



NATIONAL SCIENCE FOUNDATION
OFFICE OF INSPECTOR GENERAL
OFFICE OF INVESTIGATIONS

CLOSEOUT MEMORANDUM

Case Number: I-10050022

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We initiated an investigation into an SBIR/STTR company and its subsidiaries¹ following an anonymous complaint alleging duplicate funding, cost mischarging, and export violations.

Upon further investigation, we discovered that other agencies² had an active investigation related to separate allegations, and had previously referred the case to the criminal division of the U.S. Attorney's Office in the relevant district. During the investigation, we worked with multiple other agencies to issue subpoenas, review bank records as well as NSF and other agency grant records, and interview multiple witnesses. We identified evidence that the company had received funding from multiple agencies for overlapping or duplicative work, and falsely certified that no such funding had been received. We also identified evidence of a cost mischarging scheme related to the company's timekeeping system. Specifically, company employees were directed which projects to charge their time to, irrespective of how they actually spent their time, in an attempt to maximize funds received from the government. We also participated in a search warrant of the company's premises, where we gathered additional records that we then reviewed with members of other investigating agencies.

Following the search warrant, we recommended the company and its related parties be suspended government-wide as a result of our findings. Prior to NSF taking a suspension action, another agency³ suspended the company and ultimately entered into an administrative agreement where the company was allowed to receive government funds if certain compliance measures were enacted.

We also recommended that NSF terminate its two active awards to the company. NSF terminated the awards, resulting in over \$300,000 in funds put to better use.

Ultimately, the criminal division of the U.S. Attorney's Office for the relevant district declined to take action on the case. We referred the matter to the civil division, where it was accepted. Following further reviews of company documentation and additional witness interviews, the company and its founder/majority owner⁴ entered into a settlement agreement where they agreed to pay over \$2,000,000 to resolve the allegations.

No further action was taken. Accordingly, this case is closed.

