

CLOSEOUT FOR M92090040

On [REDACTED] [REDACTED] met with a [REDACTED] panel reviewer and a program officer to discuss the reviewer's concerns about a proposal. The panel reviewer was Dr. [REDACTED] who is a faculty member in the Department of [REDACTED] at the University [REDACTED]. The program officer was Dr. [REDACTED], in the Division [REDACTED] in the Directorate [REDACTED]. The panel member told us that in her review of proposal [REDACTED] entitled "[REDACTED]" submitted by [REDACTED] (the Firm) she had reviewed the academic credentials of the scientists identified as "key personnel" in the proposal. She said that one of these scientists, Dr. [REDACTED] the subject, claimed to have received a Ph.D. in 1989 from the University of [REDACTED] (the University). She alleged that he had not earned this degree and that he had left the University in 1987 after only one year of graduate school. OIG found that a second NSF proposal submitted by the Firm also contained a description of the subject's academic credentials. In this proposal, [REDACTED] entitled, "[REDACTED]" the subject's credentials again included the claim that he had received a Ph.D. in 1989 from the University.

OIG contacted the University and learned that the subject had attended the University from 1986-1987. He had not received a Ph.D. degree. Instead he had been awarded a certificate for work that was considered more advanced than a Bachelor's degree but less than that required for a Master's degree.

During OIG's review of material for this case, for case M-92090038, and case 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 Justice Department settlement with the Firm. Part of the civil settlement was the Justice Department's conclusion that the misrepresentation of academic credentials was a serious deviation from accepted practice under NSF's misconduct in science regulation. On the basis of the Justice Department's conclusion and settlement we closed this case and will take no further action. The press release describing the Justice Department case against the Firm is attached.

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



NEWS RELEASE

For Immediate Distribution

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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.