

CLOSEOUT FOR M92090038

On [REDACTED], OIG was informed by three program officers, Drs. [REDACTED] of an allegation of plagiarism. The program officers are members of the Division of [REDACTED] in the Directorate for [REDACTED]. The program officers had been informed of the allegation by a panel review member for the [REDACTED] program. The panelist, Dr. [REDACTED] is a faculty member in the Department of [REDACTED] at [REDACTED] University. The panelist alleged that text and figures in proposal [REDACTED] entitled, "[REDACTED]" had been plagiarized from a paper published by other scientists. The proposal was submitted by Dr. [REDACTED] a scientist employed by the [REDACTED] (the Firm). The paper was "[REDACTED]" and was authored by Drs. [REDACTED] and [REDACTED]. It was published in [REDACTED].

OIG compared the paper with the proposal and found that the proposal contained a large amount of text, three equations, and four figures that appeared substantially similar or identical to materials in the paper. The copied material was not offset from the remainder of the proposal text and none of it was accompanied by a citation to the source document. We sought the opinion of another program officer [REDACTED] in the same NSF Division who had no connection with the proposal. The program officer also noted that the proposal did not cite the paper as a reference, and said the "background description, the technical motivation, potential advantages of the MESFET technology, and the rationale for the proposal are all basically the same as discussed in the paper, and are presented in essentially the same order with very similar, and in many instances, nearly identical wording."

During OIG's review of the material for this case, and for cases M-92090040 and M-92100042, all which concerned allegations against the Firm's employees, OIG uncovered sufficient evidence to conduct an on-site fraud investigation against the Firm. This investigation resulted in a Department of Justice settlement of the U.S. Government's fraud suit against the Firm. Part of the civil settlement was the Government's conclusion that the plagiarism in this case was ultimately the responsibility of the Firm's owners and officers and was a serious deviation from accepted practices under NSF's misconduct in science regulation. On the basis of the Government's settlement we closed this case and will take no further action. The press release describing the Justice Department's case against the Firm is attached.

cc: Staff Scientist, Deputy AIG-Oversight, AIG-Oversight, IG

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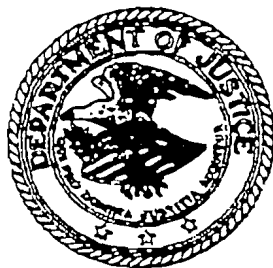


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NEWS RELEASE

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#96-068
March 25, 1996

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SCIENTIFIC FRAUD CASE SETTLED FOR \$2 MILLION

A scientific research company, Electro-Optek Corporation, of Torrance, Ca., settled a civil fraud suit today filed by the U.S. Government alleging that the company had made false statements in scientific research proposals and had submitted false billings to the Government in connection with scientific research grants. As part of the settlement agreement, the company's owners and officers, William S. Chan and Felicia Chan, of San Pedro and Michael Lee, of Torrance, will pay the government approximately \$530,000 in cash and will lose almost \$1.5 million in grants that had been previously awarded to them, announced United States Attorney Nora M. Manella. The defendants also agreed not to apply for any future federal funding for three years.

The Electro-Optek defendants were charged with fraud against the Government's Small Business Innovation Research (SBIR) program. The SBIR program grants money to deserving small companies for scientific research in order to promote small business, encourage scientific innovation, and assist with the commercialization of scientific discoveries. The grants are made through 11 different federal agencies such as the National Science Foundation, the National Aeronautics and Space Administration, and the Department of Defense. The

defendants were accused of knowingly and repeatedly applying for and receiving SBIR grants from the agencies for research that had already been completed under grants awarded to other agencies. Defendants were also accused of charging the Government for the costs of engineering labor by Felicia Chan and Michael Lee when, in fact, they did not perform engineering work.

The Government also uncovered evidence that in their SBIR proposals, the defendants had plagiarized from a scientific publication and misrepresented the academic qualifications of one of their researchers. The Government concluded that the practices of the company and its owners seriously deviated from accepted practices in science or engineering, which constitutes misconduct in science under the National Science Foundation's regulations.

The Government had filed its complaint against the Electro-Optek defendants alleging over \$1.4 million in damages in 1994. According to Assistant United States Attorney Hong Dea, who handled the case, in one of the first actions of its kind in the nation under the Federal Debt Collection Procedures Act of 1990, the Government had obtained court orders putting liens on defendants' real estate and freezing their bank accounts so that money could not be withdrawn prior to trial.

This case resulted from an investigation led by the Office of Inspector General for the National Science Foundation, and was assisted by the Inspector General's Office for NASA, the Criminal Investigative Service of the Department of Defense, and the United States Marshals Service.