



NATIONAL SCIENCE FOUNDATION  
OFFICE OF INSPECTOR GENERAL  
OFFICE OF INVESTIGATIONS

## CLOSEOUT MEMORANDUM

Case Number: I14020005

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We initiated this investigation into a small business<sup>1</sup> that had received two Small Business Innovation Research (SBIR) awards from NSF. The investigation was opened based on an allegation that funds were spent on unallowable expenses during a Phase II SBIR award<sup>2</sup> and that an individual<sup>3</sup> listed in the SBIR Phase II proposal was never hired or paid by the company as proposed. NSF suspended and later terminated the Phase II award upon learning that the initial payment was used to purchase equipment, which is unallowable. The company requested additional funds to cover expenses incurred prior to the award suspension, and, after reviewing all expenditures under the Phase II award, NSF determined that the company owed NSF approximately \$1,300. Because the award was terminated after the initial payment was made and all expenses made under the award were reviewed by NSF, we did not pursue the allegations that an individual was proposed and not hired. We reviewed NSF's analysis and also reviewed expenses for the preceding Phase I award and IB supplement<sup>4</sup> to the company. Based on our review, we determined that approximately \$71,000 of the company's Phase I award expenditures were not authorized by NSF. We referred the matter to NSF, and NSF requested that the company repay this amount.

This case is closed with no further action taken.

