



NATIONAL SCIENCE FOUNDATION
OFFICE OF INSPECTOR GENERAL
OFFICE OF INVESTIGATIONS

CLOSEOUT MEMORANDUM

Case Number: I-16-0003-O

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Case Initiation

We opened this case to investigate the following allegations:

- Subject 1 is double-dipping by receiving salaries from Federal awards to a university and a non-profit organization;
- Subject 2 is double-dipping by receiving salaries from Federal awards to the same university and non-profit organization;
- Subject 1's family members are also employed by the non-profit organization and paid large salaries;
- The non-profit organization transferred funds from its Federal grants to a corporation controlled by Subject 1's family, which then transferred the money to an educational charity with strong ties to Subject 1; and
- An NSF program officer has given the non-profit organization preferential treatment in return for gifts and favors.

Shortly after we opened our investigation, a qui tam complaint was filed, replicating certain of the allegations above, and also alleging that Subjects 1 and 2 received unreasonable salary from the non-profit organization in excess of amounts allowed by OMB Circulars and NSF policy. A theme running through most of these allegations is that Subjects 1 and 2 were personally and wrongfully enriched with Federal funds.

Investigative Activities and Analysis

Our investigation focused on NSF awards to the university and non-profit organization from 2009-2014. The two awardees also received grants from other Federal agencies, so we shared all of our MOIs and records received with the OIGs of those agencies, as well as the Department of Justice (DOJ).

During this investigation, we conducted interviews with complainants, Subjects 1 and 2, members of Subject 1's family, and other individuals such as NSF staff, former employees of the non-profit organization, and university employees. We also issued 13 subpoenas / request letters to obtain records from the non-profit organization, the university, and several financial institutions, comprising approximately 1.2 GB of documents. We reviewed and analyzed all documents received in response to the subpoenas / request letters.



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Allegation #1: Subject 1 is double-dipping by receiving salary from Federal awards to the university and the non-profit organization

We reviewed documents from the non-profit organization and the university, and interviewed several individuals with relevant knowledge. The evidence revealed no instances of double-dipping with NSF funds, no NSF award was directly charged for Subject 1's time, Subject 1's university salary was paid by state and non-Federal funds, Subject 1 self-disclosed the relationship with the non-profit to the university, and Subject 1's work habits and time and effort charging practices met NSF expectations.

Allegation #2: Subject 2 is double-dipping by receiving salary from Federal awards to the university and non-profit organization

We reviewed documents from the non-profit organization and university, and interviewed several individuals with relevant knowledge. The evidence revealed one instance of potential overlapping payments with NSF funds: in 2010, Subject 2 hosted a two-day NSF-supported workshop at the university and charged work time for those two days to both the non-profit organization's indirect code and to the university's NSF award. The evidence also revealed that Subject 2's university teaching schedule might have overlapped with 85 hours charged to the non-profit's NSF awards over a 4-year period. However, regarding both instances of potential overlap, interviews confirmed that Subject 2 was a salaried employee at the non-profit organization and routinely worked more than the hours self-reported on the timesheet, including evenings and weekends. Further, Subject 2 team-taught with other professors at the university so Subject 2 may not have been present on each class day, thereby reducing the amount of potential overlap. Both the non-profit and the university were aware of and had approved the Subject's commitments to each. Although not optimal, Subject 2's timekeeping practices were not materially out of line with NSF's expectations for this type of award.

Allegation #3: Subject 1's family members are employed by the non-profit organization and paid large salaries

We reviewed documents provided by the non-profit organization and other entities, interviewed several individuals with relevant knowledge, and obtained data from the Bureau of Labor Statistics (BLS). The evidence revealed that Subject 1's family members were qualified for their positions, were paid reasonable salaries, and performed the work for which they were paid. The non-profit organization's Board of Directors approved their compensation each year. Neither Federal regulations nor NSF rules preclude the hiring of a family member; however, the compensation must be commensurate with the responsibilities of the job, which the salaries in



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this case appear to be.

Allegation #4: Subject 1 and 2's salary from the non-profit organization is unreasonable

We reviewed records provided by the non-profit organization and other entities. The evidence revealed that Subject 1 and 2's salary was reviewed and accepted as part of the indirect cost rate negotiation process with NSF, and that bonuses and raises were in line with overall expectations. No unexplained payments were made by the non-profit organization to Subjects 1 and 2.

Allegation #5: Non-profit organization transferred funds from its Federal grants to a corporation controlled by Subject 1's family, which then transferred the money to an educational charity with strong ties to Subject 1

We reviewed documents provided by the non-profit organization and other entities, and interviewed several individuals with relevant knowledge. The evidence revealed the transfer was not made with Federal grant funds; it was made with unrestricted net assets, which consist of funds from non-Federal grants, contributions, donations, and other revenue. The transfer was approved by the non-profit organization's Board of Directors.

Allegation #6: NSF program officer (PO) has given preferential treatment to the non-profit organization in exchange for gifts and favors

We reviewed NSF grant files, open source records, and records obtained from several entities. The evidence revealed the PO managed several awards to the non-profit organization before he left NSF in 2011, but there was no evidence of special treatment.

Conclusion

We determined the six allegations were unsubstantiated. We provided all information to DOJ for review. DOJ declined to intervene in the qui tam case.

Accordingly, this case is closed.