NASA OIG
Fraud, Waste, and Abuse

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NASA Office of Inspector General (OIG)

Office of Investigations (OI)

- OI investigates allegations of crime, cyber-crime, fraud, waste, abuse or misconduct having an impact on NASA programs, personnel and resources
- OI identifies fraud indicators and recommends effective measures for NASA management to mitigate vulnerability
- OI refers its findings to the appropriate prosecutorial authorities (e.g., USAO, District Attorney, etc.), NASA Suspension and Debarment Official, and/or NASA management for action

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Why Do We Do These Briefings?

- We your assistance to **proactively combat fraud** in the SBIR/STTR program and ensure your opportunities aren't limited by firms committing fraud
  - Share experiences
  - Give our perspective
  - Get your perspective

So Where Are the Most Common Fraud Indicators?

Proposal Submissions

Budgets

Facilities/Equipment

Direct Labor

Subcontractors

Common Fraud Indicators

- Duplicate proposals to multiple agencies for the same work (Thermacore/EM Photonics, Fractal Inc., Smart Polymers Corp.).
  - Did you even bother to check the cut and paste?
- Too many awards to same PI (EM Photonics)
- Fraud in inducement of awards, such as fake investment and falsified letters of support (Aries & Self Actualizer)
- Budgetary Discrepancies such as Falsified G/A Rates, Other Direct Costs, and Direct Labor in order to pad the contracts and keep the $$$ (Fard)
- Phantom Labor via Direct & Subcontract Representations (Aries, NETECH)

More Common Fraud Indicators

- Falsified In-Kind Contributions: Similar to Phantom labor, but with a different flavor. For these, the companies are legitimate, but the statements made in the proposals by the SBC about these contributions are false
  - These contributions have never and will never occur, but the SBC is using it as a way to garnish support for winning a P2 and P3

- Exaggerating Capabilities/Geographical Improbabilities (Arklight Case):
  - P.O. Box
  - Residential Homes
  - SBC/Subcontractor "TEAM"

Common Fraud Indicators

Example from 2012 Army SBIR proposal:

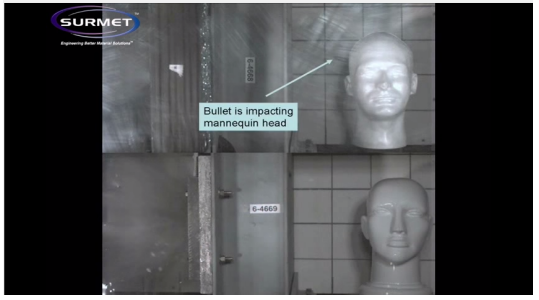
"The objective of this SBIR Phase II effort is to grow larger size (50 mm diameter x 25 mm thick or larger) single crystals of aluminum oxynitride (AlON) and aluminum nitride (AlN) by refining and optimizing the rapid and contamination free growth method developed at the Phase I stage. "

= **Bullet Proof Glass**

What would you need for equip/facilities?

Common Fraud Indicators

How do you test bullet proof glass?

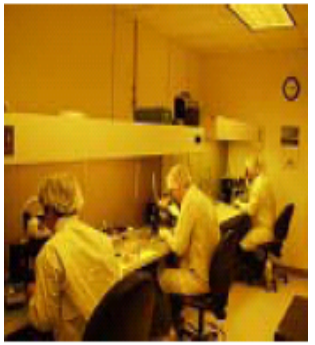


Common Fraud Indicators

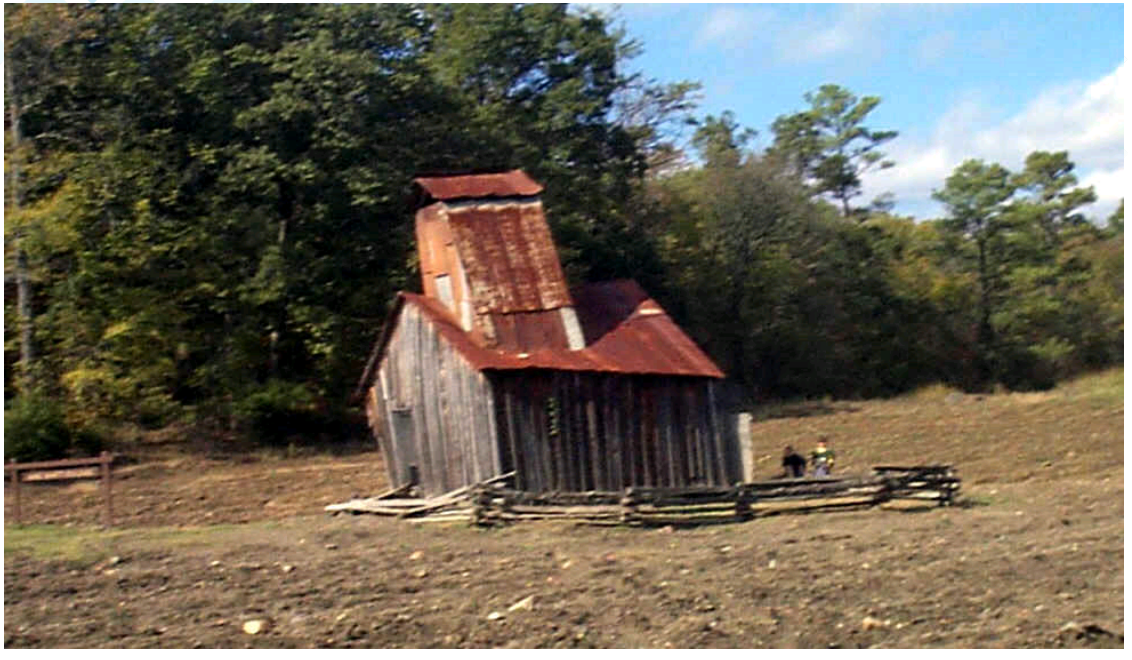
Testing Facility
(apparently the neighborhood's newest firing range)

Common Fraud Indicators

The Company has a sophisticated testing facility with all the equipment necessary for photodetector testing. Examples of the equipment include lasers (such as PicoQuant LDH/PLS), high bandwidth digital oscilloscopes (such as Tektronix TDS 7104) and optical bench equipment, calibration detectors (such as Hamamatsu photon counting module and PerkinElmer photon counting module) and other necessary testing devices. The testing facility and the testing methodologies developed by the Company play a very important role not only in controlling the quality of fabrication processes and in final product testing, but also in allowing the development team to obtain comprehensive data for further analysis that goes into design improvements.



Investigator Clue



Actual Testing Facility – Brooklyn Wig Shop

Points Worth Noting

- Certifications: NASA receives approximately 1500-1600 SBIR proposals each solicitation cycle; our agency relies solely on the integrity of the firms to truthfully represent the capabilities of the business in order to complete the research effort

- Claims for Payment = Lifecycle Certifications

- Firm-Fixed Price vs Cost Plus Contracts

- Materiality

Consequences of Fraud

- Criminal Prosecution/Civil Liability
  - Is it worth it?
- Adverse administrative action such as suspension, debarment, contract terminations, and compliance implementations.
  - Applies to money from ALL federal agencies
- Reduced funding available to responsible small businesses
  - E.g., everyone at this conference

Consequences of Fraud

The Research Project Was Still Completed
So, Why Does it Matter?

Honorable Judge Harvey Bartle III

(U.S. vs Yujie Ding/Yuliya Zotova)

Wire Fraud Appeal - DENIED:

The Judge wrote that it did not matter that the technical requirements of the project were fulfilled. The NASA money "was not available for professors to fund their research, while keeping some portion for themselves. The funding was meant to encourage the development of small businesses. The purpose and goals of the [program] were thwarted here."

Final Thoughts

- NASA OIG supports integrity of NASA SBIR/STTR efforts
- Be truthful as we rely on the integrity of your representations
  - You don't have to lie to give yourself an unfair advantage
- As more dollars are being allocated to this program, it is important that legitimate small business concerns have a fair and equitable opportunity to win the award
- Help us weed out those that aren't following the rules; more federal dollars will be available help fund legitimate scientific breakthroughs
- Universities are susceptible to the release of YOUR proprietary technology to overseas competitors
- You are the first line of defense in protecting our nation's newest and most innovative technologies
- This is YOUR prized work; let's keep it that way

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