



NATIONAL SCIENCE FOUNDATION
OFFICE OF INSPECTOR GENERAL
OFFICE OF INVESTIGATIONS

CLOSEOUT MEMORANDUM

Case Number: I99090034

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In September 1999, we identified that a company¹ submitted proposal to the NSF Small Business Innovation Research (SBIR) Program, and then submitted a very similar proposal to the U.S. Air Force (USAF) SBIR Program. In April 1996, the company received Phase I awards from both agencies, \$75,000 from NSF and \$99,962 from USAF. The company did not disclose the very similar USAF project to NSF, and falsely certified to NSF that the company had "not accepted funding for the same or overlapping work . . ." The company subsequently submitted Phase I Reports to NSF and USAF, and most of the results in the NSF report were also reported to USAF as results from that project.

However, both Phase I reports also contained distinct results, and the Phase II proposals submitted by the company to NSF and USAF contained less overlapping material than the Phase I proposals had. (Again, both proposals disclaimed the existence of any overlapping proposals or awards from other agencies, and both omitted mentioning either the award from or proposal to the other agency in the Current and Pending Support section of the proposal.) Both Phase II proposals were awarded, and the results reported in the final reports to NSF and USAF were quite different.

At our request, the NSF SBIR Program reviewed the Phase I proposals and concluded that it would not have awarded the NSF Phase I grant if it had known about the USAF project. The Program also reviewed the Phase I final reports and concluded that there was so much overlap that it would not have funded the NSF Phase II proposal if the company had disclosed the existence of the USAF Phase I award and Phase II proposal. We also asked an outside expert to review the proposals and reports, and he independently came to the same conclusions.

NSF suspended the Phase II award and refused to release \$58,000 awarded under the NSF Phase II grant. We referred our findings to the US Attorney's Office, who began negotiations with the company. The company and the US Attorney's Office agreed to a civil settlement allowing NSF to keep the remaining \$58,000 and the company reimburse another \$10,000 to NSF, and no administrative action would be imposed regarding this matter.

Accordingly, this case is closed.

[REDACTED]