

## CLOSEOUT MEMORANDUM FOR M00080032

We received a letter from an anonymous complainant<sup>1</sup> that alleged the subject's<sup>2</sup> funded NSF proposal<sup>3</sup> 1) falsely described the project as innovative; 2) misrepresented the subject's experience and stature in the industry; 3) predicted results that were impossible; 4) misrepresented the state of current technology in the industry; and 5) misrepresented the magnitude of competition in the industry. The complainant also alleged that 6) the subject's company received an unfair competitive advantage over other small companies as a result of NSF's funding the subject's proposal.

Allegation 1: Allegedly, the subject falsely described the project in his proposal as innovative. The complainant asserted that there existed sophisticated methods already in use by the industry, some of which were published and "well established and widely known." The subject's proposal stated that the proposed research relied "on previously tried and proven methods, except for two additional elements." These "additional elements" were the focus of a proposed new technique that would more fully, but not completely, automate the collection of some data for the industry. *Ad hoc* reviewers of the subject's proposal stated that the project was novel and important for science and displayed good judgment in its choice of a semi-automated design that permitted the user manual intervention. The *ad hoc* reviewers clearly thought the subject's proposed technique was innovative for the industry and we have no basis to disagree with this assessment. There is no substance to the allegation that the subject falsely described his project as innovative.

Allegation 2: Allegedly, the subject misrepresented his experience and stature in the field of work in the proposal. The complainant expressed concern that the subject stated in the proposal that he was a "well known and highly respected" person in his particular field. The complainant was concerned that this misrepresentation influenced NSF's program to fund the subject's proposal. NSF *ad hoc* reviewers said that the subject's proposal demonstrated a fairly complete knowledge of previous work, and that the subject and his colleagues had the necessary background and experience to do the proposed project. We learned that the subject founded a small company in the industry in the 1980s.<sup>4</sup> About 12 years later the subject left this company and founded a second one in the industry.<sup>5</sup> The subject did work and compete in the industry. The degree of any individual's status in an industry is debatable and, by its very nature, lacks precision. However, it appears that the subject had an established and known position in his field in the industry consistent with the representations in his proposal.

<sup>1</sup> The complaint is presented in a 12 July 2000 letter from an attorney representing the complainant.

<sup>2</sup> The subject [REDACTED] is presently the owner of [REDACTED]

<sup>3</sup> NSF proposal, [REDACTED] entitled [REDACTED]  
[REDACTED] was awarded to the subject, [REDACTED]

<sup>4</sup> [REDACTED]  
<sup>5</sup> [REDACTED]

## CLOSEOUT MEMORANDUM FOR M00080032

Allegation 3: Allegedly, the subject predicted results in the proposal that were highly exaggerated. The complainant claimed that the subject inflated the possible value of the products his new technique would provide his future clients. The complainant thought that this inflated value influenced NSF's decision to fund the subject's proposal. The subject stated in the proposal that the new technique "would enable potential purchasers" to evaluate data more efficiently assisting them in making a more informed decision in product selection. None of the *ad hoc* reviewers commented on the subject's claims of potential profits for the subject's clients. NSF Form 7, which summarizes panelists' comments about the subject's proposal, explained that the panel considered the commercial potential of the subject's proposed work in terms of its improvement over manual systems and the possible application of this technology to a broad range of other scientific analyses. Further, the allegedly "inflated" value of the products presented by the subject, when compared to the potential value of these same products discussed by the complainant, were very similar. Therefore, there is no substance to the allegation that the subject's proposal predicted exaggerated results and no evidence that obtaining those exact results influenced the NSF program's decision to fund the subject's proposal.

Allegation 4: Allegedly, the subject misrepresented the state of current technology in the industry in his proposal. The complainant stated that the subject's proposal "encompassed only one small step of the complex research" in the industry. According to the *ad hoc* reviewers, the subject's proposal did a good job describing the current technology and we have no evidence to disagree with this assessment. This, combined with the reviewers' perception of the innovative nature of the proposed technique (the "small step" referred to by the complainant), suggests that there is no substance to the allegation that the subject misrepresented the state of current technology in the industry in his proposal.

Allegation 5: Allegedly, the subject misrepresented the magnitude of competition in the industry with respect to the proposed project. The subject stated in his proposal that the proposed technique had no competition in the industry for a successful solution. Given the innovative nature of the subject's new technique and the *ad hoc* reviewers' comments about this new technique, the subject's statement seems reasonable. There is no substance to the allegation that the subject misrepresented the magnitude of competition in the industry for the proposed work.

Allegation 6: Allegedly, as a result of the NSF award, the subject's company received an unfair competitive advantage over other companies in the industry. Any small business, such as the subject's, can apply for research funding from NSF. The competitive review process used by NSF attempts to provide fair and equitable evaluations of proposals. We could find no evidence to suggest that NSF's review process failed to work appropriately in this case. Whatever potential competitive advantage the subject's company may have gained from the NSF award, it is merely the result of successfully competing for federal funds. There is no substance to the allegation that the subject's company received an unfair advantage as a result of his receipt of NSF funds.

This case is closed and no further action will be taken.

c: Investigations, IG