

NATIONAL SCIENCE FOUNDATION
OFFICE OF INSPECTOR GENERAL
OFFICE OF INVESTIGATIONS

CLOSEOUT MEMORANDUM

TO: AIGI

File Number: I92030007

Date: 16 May 2002

Subject: Closeout Memo

Page 1 of 1

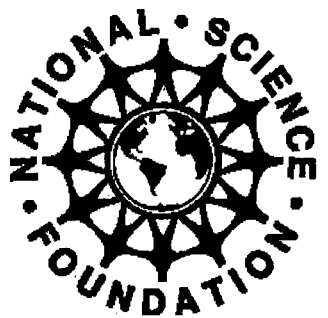
There was no closeout written at the time this case was closed. The following information was extracted from the file in conformance with standard closeout documents.

Our office was informed that the subject¹ was alleged to have plead guilty to 2 felony counts, 18 USC 666 and 1341. \$177,461.00 in grant funds returned.

The attached documents constitute the closeout for this case.

¹ Charles F. Schauf, Purdue University

Name:	Prepared by:	Cleared by:		
	Agent:	Attorney:	Supervisor:	AIGI
Signature & date:				





U.S. Department of Justice

United States Attorney
Southern District of Indiana

United States Courthouse, 5th Floor
46 East Ohio Street
Indianapolis, IN 46204

(317) 226-6333

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November 30, 1992

Press Release

Deborah J. Daniels, United States Attorney, announced that criminal theft and fraud charges were filed against the former Chairman of the Biology Department at IUPUI. CHARLES L. SCHAUF, Ph.D. age 49, of Indianapolis was named in a two count Information filed in U.S. District Court today. The Information alleges that, between December 1987 and April 1992, DR. SCHAUF stole almost \$70,000 from research grants which he had been awarded by the National Science Foundation and the National Multiple Sclerosis Society.

According to Larry Mackey, Assistant U.S. Attorney, the thefts were first detected this past spring by the Internal Auditing Department of Indiana University. Because the thefts, in part, involved funds awarded by the federal government, university officials notified the Office of the Inspector General for the National Science Foundation in Washington, D.C. Today's criminal charges resulted from the OIG's subsequent investigation conducted by Special Agent Paul Coleman.

DR. SCHAUF, who resigned his university positions following disclosure of his crimes, was Chairman of the Biology Department at IUPUI between 1986 and February 1992. In June 1987, DR. SCHAUF was awarded a total of \$106,000 in research funds from the MS Society, a privately funded organization which supports research into the cause, prevention, alleviation and cure of multiple sclerosis, a disease of the human nervous system. The MS Society paid the funds to Indiana University to finance DR. SCHAUF's grant proposal. Between March 1988 and February 1990, DR. SCHAUF was also awarded approximately \$177,000 from the National Science Foundation, a federal agency which provides financial support for a broad spectrum of scientific research. The grants from both the MS Society and the NSF were to support research involving animal nerve cells to be conducted at the laboratories of IUPUI under DR. SCHAUF's direction.

The Information alleges that DR. SCHAUF used almost \$70,000 of the grant monies to buy items for himself and friends; including: a Macintosh computer, gift certificates, desk ornaments, U.S. and European travel guides, tax return preparation publications, other personal library purchases, Cross pen and pencil sets, computerized

stock market services, eighty-four copies of a textbook which he had authored, a watch, clock radio, camera, camera lens, and other photo equipment. The charges also allege that DR. SCHAUF generated illegal payments directly to himself by submitting travel vouchers for trips which he did not take. In addition, according to the Information, DR. SCHAUF directed illegal payments to staff and friends by submitting vouchers to pay them for work which was not performed. The criminal thefts involved \$47,350.10 of NSF monies and \$21,841.41 of MS Society monies.

The Information alleges that DR. SCHAUF defrauded the university, the MS Society and NSF by submitting false and misleading progress reports which, among other things, failed to disclose the personal diversion of funds and the fact that virtually all research had been ended by August 1989. The research which DR. SCHAUF conducted was unrelated to the purposes for which he sought and obtained the grant funding. As a result, nothing was published about research involving animal nerve cells.

Daniels observed that, upon detection of the abuse in the administration of the grants from the National Science Foundation and the MS Society, university officials demanded repayment of all grant funds from DR. SCHAUF. Officials from the National Science Foundation and the MS Society confirmed that they have since received full restitution. Regardless of the payment of restitution, said Daniels, "The prosecution of DR. SCHAUF for the crimes against the National Science Foundation and the National Multiple Sclerosis Society is essential to preserve the integrity of these grant programs. The research they fund is crucial to millions of people throughout the country; these scarce research dollars must be protected."

Mackey stated that Count 1 of the Information charges DR. SCHAUF with violating a federal statute which makes it an offense to steal monies from any program which receives more than \$10,000 in federal funds in one year. If convicted of that offense, the maximum penalty is 10 years imprisonment and \$250,000 fine. Count 2 of the Information alleges that DR. SCHAUF violated the federal mail fraud statute as a result of his fraudulent acts against the MS Society, which mailed its grant funds to the university in Indiana. Upon conviction of Count 2, DR. SCHAUF also faces a maximum penalty of 5 years imprisonment and \$250,000 fine.

For further comment from the National Science Foundation, contact: PHILIP SUNSHINE at (202) 357-9457.

For further comment from the National Multiple Sclerosis Society, contact ARNEY ROSENBLAT, Public Relations Director, at 212-476-0436.

For further comment from IUPUI, contact: JIM GREEN, University Relations, at (812) 855-8812.

NATIONAL SCIENCE FOUNDATION
WASHINGTON, D.C. 20550



OFFICE OF THE
GENERAL COUNSEL

August 25, 1993

CERTIFIED MAIL-RETURN RECEIPT REQUESTED

Dr. Charles L. Schauf
[REDACTED]

Dr. Charles L. Schauf
[REDACTED]

Re: Debarment Decision

Dear Dr. Schauf:

On June 9, 1993, the National Science Foundation (NSF) sent you a Notice of Suspension and Proposed Debarment. Our regulations provided you 30 days from receipt of the notice to submit a response. Over thirty days have elapsed since your receipt of the notice, and you did not submit an oral or written response.

As discussed below, I have concluded that:

- 1) A cause for your debarment exists; and
- 2) The administrative record supports a three year debarment period from the date of your suspension.

Accordingly, this serves as notice pursuant to 45 CFR §620.314 that you are debarred until June 9, 1996, from receiving Federal grants.

The debarment shall be effective throughout the Executive branch of the Federal Government. Debarment precludes you from receiving Federal financial and non-financial assistance and benefits under non-procurement Federal programs and activities unless an agency head or authorized designee makes a determination to grant an exception in accordance with 45 CFR §620.215.

The circumstances giving rise to your debarment are set forth in detail in the Notice of Proposed Debarment dated June 9, 1993. Your debarment is based upon your criminal conviction for theft of funds from a federally-funded program and use of the U.S. mail in furtherance of a scheme to defraud.

The Foundation's record establishes that you were Chairman of the Biology Department at Indiana University, Purdue University, Indianapolis (IUPUI) and a principal investigator on various research grants from NSF and the National Multiple Sclerosis (MS)

Society awarded to IUPUI. You were criminally convicted of theft of funds from a federally-funded program, in violation of 18 U.S.C. §666, and use of the U.S. mail in furtherance of a scheme to defraud, in violation of 18 U.S.C. §1341. On December 9, 1992, you pled guilty to Counts I and II of an Information dated November 30, 1992. Count I charged you with knowingly and intentionally embezzling, stealing, obtaining by fraud and otherwise converting to an unauthorized use approximately \$47,350.10 of National Science grant funds. Count II of the Information charged you with use of the United States mails in furtherance of a scheme to defraud the MS Society and IUPUI, through the criminal embezzlement and conversion of \$21,841.41 in MS Society research grant funds. You were sentenced to twelve months of imprisonment. Upon release from prison, you will be placed on a supervised release for two years.

Your conviction for theft of funds from a federally funded program, and use of the U.S. mail in furtherance of a scheme to defraud establishes by a preponderance of evidence cause for debarment under 45 C.F.R. §§620.305 and 620.314(c).

It is the policy of the government to conduct business only with responsible persons. 45 CFR §620.115. Responsibility includes among other things, a satisfactory record of integrity and business ethics. Debarment shall be used only in the public interest and for the Federal Government's protection and not for purposes of punishment. 45 CFR §620.115.

Your conviction reflects adversely on your integrity, honesty, and present responsibility in relation to Federal financial and non-financial assistance and benefits. You have committed irregularities seriously reflecting on the propriety of further Federal Government dealings with you. Accordingly, I have decided that you lack present responsibility and that your debarment is in the public interest.

Debarment may be for a period commensurate with the seriousness of the cause. 45 C.F.R. §620.320(a). It should generally not exceed three years, but where circumstances warrant, a longer period may be imposed. 45 C.F.R. §620.320. If a suspension precedes a debarment, the suspension period shall be considered in determining the debarment period. 45 C.F.R. §620.320.

You have been convicted of serious offenses. You have pled guilty to knowingly and wilfully embezzling and converting Federal research funds by submitting false travel, expense, and payroll vouchers and using Federal grant funds for personal purchases. You were also convicted of knowingly and intentionally devising a scheme to defraud the MS Society and your employer through use of the mail. Specifically, you submitted fraudulent charges for payroll and expenses, and failed to perform the research that you had proposed and promised to the

MS Society. Accordingly, I conclude that your conduct warrants debarment for a period of three years, effective this date and continuing until June 9, 1996.

Sincerely,

Mary E. Clutter

Dr. Mary E. Clutter
Acting Deputy Director