

NATIONAL SCIENCE FOUNDATION  
ARLINGTON, VA 22230



Office of  
Inspector General

MEMORANDUM

DATE: April 19, 1994 / [redacted]

FROM: [redacted] Special Agent

VIA: [redacted] Special Agent-in-Charge  
Investigations Section

SUBJECT: Allegation of False Statements and Misuse of Funds at  
[redacted]

TO: Case No. I94030012

On February 24, 1994 Special Agent [redacted] of the Federal Bureau of Investigation (San Francisco office) informed us that he had been contacted by an anonymous source at [redacted] NSF grantee in [redacted], California. The source alleged that the president and vice-president of [redacted] and [redacted] instructed [redacted] employees to falsify their timecards prior to an NSF-contracted audit in January, 1994. The source also alleged that [redacted] billed the grant at least \$50,000 for work which he never performed, that [redacted] and [redacted] overcharged their salaries to the grant, and that required software testing was not completed. The grant under which these actions allegedly occurred was no. [redacted]

We examined NSF's proposal and award documentation for grant no. [redacted] then interviewed Ms. [redacted] and Mr. [redacted] the [redacted] accountants who performed the January, 1994 audit (the audit was for the period June 1, 1992 through June 30, 1993). They stated that they found no evidence of misuse of funds, but did find questionable costs totaling approximately two-thirds of all claimed expenses. The bulk (\$114,368) of these questioned costs were the salaries of [redacted] and [redacted] for which there was no documentation. Ms. [redacted] provided us with the documentation from the audit, along with [redacted] responses to questioned costs.

We interviewed several persons familiar with [redacted] work on the grant, including the NSF program officer, a current co-PI, a former co-PI, and the subcontractor responsible for software testing. These interviewees were unaware of any wrongdoing by [redacted] officials, and the program officer, Dr. [redacted], was satisfied with [redacted] progress on the project. The former co-PI did state that she

ended her affiliation with the project in 1992 because of [REDACTED] "questionable" business practices on a previous state-funded grant, including incorrect charges and spending outside of budget categories, but she was unaware of any current improprieties.

On March 22, 1994, with the assistance of S/A [REDACTED], we interviewed Ms. [REDACTED] Mr. [REDACTED] and the [REDACTED] bookkeeper at the [REDACTED] offices in [REDACTED] CA. [REDACTED] and [REDACTED] maintained that all employee hours and salaries charged to the grant were correct. They stated that [REDACTED] timekeeping records were poorly maintained because they were unaware of their obligations as grantees, but the reconstructed timecards signed by employees prior to the audit accurately reflected hours worked. They also stated that all [REDACTED] officials' salaries and hours were correctly charged, though they could not produce any documentation other than certifications signed immediately prior to the audit. On April 2, 1994, [REDACTED] and [REDACTED] provided us with a notarized statement summarizing their statements during the interview. This notarized statement agreed with the statements given to the [REDACTED] auditors in January, 1994.

Our investigation found no evidence to substantiate the allegation of intentional misuse of funds or falsification of timecards. However, we did confirm [REDACTED]'s audit findings that there was a lack of documentation on [REDACTED] employee work hours, a lack of documentation on allocation of employee work hours between different projects, and a lack of documentation on [REDACTED] officials' hours spent on, and salary charged to, the grant. We relayed these findings to OIG's Office of Audit.

This case is closed.