

NATIONAL SCIENCE FOUNDATION
4201 WILSON BOULEVARD
ARLINGTON, VIRGINIA 22230

Closeout - RDT
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OFFICE OF
INSPECTOR GENERAL

MEMORANDUM

Date: August 27, 1998

To: File No. I96100055

From: [REDACTED] Special Agent, Investigations Section

Through: [REDACTED] Special Agent-in-Charge, Investigations Section

Re: Close out - [REDACTED]

Background:

In October 1996, our office received a memo from an NSF program officer (PO) stating his concerns over the legitimacy of a company to which NSF awarded an SBIR Phase I grant. This company, [REDACTED] and had applied for a phase II award under the name of [REDACTED]. The PO attempted to contact the company concerning information that was omitted in their proposal. After several unsuccessful attempts, the PO finally reached [REDACTED] at a phone number in Vancouver, Canada which also belonged to [REDACTED], the company that provided a letter of commitment for follow-on funding for the Phase II award. The PO referred a memo to OIG because of the following reasons:

[REDACTED]

Our office investigated to determine if [REDACTED] and/or [REDACTED] were legitimate companies, if they were domestic or foreign, and whether or not they had committed any fraudulent activities pertaining to their federal awards.

Investigation:

A Lexis and FinCEN query revealed that [REDACTED], a Canadian company, is the parent company for both [REDACTED] and [REDACTED]. These companies were both incorporated in the United States. [REDACTED], a public company in Canada,

has absorbed both [REDACTED] and [REDACTED] was at least a 51% American owned company at the time it received funding from [REDACTED]

Both [REDACTED] and [REDACTED] have received SBIR awards from other federal agencies.

I spoke with Dr. [REDACTED], the PI on the Phase I award. She worked at [REDACTED] for 1 ½ years and left the company in 1995. [REDACTED] said [REDACTED] owed her two months of salary. She did not know [REDACTED]'s current location, but thought [REDACTED] might be in Urbana, IL. She also said that she thought [REDACTED] had changed its name to [REDACTED]

[REDACTED] and other [REDACTED] employees appeared to have (at least former) affiliations with the University of [REDACTED] and the University of [REDACTED]. I verified that [REDACTED] was not a full time university employee at the time she worked on the Phase I award. [REDACTED] disclosed in the Phase I and II proposals that it would be using University of [REDACTED] facilities via a subcontract. I reviewed the subcontract agreement between the university and [REDACTED] and found no evidence that contradicts what was listed in the proposal or told to me by witnesses.

I interviewed various other individuals affiliated with [REDACTED] and reviewed other SBIR proposals and reports for these companies, and found no evidence of fraud.

Conclusions:

Although there is no additional information to clarify the exact relationship between [REDACTED] and [REDACTED], it appears that [REDACTED] was a domestic company at the time it applied for and received NSF funds. Despite the questioned legitimacy of the companies from such factors as the abrupt change of address, the unclear relationship between the subsidiaries and parent companies, and the inability to locate some former employees, we have not obtained any evidence of fraud or other criminal acts.

This case is closed pending further information.