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**Department of Justice**

U.S. Attorney's Office

District of Connecticut

FOR IMMEDIATE RELEASE

Thursday, June 2, 2016

## **Aquasent, LLC and Company Officials to Pay \$400,000 to Resolve Allegations of Misuse of NSF Grant Funds**

Deirdre M. Daly, United States Attorney for the District of Connecticut, and Allison C. Lerner, Inspector General of the National Science Foundation ("NSF"), today announced that AQUATIC SENSOR NETWORK TECHNOLOGY, LLC, ("AQUASENT") and several of its officials and employees, namely Dr. Jun-Hong Cui, Dr. Yong Ma, Dr. Shengli Zhou, Dr. Zhijie Shi, and Juanjuan Liao, have entered into a civil settlement agreement with the government in which the company and the named officials will pay \$400,000 to resolve allegations that they violated the federal False Claims Act and the common law in the management of federally-funded grants awarded to AQUASENT by the NSF.

AQUASENT, based in Storrs, Conn., was formed in October 2007 with a focus on the development of underwater wireless communications and networking solutions.

The National Science Foundation ("NSF") participates in the government's set-aside Small Business Innovation Research ("SBIR") Program, which financially supports innovative small businesses through federally funded research and development with the goal of increasing competition, productivity, and economic growth. Grants made pursuant to the NSF's SBIR Program are also designed to increase the incentive and opportunity for small firms to undertake cutting-edge, high risk, high quality scientific, engineering, or science and engineering education research. The grants are awarded in successive phases (e.g., Phase I, Phase II) with the funding of successive phase grants predicated on compliance with certain requirements that must be met in order to participate and to receive funds from the NSF. The requirements include certifications as to the primary employment of the grantee's principal investigator; certifications as to the truth and accuracy of information contained in the SBIR Program proposals for funding, including the location and size of the grantees' facilities and the identities of any third party investors; the submission of a Financial Management Systems Questionnaire ("FMSQ") that NSF uses to

ensure that accounting and timekeeping requirements are understood and followed; and the submission of project reports that are certified as truthful and accurate.

Since 2008, AQUASENT has received approximately \$924,618 in federally-funded grants under the NSF's SBIR Program.

After a lengthy investigation, the government contends that it has certain civil claims against AQUASENT arising from alleged: 1) misrepresentations and false certifications made to NSF, prior to the award of the Phase I grant, involving the principal investigator's primary employment at AQUASENT and the size and scope of AQUASENT's facilities; 2) misrepresentations made to NSF prior to the award of the Phase II grant, including the submission of a false FMSQ purporting to detail, among other matters, AQUASENT's time and effort policies and procedures, including the maintenance of bi-weekly timesheets; 3) misrepresentations made to NSF during the conduct of the Phase I and Phase II grants that resulted in the release of incremental funding, including false certifications as to the Phase I principal investigator's primary employment with AQUASENT and the submission of Phase II project reports misrepresenting that the funds expended on time and effort were supported by timesheets or other time and effort documentation; 4) misrepresentations to NSF's Office of Inspector General ("OIG") in connection with its investigation about the submission of multiple false timesheets in response to OIG's requests and subpoenas; and 5) misrepresentations to NSF in connection with the identity and number of third party investors, whose investment NSF was asked to match in the Phase IIB grant application.

"In order to ensure that federal research funds are managed wisely and efficiently, all recipients of federal grants must strictly adhere to the regulations applicable to those grants," said U.S. Attorney Daly. "Failure to do so can result in significant consequences.

"Fraudulent schemes involving companies and individuals who repeatedly make false statements to the government in order to obtain scarce federal SBIR program research dollars will not be tolerated," said NSF Inspector General Lerner. "I commend the U.S. Attorney's office for its vigorous efforts in reaching a settlement that will return \$400,000 to the government."

U.S. Attorney Daly noted that AQUASENT cooperated with the government's investigation.

The False Claims Act provides for up to treble damages and penalties of \$5,500 to \$11,000 per false claim submitted to the Government.

The matter was handled within the U.S. Attorney's Office by Assistant U.S. Attorney William A. Collier and Auditor Susan N. Spiegel.

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Updated June 2, 2016