



NATIONAL SCIENCE FOUNDATION
OFFICE OF INSPECTOR GENERAL
OFFICE OF INVESTIGATIONS

CLOSEOUT MEMORANDUM

Case Number: I-17-0078-O

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We investigated an allegation that the Principal Investigator (PI) on NSF Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) awards violated the SBIR/STTR program's primary employment requirement. This was a joint investigation with another agency that also had STTR awards to the same small business concern (SBC) with the same PI. Specifically, the PI had a full-time commitment as a graduate student at a university which prevented him from being primarily employed with the SBC. We subpoenaed the university where the PI was a full-time student, obtained and reviewed financial records, interviewed SBC employees and other witnesses, and executed a search warrant at the SBC's address.

Our investigation determined:

- 1) The PI had an undisclosed full-time schedule as a graduate student while serving as the PI on the awards.
- 2) The SBC violated the primary employment rules of the SBIR/STTR program and submitted false certifications regarding the PIs primary employment status throughout the life cycle of the awards.
- 3) The SBC falsely claimed an individual would be working at the SBC as its Chief Technology Officer, submitted falsified letters of support, and failed to pay its employees and subcontracts as it represented in budgets submitted to NSF and the other agency.
- 4) One of the SBC's owners, who also worked as a professor at the university where the PI was a full-time student, misused NSF funds to the university to pay for the design of specialized equipment for the SBC.

We referred the matter to the U.S. Attorney's Office, which accepted the case for criminal prosecution. The SBC pled guilty to two counts of 18 U.S.C. § 1001, False Statements and the court sentenced the SBC to five years' probation, and ordered nearly \$900,000 in restitution, which represented all expended funds on the NSF and other agency's awards. NSF terminated the SBC's SBIR Phase II award and withheld over \$400,000, which had yet to be expended. NSF debarred the SBC for four years and debarred two of the SBC's owners for two years.

This case is closed with no further action taken.