

NATIONAL SCIENCE FOUNDATION

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OFFICE OF
INSPECTOR GENERAL

MEMORANDUM

Date: March 31, 1997

To: 194070031

From: [REDACTED], Special Agent [REDACTED]

Via: [REDACTED], Special Agent-in-Charge [REDACTED]

Re: Resolution of Case

On July 6, 1994, our office was informed by the Defense Criminal Investigative Service (DCIS) that [REDACTED], a designated NSF excess property screener employed by the University of [REDACTED] was being paid by the president of [REDACTED] electronics firm, to obtain federal excess property under the guise of using it on NSF grants, and then diverting this excess property to [REDACTED] for commercial resale. Based on this allegation, our office, DCIS, U.S. Air Force Office of Special Investigations (OSI), and the Federal Bureau of Investigations (FBI) opened a joint investigation.

Background

Initially, we reviewed and analyzed all SF-122 forms submitted to NSF by the University of [REDACTED] from 1989 to the present. We determined that, since 1989, approximately \$11,789,086 worth of federal excess property has been transferred to [REDACTED] for use on 13 different NSF grants. Nearly all of the transfer forms were signed by [REDACTED] with the certification that the property was going to be used in conjunction with NSF grants and, then subsequently approved by the cognizant NSF program official. However, approximately 65% of this property was transferred on three separate dates. Also, only 13% of this property appears on [REDACTED] property records.

Investigation Following Initial Analysis

In September 1995, an investigation team made up of special agents from DCIS, FBI, OSI, and NSF OIG interviewed several [REDACTED] researchers, [REDACTED] employees, [REDACTED], and employees of [REDACTED]. The majority of these researchers stated that they had received federal

excess property from [REDACTED] but that the equipment was not in working order and therefore useless. These researchers stated that they sent this equipment back to [REDACTED] to dispose of it.

During these interviews [REDACTED] admitted that he personally handled all federal excess property transfers to [REDACTED] and all [REDACTED] property disposal. [REDACTED] claimed that he did not obtain federal excess property with the intent to divert it to any commercial entity and yet he refused to take a polygraph examination. He stated that the majority of the equipment he obtained for the [REDACTED] researchers was damaged and useless and was consequently sold at a [REDACTED] auction or disposed of through the [REDACTED] scrap contract. [REDACTED] property management record were of little assistance because they listed but a small fraction of the actual property received and disposed of by [REDACTED]

[REDACTED] also admitted knowing the owner of [REDACTED] but denied any financial or working relationship with [REDACTED]. In addition, the investigation determined that [REDACTED] had the scrap contract with [REDACTED] property management office and that, in fact, this contract was awarded by [REDACTED] wife to [REDACTED] (she is an administrator within [REDACTED] office). Finally, it was shown that [REDACTED] children had even worked at [REDACTED] as part-time employees.

Further investigation by OSI, DCIS, and [REDACTED] special agents consisted of, in part, interviews of witnesses who alleged that [REDACTED] had received cash and other items from the owner of [REDACTED] and that [REDACTED] occasionally picked up scrap property from [REDACTED] late at night. According to these special agents, these allegations have been unsubstantiated by any financial documentation obtained through grand jury subpoenas or subject admissions.

Conclusion

Discussions with the U.S. Attorney's Office (USAO) for the [REDACTED] [REDACTED] revealed that there were several problems in quantifying the amount of alleged material diverted to [REDACTED]. In addition, the USAO has concluded that there is inadequate evidence showing [REDACTED] intent to create such a diversion and has requested that all agencies work on developing this aspect of the case.

We have concluded that the critical element of this case is the ability of the investigation to completely trace specific items of equipment from the [REDACTED] to [REDACTED], through the [REDACTED] property management system, and eventually to [REDACTED]. To date, the investigation has not been able to trace one piece of excess property in this manner. We also concluded that the evidence showing [REDACTED] alleged intent is weak and we do not anticipate new evidence surfacing that will make this aspect of the case stronger.

Therefore, further use of NSF investigation resources is not warranted at this time. This case is closed.