



Office of Inspector General

The First Line of Defense

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U.S. Department of Education

Office of Inspector General

Overview



- Role of the OIG
- Small Business Innovation Research
- What is Fraud
- Fraud Indicators
- Case Studies
- Consequences

The Role of the OIG



Office of Inspector General IG Act 1978 (Amended)



- Our mission is to promote the efficiency, effectiveness, and integrity of the Department's programs and operations
- We conduct independent and objective audits, investigations, inspections, and other activities

Department of Education OIG



- Immediate Office (IG, DIG, Counsel, QIG)
- Audit Services
- **Investigation Services**
- Management Services
- IT Audits and Computer Crime Investigations

Investigation Services (IS)



- Responsible for all criminal and civil investigative activities relating to the Department's programs and operations
- Full Law enforcement authority
- Conducts fraud awareness training and outreach activities with entities and organizations
- Operates the OIG Hotline
 - Anyone suspecting fraud, waste, or abuse involving Department funds or programs a reporting avenue

Small Business Innovation Research (SBIR)



- Congressionally-mandated programs (1982)
- Encourage participation by minorities and disadvantaged persons in technological innovation
- Funded as a set-aside (3.2%)
- SBA programmatic authority over federal SBIR

• Source: [SBIR.gov](https://www.sbir.gov)

Eligibility



➤ Eligibility

- Company must be U.S. owned / U.S. based
- Must be a small business (fewer than 500 employees)
- Must be at least 51% owned by one or more individuals

➤ Duplicate Funding

- Cannot receive SBIR funding from other Federal agencies for equivalent work

Source: [SBIR.gov](https://www.sbir.gov)

Eligibility (continued)



- 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
- Grantee must perform substantial portion of research
 - Phase I – requires 2/3 of research
 - Phase II – requires 1/2 of research

Source: [SBIR.gov](https://www.sbir.gov)

What is Fraud?

Black's Law Dictionary defines fraud as:...all multifarious means which human ingenuity can devise, and which are resorted to by one individual to get an advantage over another by false suggestions or suppression of the truth.

Lying ...Cheating...Stealing



Fraud





Indicators

- Equivalent work being done by different Services/Components
- Duplicate topics being submitted
- Technical lead directing awards to favorite SB
- Same topic being recycled with slight changes every year or two
- Max number of allowable SBIR awards been exceeded



Indicators Cont.

➤ Substandard Performance

- Lacked expertise or facilities
- Government's Technical expert lacked oversight to properly assess the progress/research/final reports

➤ Mischarging

- Grantee/contractor submits a claim for unallowable costs
- Spent less on actual research labor than proposed
- Grantee/contractor invoiced for non-existent employees or subcontractors
- Grantee/contractor inflated direct labor, indirect costs, subcontractor work or excess materials costs

Case Studies



CASE STUDIES



SBIR Fraud Case Example 1



➤ Allegation:

- Owner applied for funding from NASA for which the company had already received funding from another gov't agency

➤ Results:

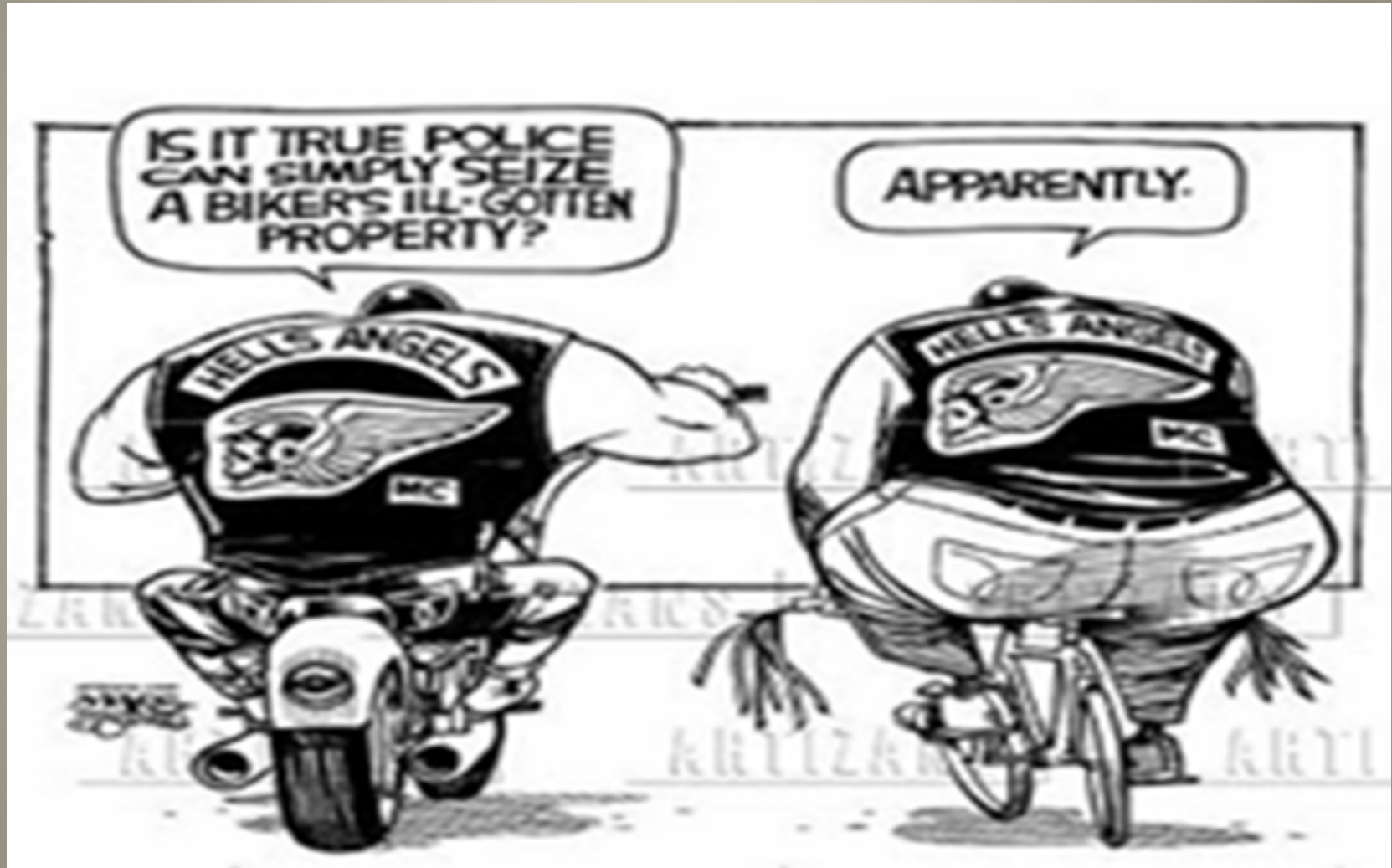
- Owner plead guilty to mail fraud and tax evasion
- Sentenced to 12 month home confinement
- 5 Years probation
- \$1.4 Million in Restitution
- 5 Year Debarment

SBIR Fraud Case Example 2



- Allegation:
 - NASA SBIR contract awarded based on availability of PI
 - Was ineligible due to having a full time job outside of the company awarded contract
- Results:
 - Owner plead guilty to wire fraud
 - Sentenced to 3 years probation
 - \$133,333 in Restitution

Consequences



Consequences



- Administrative
- Civil False Claims Act...Treble Damages
- Criminal

Criminal



- If you lie to obtain SBIR funds or lie about how the funds were used:
 - False Statements (18 USC § 1001)
 - Theft of Federal Funds (18 USC § 641)
 - Wire Fraud (18 USC § 1343)
- If you use SBIR funds for personal use:
 - Criminal Conversion (18 USC § 641)
 - And, if you don't report it on your Federal tax return
 - Tax Evasion, 26 USC § 7201



Criminal Cont.

- If you lie to OIG, destroy evidence or fabricate evidence:
 - Obstruction of Justice (18 USC § 1505)
 - False Statements (18 USC § 1001)
 - Falsification of Records Involving Federal Investigations
(18 USC § 1519)
- **You can go to prison for all of these offenses, and be required to pay restitution and fines**

Civil Liability

False Claims Act 31 U.S.C. 3729-3733



- (3x actual damages) and a fine of up to \$11,000 for each false claim
- False claims liability includes payments received when the gov't relied upon false information
- Although the statute requires knowledge that the claim was false, the term "knowledge" includes "deliberate ignorance" or "reckless disregard for the truth"
- **Whistleblowers can receive up to 30%** of award for reporting fraud via *qui tam* provision of False Claims Act

Administrative Remedies



- Gov't can terminate the contract
- Gov't can suspend/debar participant
 - Applicable across all of gov't
- Administrative remedies like civil liability is in addition to and criminal charges

Reporting Fraud Waste and Abuse



Inspector General Hotline

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

You can also download the [OIG Hotline Form](#) and mail or fax it to our office:

U.S. Department of Education
Office of Inspector General Hotline
400 Maryland Avenue, S.W.
Washington D.C. 20202-1500
Fax: (202) 245-7047

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Contact Information



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