prosecutors at the U.S. Department of Justice
- Operate the OIG Hotline
- Work with the Department to develop appropriate enforcement actions and recommend fixes on programs vulnerable to fraud

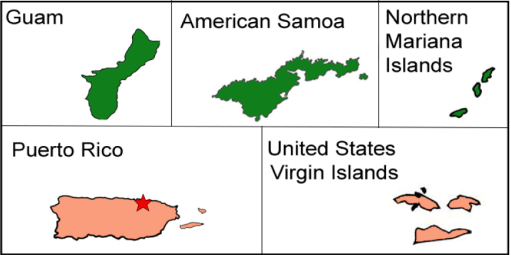
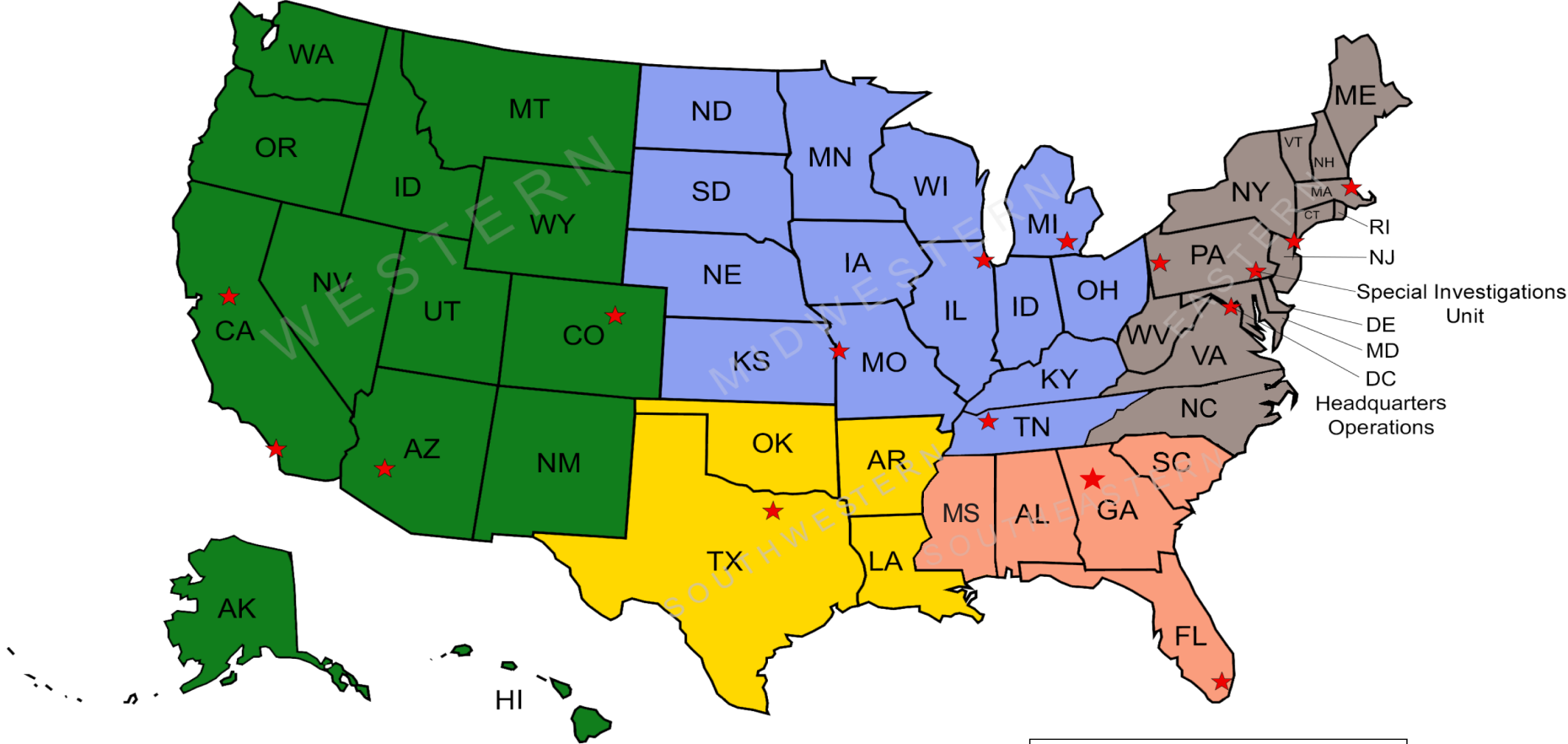




# Special Investigations Unit

- Leads Investigation Services' efforts to uncover and investigate the misuse, theft, and other criminal interference with the intended administration of disaster and pandemic relief funds.
- Comprised of professional criminal investigators with decades of experience in conducting education-related investigations and stopping education-focused fraud schemes involving Federal education programs.

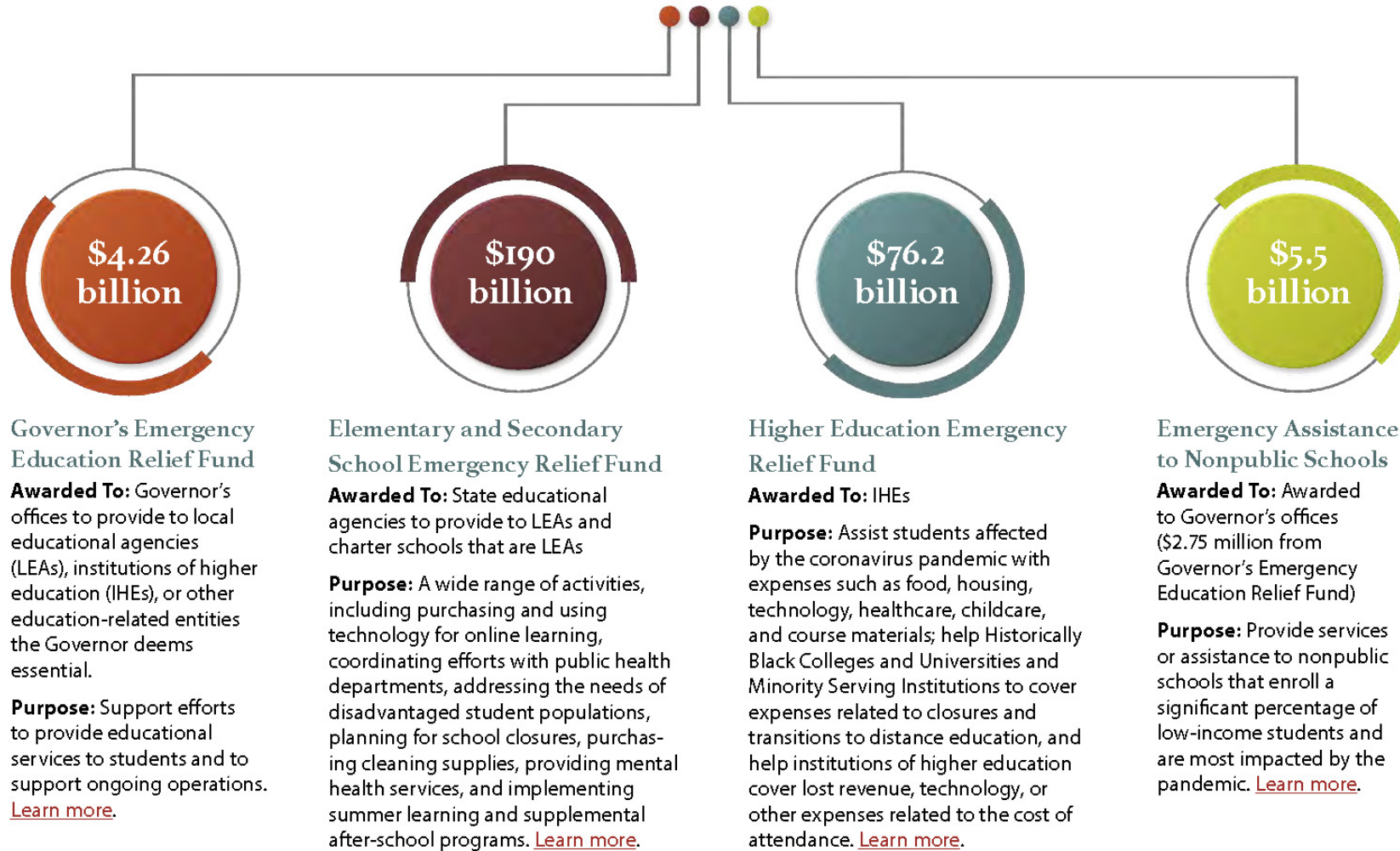
Investigation Services Field Office ★





# Coronavirus Response Funding Snapshot

Funded through the [CARES Act](#), the [Coronavirus Response and Relief Supplemental Appropriations Act](#), and the [American Rescue Plan](#)





# What is Fraud?

A deliberate distortion of the truth in an attempt to obtain something of value.

-or-

Lying and cheating.

# What Does Federal Education Fraud Look Like?

- Financial conflicts of interest
- Altered or falsified documentation
- Missing school funds, property, or records
- Nonexistent students
- Persistent internal control issues
- Irregularities in contract awards or procedures (including undue influence)
- Suspicious or unverifiable vendors
- Defective or low-quality products and services
- Unreasonable costs

# Criminal Remedies Used by OIG

- 18 USC 201 – Bribery
- 18 USC 641 – Embezzlement
- 18 USC 666 – Theft
- 18 USC 1341 – Mail Fraud
- 18 USC 1343 – Wire Fraud
- 18 USC 1001 – False Statements
- 18 USC 371 – Conspiracy
- 18 USC 1516-Obstruction of a Federal Audit

# Civil Remedies Used by OIG

Civil False Claims Act 31 U.S.C. § 3729

Knowingly presents, or causes to be presented, to the United States Government a false or fraudulent claim for payment or approval (no proof of specific intent to defraud is required)

...or makes, uses, or causes to be made or used, a false record or statement to get a false or fraudulent claim paid or to conceal, avoid, or decrease an obligation to the Government

Burden of Proof – “Preponderance of the Evidence” (More likely than not)

Specific Intent to Defraud the Government not required

Liable for Civil Penalties of between \$10K and \$20K per count **plus** 3 times the amount of actual damages

# Recent Cases





## Fraud by Charter School Officials

- The former CEO, the principal, and vice-principal of Bradley Academy of Excellence reported hundreds of fake student profiles to the Arizona Department of Education to receive approximately \$2.5 million in Federal and State funding.
- The vice-principal entered the fake student information into the Arizona Department of Education's registration portal, which was then used by the State to determine the amount of aid the Bradley Academy received.
- In September 2020, the former principal and vice principal were sentenced to 3.75 years in prison and 4 months in jail, respectively, and ordered to pay more than \$2.5 million in restitution.
- In March of 2021, the former CEO was sentenced to four years in prison and ordered to pay more than \$2.5 million in restitution with 2 other co-defendants



## Additional fraud example of person in trust position

- The former superintendent of Houston Gateway Academy (HGA) charter school conspired with a former HGA vendor to improperly award a “no-bid” contract to Hot Rod Systems for over \$280,000
- The contract was for the installation and configuration of new IT equipment on a new HGA campus that had not been constructed
- The owner of Hot Rod Systems sent approximately \$164,000 via wire transfers to a bank account of a company owned by the former superintendent
- The former superintendent was sentenced in April of 2021 to sixty months of incarceration and ordered to pay restitution

# National Defense Authorization Act (NDAA) 41 USC 4712

The statute protects employees of Federal **contractors, subcontractors, grantees and subgrantees** from **being discharged, demoted, or discriminated against** for disclosing to **certain parties\*** information the employee **reasonably believes** evidences **wrongdoing,\*** generally related to Federal funds.\*

*\*as enumerated in the statute and discussed in detail later in this presentation*

# **SEA and LEA Oversight**



## Why Are You Important to OIG?

- **You** play a critical role in helping us achieve our mission by serving as the OIG's “eyes and ears” to help us detect and prevent fraud.



## Best Practices

- Conduct a fraud risk assessment and assess potential threats
- Create a plan to mitigate risks and to evaluate potential fraud
- Ensure adequate monitoring and oversight to include separation of duties and an established approval process for purchases, contracts, and other expenditures
- Review documents thoroughly, question/verify authenticity, and request additional information
- Ensure that staff receive necessary training and fraud awareness materials
  - GAO Report for Managing Fraud Risks  
<https://www.gao.gov/assets/680/671664.pdf>



ELEMENTARY AND SECONDARY SCHOOL EMERGENCY RELIEF  
FUND (ESSER FUND)  
STATE EDUCATIONAL AGENCY  
PART A: CERTIFICATION AND AGREEMENT COVER SHEET

State: \_\_\_\_\_ CFDA Number: 84.425D  
Legal Name: \_\_\_\_\_ DUNS Number: \_\_\_\_\_  
Chief State School Officer: \_\_\_\_\_ Mailing Address: \_\_\_\_\_

State Contact for Elementary and Secondary School Emergency Relief Fund:  
Position and Office: \_\_\_\_\_  
Mailing Address: \_\_\_\_\_  
Telephone: \_\_\_\_\_  
Email address: \_\_\_\_\_

To the best of my knowledge and belief, all the information and data in this agreement are true and correct. I acknowledge and agree that the failure to comply with all Assurances and Certifications in this Agreement, all relevant provisions and requirements of the CARES Act, Pub. L. No. 116-136 (March 27, 2020), or any other applicable law or regulation may result in liability under the False Claims Act, 31 U.S.C. § 3729, *et seq.*; OMB Guidelines to Agencies on Governmentwide Debarment and Suspension (Nonprocurement) in 2 CFR part 180, as adopted and amended as regulations of the Department in 2 CFR part 3485; and 18 USC § 1001, as appropriate.

Chief State School Officer or Authorized Representative (Typed Name): \_\_\_\_\_ Telephone: \_\_\_\_\_  
Signature of Chief State School Officer or Authorized Representative: \_\_\_\_\_ Date: \_\_\_\_\_

Form Approved OMB Number: 1810-0743 Expiration Date: 10/31/2020

To the best of my knowledge and belief, all the information and data in this agreement are true and correct. I acknowledge and agree that the failure to comply with all Assurances and Certifications in this Agreement, all relevant provisions and requirements of the CARES Act, Pub. L. No. 116-136 (March 27, 2020), or any other applicable law or regulation may result in liability under the False Claims Act, 31 U.S.C. § 3729, *et seq.*; OMB Guidelines to Agencies on Governmentwide Debarment and Suspension (Nonprocurement) in 2 CFR part 180, as adopted and amended as regulations of the Department in 2 CFR part 3485; and 18 USC § 1001, as appropriate.

# Requirement to Cooperate with the OIG

- The Certification and Agreement Form
- Part B (Programmatic, Fiscal, and Reporting Assurances) states the grantee (State or SEA) will “ensure that every recipient and subrecipient of [GEER or ESSER] funds will cooperate with any examination of records with respect to such funds by making records available for inspection, production, and examination, and authorized individuals available for interview and examination, upon the request of (i) the Department and/or its Inspector General [.]”
- Part D (Other Assurances and Certifications) states the grantee (State or SEA) will comply with the requirements for Federal Awards in 2 CFR Part 200 which include the requirement that Inspectors General have the right of access to any documents, papers, or other records of the non-Federal entity which are pertinent to the Federal award. 2 CFR 200.336.



# Your Role in Preventing and Detecting Fraud

- Stay current on alerts and communication from the Office of Elementary and Secondary Education (OESE)
- Stay current on types of fraud affecting SEAs and LEAs by signing up for the OIG's free [Notification Service](#), and follow us on [Facebook](#) and [Twitter](#)
- Formalize a process for reporting potential fraud, waste, and abuse to OIG
- **Cooperate with the OIG in connection with an audit or investigation.** Don't "tip off" subjects of actual or pending investigation, continue normal course of business unless otherwise directed

# **How to Report Fraud**

# Secure Electronic Reporting

OIGHOTLINE.ED.GOV

## OIG Hotline

### Report Fraud Now!

The OIG Hotline is available for anyone who knows of or suspects fraud, waste, abuse, mismanagement, or violations of laws and regulations involving ED funds or programs. This includes allegations of suspected wrongdoing by ED employees, contractors, grantees, schools and school officials, persons in positions of trust involving ED funds or programs, collection agencies, recipients of student financial assistance, or lending institutions. If you have knowledge of any wrongdoing involving ED funds or operations, let us know! **Click the button below to get started.**

**REPORT HERE**

- [What to Report to the OIG Hotline](#)
- [What Not to Report to the OIG Hotline](#)

#### DISCLAIMER - U.S. Department of Education Office of Inspector General Hotline Portal

##### Warning

You are accessing a U.S. Federal Government computer system intended to be solely accessed by individual users expressly authorized to access the system by the U.S. Department of Education. Usage may be monitored, recorded, and/or subject to audit. For security purposes and in order to ensure that the system remains available to all expressly authorized users, the U.S. Department of Education monitors the system to identify unauthorized users. Anyone using this system expressly consents to such monitoring and recording. Unauthorized use of this information system is prohibited and subject to criminal and civil penalties. Except as expressly authorized by the U.S. Department of Education, unauthorized attempts to access, obtain, upload, modify, change, and/or delete information on this system are strictly prohibited and are subject to criminal prosecution under 18 U.S.C § 1030, and other applicable statutes, which may result in fines and imprisonment. For purposes of this system, unauthorized access includes, but is not limited to:

Any access by an employee or agent of a commercial entity, or other third party, who is not the individual user, for purposes of commercial advantage or private financial gain (regardless of whether the commercial entity or third party is providing a service to an authorized user of the system); and

Any access in furtherance of any criminal or tortious act in violation of the Constitution or laws of the United States or any State.

If system monitoring reveals information indicating possible criminal activity, such evidence may be provided to law enforcement personnel.

Accept

# OIG Information

- **Prior OIG Reports**

- Know where we've been and what we've done.

<https://www2.ed.gov/about/offices/list/oig/rpauditinvestmainpage.html>  
(Audit and Investigative Reports)

<https://www2.ed.gov/about/offices/list/oig/sarpages.html>  
(Semiannual Reports)

- **OIG Annual Plan**

- Know where we're going and what we're going to do.

<https://www2.ed.gov/about/offices/list/oig/workplan.html>

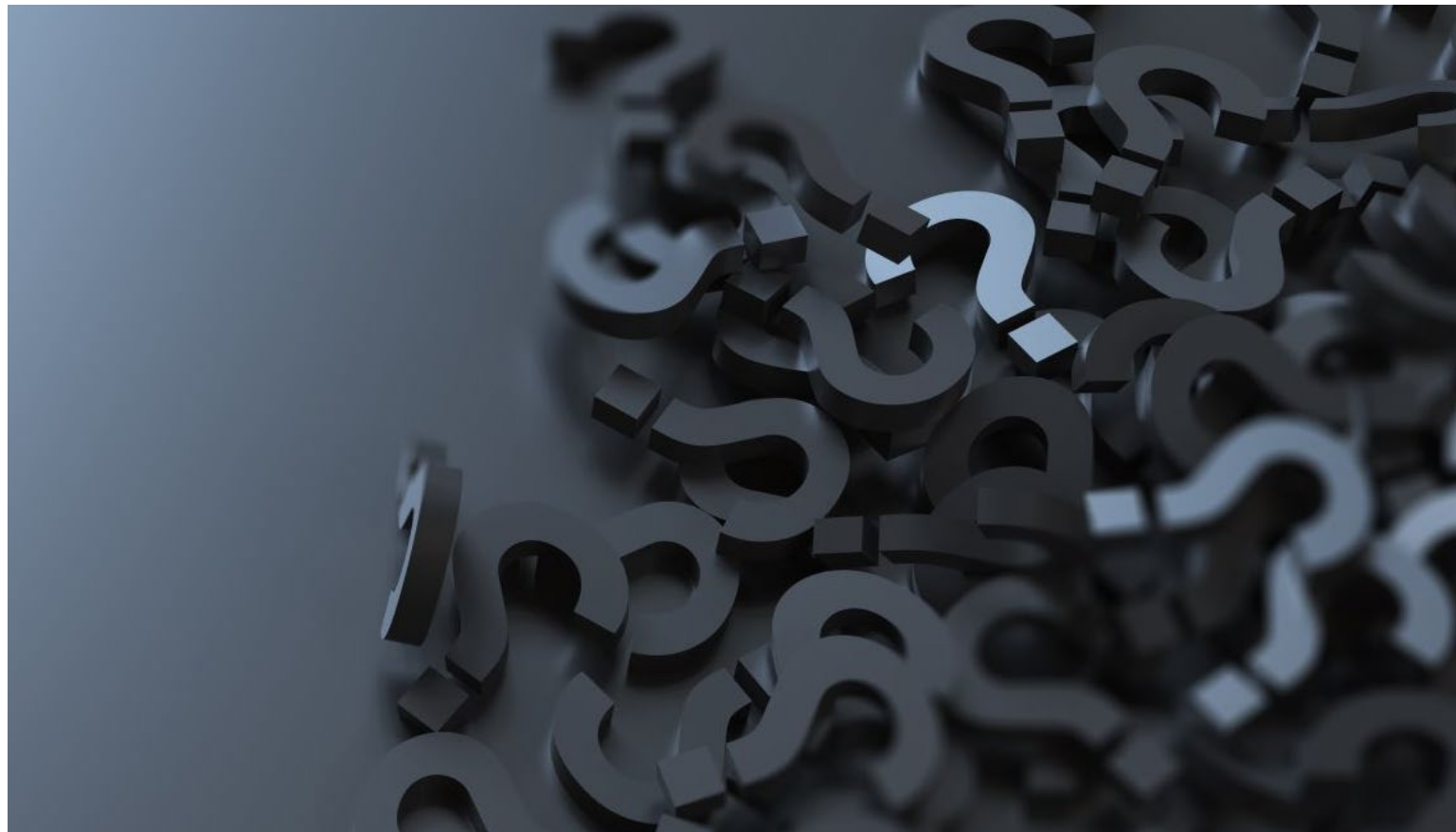
- **OIG Management Challenges**

- Know why we're going there and doing what we're doing.

<https://www2.ed.gov/about/offices/list/oig/managementchallenges.html>

# Additional Resources

- **Fraud Reporting Requirements: A guide for Federal Program Participants and Auditors**
  - <https://www2.ed.gov/about/offices/list/oig/misc/fraudreportingrequirements.pdf>
- **MB Uniform Guidance (2 CFR § 200) (Technical Assistance for ED Grantees):**
  - <https://www2.ed.gov/policy/fund/guid/uniform-guidance/index.html>
- **OMB Circular A-123, Management's Responsibility for Enterprise Risk Management and Internal Control:**
  - <https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/memoranda/2016/m-16-17.pdf>
- **GAO Standards for Internal Control in the Federal Government:**
  - <https://www.gao.gov/assets/670/665712.pdf>
- **GAO Framework for Managing Fraud Risks in Federal Programs:**
  - <https://www.gao.gov/assets/680/671664.pdf>
- **AGA Intergovernmental Partnership (including CAROI 2010 Guide and 2016 Playbook):**
  - <https://www.agacgfm.org/Tools-Resources/intergov.aspx>



## Contacts for Coronavirus Fraud Matters

- Natalie Forbort,  
Special Agent, Special  
Investigations Unit  
[Natalie.M.Forbort@ed.gov](mailto:Natalie.M.Forbort@ed.gov)
- Cell phone-202-286-6739
- Dave Skonieczny  
Special Agent, Special  
Investigations Unit  
[Dave.Skonieczny@ed.gov](mailto:Dave.Skonieczny@ed.gov)
- Cell phone-312-446-2747