



NATIONAL SCIENCE FOUNDATION  
OFFICE OF INSPECTOR GENERAL  
OFFICE OF INVESTIGATIONS

## CLOSEOUT MEMORANDUM

Case Number: I07090035

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We initiated an investigation into the potential diversion of revenue from an NSF-funded center<sup>1</sup> to a non-profit organization<sup>2</sup>. The college grantee<sup>3</sup> alleged that revenue from the sale of curriculum materials and conference fees had been diverted to the non-profit organization, which had been formed by the PI/Center Director<sup>4</sup> and the Center Associate Director<sup>5</sup> (Subjects).

During the course of the investigation, we obtained, reviewed, and analyzed grant files, bank records, and accounting documentation. We interviewed NSF program officers and grants officials, grantee staff, members of the Center's oversight board, and members of affiliated organizations. We also reviewed the state court filings in the lawsuits between the college, non-profit organization, and the Subjects, and thoroughly researched intellectual property rights, copyright law, and NSF's program income rules.

We discovered evidence that the Subjects, without the college's knowledge or consent, diverted program income that was supposed to be deposited into a college financial account to be used by the college to further grant purposes. Specifically, we determined that between January 2006 and April 2010, the Subjects misappropriated and diverted \$227,046 of program income, despite being fully aware of and comprehending NSF's program income rules. We also uncovered evidence of other ethically questionable if not wrongful activities engaged in by the Subjects.

We referred the matter to the USAO and after accepting the referral for further criminal investigation, the USAO ultimately declined to prosecute.

Based on our recommendation, NSF suspended the Subjects and an affiliated company<sup>6</sup> government-wide during the pendency of a lawsuit. After the lawsuit settled, NSF agreed with our recommendation to debar the Subjects, the non-profit organization, and two affiliated companies<sup>7</sup> for five years.

Accordingly, this case is closed.

