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## NEWS



## Former Penn State Professor Charged In \$3 Million Federal Research Grant Fraud

FOR IMMEDIATE RELEASE

January 31, 2012

The United States Attorney's Office for the Middle District of Pennsylvania announced that a felony Information has been filed in United States District Court in Harrisburg against Craig Grimes, age 55, of Raleigh, North Carolina, charging him with wire fraud, false statements, and money laundering. During the time period alleged in the Information, Grimes resided in Boalsburg, Pennsylvania, and was a Professor of Material Science and Engineering at The Pennsylvania State University.

According to United States Attorney Peter J. Smith, Count I of the Information charges that between June 30, 2006, and February 1, 2011, Grimes defrauded the National Institutes of Health ("NIH") of federal grant monies. The NIH, a component of the United States Department of Health and Human Services, provides funding for medical research through grants.

Grimes, acting through his solely-owned company, SentechBiomed, State College, PA requested a \$1,196,359.00 grant from NIH to perform research related to the measurement of gases in a patient's blood. The measurement of these gases was purported to be relevant to detecting the presence of a disease in infants known as necrotizing enterocolitis.

In the application, Grimes specifically represented to NIH that he would direct approximately \$509,274.00 to the Hershey Medical Center to conduct clinical research on adult and infant subjects. The money was never paid. Instead, the grant funds were misappropriated, in part, by Grimes for his own use. The clinical studies/trials were not performed.

Count II of the Information charges Grimes with allegedly making false statements to the United States Department of Energy in connection with a second federal grant. In August 2009, Grimes, while a PSU professor, completed a grant application seeking a \$1,908,732.00 grant from the Advanced Research Projects Agency - Energy (ARPA-E) which was created to foster research and development of energy-related technologies. The ARPA-E grant was funded by the American Recovery and Reinvestment Act.

ARPA-E seeks to avoid funding research already funded by other government and private entities. It requires applicants for grants to disclose other funding sources. In the application Grimes completed and had submitted to ARPA-E, he allegedly stated there was no other funding, when, in fact, he had received a grant from the National Science Foundation.

Count III of the Information charges Grimes with money laundering the proceeds of the fraudulent proceeds he received from the National Institutes of Health.

United States Attorney Smith stated, "Fraud in connection with federally funded university research harms public health and safety and damages our scientific and educational institutions. Such cases will be investigated and prosecuted as vigorously as any other type of serious economic crimes. Anyone with information concerning suspected research fraud should contact the Office of Inspector General for the appropriate federal agency."

Greg Friedman, Inspector General, U.S. Department of Energy, stated that "The Department of Energy is a major underwriter of energy research in the United States. Cases that impact the integrity of the process are important to us. Abuse of the system is unacceptable. I would like to thank the United States Attorney's Office and the IG Special Agents who worked tirelessly on this case. This investigation and prosecution demonstrate our commitment to holding those who defraud the Department accountable for their actions."

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"NIH grants billions in taxpayer funds each year to advance vital medical research," said Nicholas DiGiulio, the Philadelphia Region's Special Agent in Charge for the Office of Inspector General of the Department of Health and Human Services. "Every dollar is precious, so any misappropriation of these funds – as the government charges Mr. Grimes today – will be investigated aggressively."

If convicted, Grimes faces up to thirty-five years in prison and a fine of \$750,000.

Fraud related to U.S. Department of Energy may be reported to: (800) 541-1625.

Fraud related to U.S. Department of Health and Human Services, including U.S. National Institutes of Health, grants and programs may be reported to: 1-800-HHS-TIPS (1-800-447-8477).

Fraud related to U.S. National Science Foundation grants and programs may be reported to: 703-292-7100.

The investigation is being conducted by special agents of the Department of Energy, Office of Inspector General, the National Science Foundation, the Department of Health and Human Services, and the IRS. Prosecution is assigned to Assistant United States Attorney Joseph J. Terz.

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An Indictment or Information is not evidence of guilt but simply a description of the charge made by the Grand Jury and/or United States Attorney against a defendant. A charged Defendant is presumed innocent until a jury returns a unanimous finding that the United States has proven the defendant's guilt beyond a reasonable doubt or until the defendant has pled guilty to the charges.

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