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**UNITED STATES RECOVERS \$950,000 IN
MANHATTAN FEDERAL COURT SETTLEMENT TO
RESOLVE CIVIL GRANT FRAUD LAWSUIT AGAINST
EDUCATIONAL BROADCASTING CORPORATION**

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 Educational Broadcasting Corporation ("EBC") alleging violations of the False Claims Act. Pursuant to the settlement, which was approved today in Manhattan federal court by United States District Judge P. KEVIN CASTEL, EBC agreed to pay \$950,000 to the United States and to adopt a corporate compliance plan designed to ensure future compliance with federal laws, regulations, and conditions regarding the use and expenditure of funds under grants and awards. As required by the settlement, WNET.ORG, the parent of EBC, will also participate in a corporate compliance plan.

According to the Complaint filed in Manhattan federal court:

EBC is a New York Regents chartered educational corporation with offices located in New York City. EBC produces and broadcasts educational public television programs. The United States, through the National Science Foundation ("NSF"), the National Endowment for the Arts ("NEA"), and the National Endowment for the Humanities ("NEH"), awards grants for the purpose of funding projects of certain not-for-profit organizations.

The Complaint alleges that, between 2001 and 2008, EBC received grants from NSF, NEA, and NEH for the production of several television programs, including episodes of *Cyberchase*, *Audubon: Drawn from Nature*; *The American Novel*; *American Masters*; and *Great Performances*. Pursuant to applicable federal regulations, as set forth in the Complaint, recipients of federal grant money may use such funds only for expenses that are allowable and allocable, and they must support the spending of

federal grant money by maintaining sufficient source documentation.

The Complaint alleges that between January 2004 and September 2007, the United States conducted four audits of EBC's accounting system and determined that EBC engaged in improper accounting practices when it failed adequately to segregate federal award money from other funds, and improperly used federal award money to cover unallowable and unsupported costs. The Complaint further alleges that EBC made false or fraudulent claims to the United States when it failed to document these expenses as required by the terms of the grants, and certified that all disbursements had been made in compliance with the terms of the grants.

EBC has agreed to pay \$950,000 in settlement of the United States' claims. The settlement also obligates EBC to relinquish thirteen percent of the reimbursements for unreimbursed expenses in connection with 18 other grants awarded by the NEA, NEH, and NSF to EBC for current and future educational programming, and provides that NEA, NEH, and NSF will de-obligate this portion of the grant funds. In agreeing to the settlement, EBC did not admit to any wrongdoing or liability.

Under the settlement, both EBC and WNET.ORG agreed to enter into a corporate compliance plan, which requires the establishment of a compliance program identifying employees with responsibility for grants and awards, and ensuring that they follow all applicable rules and policies in connection with these grants and awards. The compliance plan also calls for the appointment of a compliance officer who will be responsible for reviewing awards, developing training programs, and submitting comprehensive written annual reports to the NSF Office of Inspector General on the status of compliance under the Compliance Program.

In addition, the compliance officer will:

- monitor EBC's internal controls to ensure compliance with all applicable federal laws, regulations, and conditions regarding the use and expenditure of funds under grants and awards;
- adopt written compliance policies to ensure consistency with federal laws and regulations regarding grants and awards;
- create a training program regarding such applicable

laws and regulations;

- post and display fraud and hotline posters;
- engage an external auditor to conduct, on an annual basis, an audit regarding the use and expenditures of funds under grants and awards; and
- prepare annual reports regarding the results of the audit.

The case is being handled by the Office's Civil Frauds Unit. Assistant United States Attorneys LARA ESHKENAZI and SARAH E. LIGHT are in charge of the case.

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