



NATIONAL SCIENCE FOUNDATION
OFFICE OF INSPECTOR GENERAL
OFFICE OF INVESTIGATIONS

CLOSEOUT MEMORANDUM

Case Number: I-16-0002-O

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We received an allegation that a PI may not be an employee of an awardee company in violation of Small Business Innovation Research (SBIR) program requirements. We substantiated the allegation and determined through interviews and other documents gathered during our investigation that the company falsely certified to meeting the primary employment requirement, as the PI was an independent contractor; that the company had insufficient support to demonstrate the PI worked a required minimum amount of time on the award; and that the company falsely certified to expending award funds as designated in the grant budget and to performing the required percentage of work. We also found evidence that a Senior Scientist at the company provided us falsified financial records during the investigation. Other issues uncovered during this multi-agency investigation included company representations that certain individuals were employees, even though they never worked for the company; company provision of falsified letters of support and use of endorsements of people without authorization; and company inability to account for some or all of its award funds. We referred the matter to the U.S. Department of Justice, which accepted the case for criminal prosecution and civil action.

Based on our recommendation, NSF suspended governmentwide the company, PI, Senior Scientist, and President. The Senior Scientist later pled guilty to wire fraud and was sentenced to two years' probation, the first of which was home confinement, 100 hours of community service, and a \$50,000 fine. The sentencing judge also applied a two-point enhancement for obstruction of justice based on the falsified financial records the Senior Scientist provided us during the investigation. The company, Senior Scientist, and President also paid the United States \$700,000 in damages for violations under the False Claims Act. Another federal agency debarred the company, Senior Scientist, and President for three years. Thereafter, NSF lifted the PI's suspension.

This case is **closed** with no further action taken.