



U.S. Department of Energy
Office of Inspector General
Office of Investigations

July 9, 2013

MEMORANDUM FOR THE DIRECTOR, OFFICE OF PROCUREMENT AND ASSISTANCE MANAGEMENT

FROM:

(b)(6),(b)(7)(C)

Eastern Investigation Operations
Region I Investigations

SUBJECT:

Misappropriation of Grant Funds, African Heritage Dancers and Drummers (OIG Case No. I12HQ010)

This report serves to inform you of the results of an investigation conducted by the U.S. Department of Energy (Department), Office of Inspector General (OIG), Office of Investigations. The investigation concerned allegations regarding the misappropriation of funds by the African Heritage Dancers and Drummers (AHDD), a sub-grantee to the District Department of Environment (DDOE), Weatherization Assistance Program (WAP) and Energy Efficiency Community Block Grant (EECBG) administrator.

In summary, the investigation substantiated the allegations. The OIG determined that two AHDD officials intentionally converted \$127,538 of Department American Reinvestment and Recovery Act (ARRA) WAP, and \$42,500 of EECBG funding for personal use, resulting in a total loss to the Department of \$170,038.

This case has been presented to the United States Attorney's Office (USAO), Criminal Division, Washington, DC. A prosecution decision is pending. The USAO has no objections with the Department pursuing any administrative action it may deem appropriate in this matter.

This report makes three recommendations for corrective action. Should you have any questions regarding this matter, please contact me on (202) 586- [redacted] or Special Agent (SA) [redacted] (b)(6),(b)(7)(C)

(b)(6),(b)(7)(C)

[redacted] on (202) 586- [redacted]

(b)(6),(b)(7)(C)

I. ALLEGATION

In March 2012, the DDOE contacted the OIG and alleged that AHDD, a DDOE sub-grantee, could not account for \$127,538 in ARRA WAP funds, and \$42,500 in EECBG funds. DDOE also alleged that they had conducted a reconciliation of AHDD grant monies, and suspected the funds may have been misappropriated. On March 22, 2012, a joint OIG investigation was initiated into AHDD by the Department OIG and the District of Columbia OIG.

II. POTENTIAL STATUTORY AND REGULATORY VIOLATIONS

The investigation focused on potential violations of 18 U.S. Code §641, theft of public money, property or records, and 18 U.S. Code §666, theft or bribery concerning programs receiving federal funds.

The investigation also focused on the debarment of AHDD, and its officials, in reference to Code of Federal Regulations, Title 2, Part 180, violation of the terms of a public agreement or transaction so serious as to affect the integrity of an agency program.

III. BACKGROUND

AHDD is a cultural performing arts, non-profit community based organization located in Washington, DC. AHDD provides after school dance programs for at-risk youth. Prior to year 2010, AHDD had not participated in or administered an energy related program. In fiscal year 2010, AHDD was selected by DDOE to participate in two separate grant programs, ARRA WAP and the EECBG Non-Profit Energy Efficiency Program (NEEP). AHDD received advanced funds from DDOE for these programs in years 2010 and 2011 totaling \$743,798.

WAP requires the purchase and installation of energy efficient measures in the residences of low-income citizens located within the District of Columbia. NEEP is a program intended for the purchase and install of energy efficiency measures in eligible non-profit facilities. NEEP is subsidized by ARRA EECBG funds. Under NEEP, sub-grantees are awarded funds for conducting NEEP projects that are ultimately assigned by the grant administrator (DDOE).

In an interview with the OIG, DDOE program managers explained that: In September 2010, DDOE advanced \$42,500.00 (25% of the total NEEP award) to AHDD for future participation in EECBG NEEP. However, DDOE never assigned any AHDD EECBG NEEP projects to AHDD, and therefore, AHDD never conducted work or invoiced for expenditures relating to EECBG NEEP. Therefore, DDOE decided to recall AHDD's advanced funds allocated for this program (\$42,500).

On November 30, 2011, DDOE hand delivered a letter to (b)(6),(b)(7)(C) Energy Efficiency Program (b)(6),(b)(7)(C) AHDD, requesting that the advanced EECBG NEEP funds be returned to DDOE within 30 days. On December 14, 2011, AHDD provided a statement to DDOE indicating the funds may have been deposited into the wrong account and that an effort would be made to return the funds as soon as possible. On February 3, 2012, DDOE sent a second letter to AHDD requesting the return of the EECBG NEEP advanced funds (Exhibit 1).

In view of the potential problems AHDD was having with the EECBG funds, DDOE decided to reconcile all AHDD expenditures relating to the ARRA WAP program. On February 23, 2012, DDOE met with (b)(6),(b)(7)(C) to reconcile all AHDD expenditures relating to ARRA WAP. A total of

\$701,298 was advanced to AHDD during fiscal years 2010 and 2011 for work relating to the ARRA WAP program. It was determined by DDOE that AHDD had an ARRA WAP expenditure discrepancy of \$127,538. The discrepancy was identified as advanced ARRA WAP funds that did not have expenditure off-sets. At the meeting, (b)(6),(b)(7)(C) notified DDOE that AHDD did not have the funds to repay the government for either the EECBG funds or the ARRA WAP funds. On March 7, 2013, DDOE sent a letter to AHDD demanding the return of the \$127,038 unsupported ARRA WAP expenditures (Exhibit 2).

IV. INVESTIGATIVE FINDINGS

The investigation determined that AHDD officials (b)(6),(b)(7)(C) converted \$170,038 in ARRA WAP and EECBG funds for their personal use in violation of title 18 USC 666. Specifically, AHDD officials (b)(6),(b)(7)(C) and (b)(6),(b)(7)(C) admitted to the OIG during interviews that they knowingly converted ARRA WAP and EECBG monies for personal use to pay tax debts, mortgages, loans and other unallowable expenditures (Exhibits 3 and 6).

In an OIG interview on July 12, 2012, (b)(6),(b)(7)(C) told the OIG that (b)(6),(b)(7)(C) was approached by (b)(6),(b)(7)(C) with a plan to obtain DDOE grant monies (Exhibit 6). (b)(6),(b)(7)(C) explained that (b)(6),(b)(7)(C) his friends with (b)(6),(b)(7)(C) and they are both members of the same Church. According to (b)(6),(b)(7)(C) previously administered a Weatherization Program through a non-profit entity named Southeast House. (b)(6),(b)(7)(C) indicated to (b)(6),(b)(7)(C) that problems existed with Southeast House's Weatherization funding and that (b)(6),(b)(7)(C) was seeking another non-profit to assist (b)(6),(b)(7)(C) in administering a Weatherization program. Since AHDD was a non-profit, (b)(6),(b)(7)(C) asked (b)(6),(b)(7)(C) if (b)(6),(b)(7)(C) could use AHDD's non-profit status to qualify (b)(6),(b)(7)(C) for the WAP programs. In return, (b)(6),(b)(7)(C) offered to pay (b)(6),(b)(7)(C) \$2,000 bi-weekly, AHDD \$800 bi-weekly, and pay AHDD another \$5,000 once a month. (b)(6),(b)(7)(C) agreed to (b)(6),(b)(7)(C) offer. Subsequently, AHDD was selected by DDOE to participate in EECBG NEEP and ARRA WAP. The AHDD EECBG NEEP sub-grant agreement was signed on January 23, 2010 and the ARRA WAP sub-grant agreement was signed January 25, 2010. Both agreements were signed by (b)(6),(b)(7)(C) (Exhibit 4).

According to (b)(6),(b)(7)(C) added (b)(6),(b)(7)(C) to AHDD documents to reflect (b)(6),(b)(7)(C) as the AHDD's bank account, giving (b)(6),(b)(7)(C) full signature authority and control over all ARRA WAP and EECBG NEEP funds deposited into the account. Additionally, according to (b)(6),(b)(7)(C) added (b)(6),(b)(7)(C) to AHDD's bank account, giving (b)(6),(b)(7)(C) authority through a review of AHDD's bank records. AHDD's "Energy Initiative" bank account signature cards indicate the names of both (b)(6),(b)(7)(C) and (b)(6),(b)(7)(C). The date on the signature cards is May 20, 2008. (b)(6),(b)(7)(C) further told the OIG that (b)(6),(b)(7)(C) had paid (b)(6),(b)(7)(C) approximately \$140,000 in ARRA WAP funds during the three years (b)(6),(b)(7)(C) used AHDD to administer ARRA WAP and EECBG NEEP grants. (b)(6),(b)(7)(C) described these payments as "reciprocal payments." Checks were written to (b)(6),(b)(7)(C) from AHDD's bank account. (b)(6),(b)(7)(C) explained that (b)(6),(b)(7)(C) used this money to pay personal debts, including back taxes and a home mortgage. A review of AHDD's bank records by the OIG confirmed the payments to (b)(6),(b)(7)(C) (Exhibit 5).

In an OIG interview on August 23, 2012, (b)(6),(b)(7)(C) told the OIG that (b)(6),(b)(7)(C) estimated that in 2010 and 2011 (b)(6),(b)(7)(C) paid AHDD approximately \$5,000 a month for a total of \$90,000 in ARRA WAP funds in addition to (b)(6),(b)(7)(C) bi-weekly salary of \$2,000. The \$90,000 was used to pay AHDD employee payroll and other operating costs not associated with ARRA WAP or EECBG NEEP. According to

(b)(6),(b)(7)(C) of the \$90,000 paid to AHDD, approximately \$10,000 was paid to cover an IRS fine levied against AHDD. In addition, \$10,000 was paid for District property taxes on AHDD's office building.

(b)(6),(b)(7)(C) (b)(6),(b)(7)(C) also admitted to the OIG that (b)(6),(b)(7)(C) improperly used ARRA WAP funds on several occasions for (b)(6),(b)(7)(C) own benefit. This included using the monies to make personal loans to persons and businesses with which he had a personal interest (Exhibit 3).

In a written sworn affidavit to the OIG, (b)(6),(b)(7)(C) stated that (b)(6),(b)(7)(C) knowingly diverted and misspent approximately \$170,000 in ARRA WAP and EECBG NEEP funds (Exhibit 3) (b)(6),(b)(7)(C) further stated (b)(6),(b)(7)(C) plans to sell (b)(6),(b)(7)(C) house and use the funds from the sale to pay back the government. (b)(6),(b)(7)(C)

OIG reviewed AHDD bank records. The review determined that after the first ARRA WAP advance deposit on February 22, 2010, checks were written to AHDD totaling \$144,332 and to (b)(6),(b)(7)(C) (b)(6),(b)(7)(C) totaling \$71,242. Additional \$10,715 of cashier's checks were written for various expenditures that do not appear related to the grant programs. OIG's review further identified payments to the DC Treasurer in the amount of \$5,079, and to the United States Treasury in the amount of \$4,009. None of these expenditures appear in support of any ARRA WAP or EECBG program costs (Exhibit 5).

V. EXHIBITS

1. DDOE EECBG demand letter to AHDD
2. DDOE ARRA WAP demand letter to AHDD
3. OIG interview of (b)(6),(b)(7)(C) with sworn affidavit
4. DDOE ARRA and EECBG sub-grant agreements
5. OIG bank records review of AHDD bank account
6. OIG interview of (b)(6),(b)(7)(C)

VI. COORDINATION

This investigation was coordinated with the U.S. Attorney's Office (USAO), District of Columbia and is being considered for criminal prosecution.

VII. RECOMMENDATION

Based on the findings in this report, and other information that may be available to you, the OIG recommends the Office of Contract and Financial Assistance Policy Division consider if:

1. Suspension and/or debarment action against African Heritage Dancers and Drummers is warranted;
2. Suspension and/or debarment action against (b)(6),(b)(7)(C) is warranted; and
3. Suspension and/or debarment action against (b)(6),(b)(7)(C) is warranted.

For your assistance, the information for African Heritage Dancers and Drummers, (b)(6),(b)(7)(C) and (b)(6),(b)(7)(C) is as follows:

African Heritage Dancers and Drummers
13208 Good Hope Road, SE
Washington, DC
FEIN: 23-7335888

(b)(6),(b)(7)(C)

African Heritage Dancers and Drummers
(b)(6),(b)(7)(C)
Landover, MD 20785

(b)(6),(b)(7)(C)

African Heritage Dancers and Drummers
(b)(6),(b)(7)(C)
Washington, DC 20003

IX. FOLLOW-UP REQUIREMENTS

Please provide the OIG with a written response within 30 days concerning any action(s) taken or anticipated in response to this report.

X. PRIVACY ACT AND FREEDOM OF INFORMATION ACT NOTICE

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