

# **County Water District Agrees To Pay Over \$1.5 Million To Resolve False Claims Act Allegations That It Knowingly Retained Overpayment Of Federal And State Grant Funds**

Thursday, September 28, 2023

**For Immediate Release**

U.S. Attorney's Office, Northern District of California

SAN FRANCISCO – The Clearlake Oaks County Water District (District), located in Lake County, California, has agreed to pay approximately \$1.6 million to resolve claims that it failed to repay federal and state grant funds that it received, but was not entitled to keep.

In February 2017, severe winter storms, flooding, and mudslides affected California counties statewide. In June, the Federal Emergency Management Agency (FEMA) declared a major disaster and allowed eligible entities, including public entities, to apply for assistance in the form of reimbursement for disaster-related expenses from FEMA and the California Governor's Office of Emergency Services (Cal OES). One such applicant was the District, a county water district formed pursuant to the California Water Code.

The United States alleges that following the District's application for disaster relief funds, the District received reimbursements from FEMA and Cal OES for expenses for which the District had already been reimbursed by its insurer California Joint Powers Insurance Authority (CJPIA). The United States alleges further that the District knew the funds it received from FEMA and Cal OES were an overpayment, but instead of returning those funds, retained the funds in violation of the False Claims Act and state law. The United States alleges that the District knowingly concealed the funds and made false statements to the United States and Cal OES material to its obligation to return the funds. These false statements included quarterly reports in which the District stated that it had not received excess funds and project closeout certifications in which the District claimed that it was entitled to the full dollar amount approved without deducting the amount it had already received from its insurer.

"FEMA disaster relief funds play a critical role in helping communities recover from natural disasters," said U.S. Attorney Ismail J. Ramsey. "It is unacceptable for any entity, including a public entity, to divert funds from these programs through fraud and enrich itself at the expense of the American taxpayer. This Office will continue to pursue recipients of disaster relief funds that misused the program by retaining funds to which they were not entitled."

Dr. Joseph V. Cuffari, Inspector General of the U.S. Department of Homeland Security, said, "DHS OIG is grateful for our collaboration with our partners in the United States Attorney's Office for the Northern District of California. Together, we ensured that more than \$1.1 million are repaid to the United States. We will continue to aggressively investigate and support the prosecution of these kinds of fraudsters to ensure that appropriated relief funds are accounted for and used for the purpose Congress intended."

The total amount of the settlement to be paid is \$1,589,725.50, plus interest. Of that amount, the District will pay \$1,192,294.12 to the United States and \$397,431.38 to Cal OES.

The civil settlement includes the resolution of claims brought under the qui tam or whistleblower provisions of the False Claims Act by Nicole Mitchell, a former employee of the District. Under those provisions, a private party can file an action on behalf of the United States and receive a portion of any recovery. The qui tam case is captioned *United States ex rel. Nicole Mitchell v. Clearlake Oaks County Water District*, Case No. 1:20-cv-02388 (N.D. Cal.).

Assistant U.S. Attorney Savith Iyengar is handling this matter for the government, with assistance from Garland He. The investigation and settlement resulted from a coordinated effort by the U.S. Attorney's Office for the Northern District of California and DHS-OIG.

The investigation and resolution of this matter illustrate the government's emphasis on combating fraud in federal grants. One of the most powerful tools in this effort is the False Claims Act. Tips and complaints from all sources about potential fraud, waste, abuse, and mismanagement, can be reported to the Department of Homeland Security Office of Inspector General at [www.oig.dhs.gov/hotline](http://www.oig.dhs.gov/hotline).

*The claims resolved by the settlement are allegations only, and there has been no determination of liability.*

*Updated September 28, 2023*