



*United States Attorney
Southern District of New York*

FOR IMMEDIATE RELEASE
JUNE 16, 2011

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**MANHATTAN U.S. ATTORNEY RECOVERS ONE MILLION DOLLARS
TO RESOLVE CIVIL GRANT FRAUD LAWSUIT AGAINST
ADMINISTRATOR OF FULBRIGHT PROGRAM**

PREET BHARARA, the United States Attorney for the Southern District of New York, announced today that the United States has filed, and simultaneously settled, a civil grant fraud lawsuit against the Institute of International Education, Inc. ("IIE"), alleging violations of the False Claims Act. IIE administers the U.S. Department of State's Fulbright program. Pursuant to the settlement, which was approved today in Manhattan federal court by United States District Judge P. KEVIN CASTEL, IIE agreed to pay \$1,000,000 to the United States.

Manhattan U.S. Attorney PREET BHARARA stated: "The Fulbright Program plays an important role in creating cross-cultural bonds between the United States and the 155 countries around the world that participate in the program. Over an eight-year period, the program's administrator did not comply with grant requirements and repeatedly made false claims for payment. Today's announcement should serve as a reminder that all administrators of federal programs must comply with the terms of the grants with which they are entrusted, and that fraud will not be tolerated."

According to documents filed in Manhattan federal court:

The grants at issue were part of the Fulbright program, established by Congress in 1946, an international educational exchange program sponsored by the United States Government, which is designed to increase mutual understanding between the people of the United States and the people of other countries. IIE is a New York not-for-profit corporation that administers publicly and privately funded education exchange and study programs, including the Fulbright program.

The Government's Complaint alleges that, from fiscal years 2001 through 2009, IIE falsely determined and reported the labor costs it had incurred in performing under various Fulbright grants. Instead of determining and reporting the labor costs

actually incurred - as required by the express terms of the grants - the nonprofit improperly charged labor costs to the relevant grants based on budget estimates prepared before the work was done, and then fraudulently shifted labor costs between and among the grants to ensure that they would be fully exhausted and that no unused grant funds would be returned to the United States.

According to the Complaint, IIE was required to keep records reflecting the amount of time its employees actually spent working on the various Fulbright grants. The Complaint alleges, however, that the nonprofit instructed its employees to fraudulently charge their time to the respective Fulbright grants according to predetermined percentages and not the actual time they spent on the respective Fulbright grants. The Complaint further alleges that IIE fraudulently shifted funds between grants in order to use up the funds available in each of the Fulbright grants, without regard to the actual amount of time worked by each employee on the respective grants. IIE continued to falsely determine and report its labor costs incurred in performing under the relevant Fulbright grants even though at least one IIE manager questioned the propriety of its time-charging practices. IIE did not change these practices until it became aware of the United States' investigation.

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IIE has agreed to pay the United States one million dollars to resolve the civil fraud charges in the Complaint.

Mr. BHARARA thanked the U.S. Department of State, Office of Inspector General for its assistance.

The case is being handled by the Office's Civil Frauds Unit. Assistant United States Attorneys SARAH S. NORMAND and BRIAN K. MORGAN are in charge of the case.

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