



Lawrence F. Alwin, CPA
State Auditor

A Special Investigations Unit Report Regarding Tom Green County Community Action Council

July 2, 2003

Members of the Legislative Audit Committee:

The State Auditor's Office Special Investigations Unit (SIU) participated on an investigative team led by the Federal Bureau of Investigation to look into allegations of fraud committed by members of the Tom Green County Community Action Council (Community Action Council). The investigative team identified evidence of fraud committed by J. D. Cortez, Executive Director; Lugardha Magana Martinez, Comptroller; Michelle Ramirez Hernandez, Administrative Assistant to the Director and Family Services Specialist for the Head Start Program; and two relatives of Ms. Martinez—Robert Leslie Rivera, brother-in-law; and Angel Magana, brother. Federal indictments were obtained by the United States District Court Northern District of Texas—San Angelo Division identifying the loss amount in excess of \$805,000 of Head Start and Early Head Start Program funds received through grants from the United States Department of Health and Human Services (DHHS). The SIU continues to investigate allegations of false billing activities involving state program funds administered by the Community Action Council.

The following summarizes the indictments:

- J. D. Cortez was charged with four counts of theft or embezzlement concerning programs receiving federal funds and aiding and abetting. He was also charged with one count of theft or embezzlement of public monies and aiding and abetting, and two counts of tampering with a witness by misleading conduct.
- Lugardha Magana Martinez was charged with three counts of theft or embezzlement concerning programs receiving federal funds and aiding and abetting.
- Michelle Ramirez Hernandez was charged with one count of theft or embezzlement concerning programs receiving federal funds.
- Robert Leslie Rivera was charged with one count of theft or embezzlement concerning programs receiving federal funds and aiding and abetting, and one count of false declarations before a grand jury.
- Angel Magana was charged with one count of theft or embezzlement concerning programs receiving federal funds and aiding and abetting.

Tom Green Community Action Council, Inc.

The Tom Green County Community Action Council (Community Action Council) is a private, nonprofit corporation serving Tom Green County and surrounding counties. The Community Action Council assists citizens of those counties by administering various federal and state assistance programs. These programs are designed to provide developmental and social services for low-income children and their families.

Specific to this report, the Community Action Council received and administered federal program funding through the United States Department of Health and Human Services for: the following.

Program	Funding	
	Fiscal Year 2001	Fiscal Year 2002
Head Start	\$4,091,668	\$4,179,633
Early Head Start	\$1,144,625	\$923,254

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The investigation was prompted by allegations that J. D. Cortez, Lugardha Magana Martinez, and Michelle Ramirez Hernandez embezzled funds from the DHHS Head Start and Early Head Start Programs administered by the Community Action Council. These crimes were allegedly carried out through the falsification or fabrication of invoices by selected external vendors.

The investigative team identified a variety of false billing schemes and artifices to defraud the Community Action Council and DHHS. The false billing schemes involved outside contractors who were solicited by J. D. Cortez, Lugardha Magana Martinez, or Michelle Ramirez Hernandez to submit inflated or false invoices for services, supplies, or equipment that were not performed, purchased, or delivered. The contractors were instructed by J. D. Cortez, Lugardha Magana Martinez, or Michelle Ramirez Hernandez to transact their Community Action Council checks and provide the proceeds to J. D. Cortez, Lugardha Magana Martinez, or Michelle Ramirez Hernandez or to split the proceeds between themselves or one or more of the aforementioned Community Action Council employees.

If you have any questions, please contact Linda Newsom, Senior Investigator, or John Weber, Manager, of the State Auditor's Office Special Investigations Unit at (512) 936-9500.

Sincerely,

Lawrence F. Alwin, CPA
State Auditor

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cc: Mr. Roger L. McRoberts, Assistant United States Attorney
Special Agent William Endorf, San Angelo Federal Bureau of Investigation
Ms. Edwina Carrington, Executive Director, Texas Department of Housing and Community Affairs
Ms. Cassie Carlson Reed, Executive Director, Texas Workforce Commission
Dr. Eduardo J. Sanchez, M.D., M.P.H., Commissioner of Health, Texas Department of Health

The **Special Investigations Unit** investigates reports of illegal activity involving state agencies and universities.

Texas Government Code, Section 321.022, requires state agencies and universities to report suspected fraud or unlawful conduct to the State Auditor's Office if there are facts that point to fraud or unlawful conduct.

To report suspected illegal activity, call 1-800-TX-AUDIT (1-800-892-8348), send a fax to (512) 936-9400, visit www.sao.state.tx.us, or mail information to the State Auditor's Office, Attn: SIU, P.O. Box 12067, Austin, Texas 78711.