



NATIONAL SCIENCE FOUNDATION
OFFICE OF INSPECTOR GENERAL
OFFICE OF INVESTIGATIONS

CLOSEOUT MEMORANDUM

Case Number: I-17-0022-O

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We investigated allegations that an SBIR company used NSF award funds for expenses unrelated to the award and that the company failed to pay its subcontractor. During the life of the award, the grantee company (Company 1) was purchased by another company (Company 2). Company 2 took over management responsibilities of the NSF award and funds while awaiting novation from NSF. Ultimately, NSF rejected the novation and terminated the award.

We subpoenaed and reviewed bank and financial records for both companies. We found that Company 2 failed to fully reimburse a subcontractor and was unable to provide support for some expenditures. We also determined that the companies ultimately took more than the 7 percent fee permitted under the SBIR program. Specifically, the fee taken was 7 percent of the total initial award amount, rather than 7 percent of the award amount at the time of termination (the amended award amount). We contacted Company 2 regarding the more than \$20,000 in excess fee and unsupported expenditures. Subsequently, we found that Company 2 had dissolved without any assets.

We presented this case to the appropriate U.S. Attorney's Office, who did not accept the matter for litigation. This case is closed with no further action taken.