

Former Penn State Professor who plead guilty in \$3 million Federal Research Grant Fraud sentenced in federal court

FOR IMMEDIATE RELEASE

November 30, 2012

The United States Attorney's Office for the Middle District of Pennsylvania announced that a former Pennsylvania State University professor who pled guilty to a \$3 million federal research grant fraud was sentenced today in Harrisburg by United States District Court Chief Judge Yvette Kane to 41 months in prison and ordered to pay \$640,660.37 in restitution. Grimes was also previously employed with Nanjing University of Technology, Nanjing, China, as a professor of engineering from June 2011 through February 2012.

According to United States Attorney Peter J. Smith, on January 31, 2012, Craig Grimes, age 56, formerly of Boalsburg, PA, and currently living in Raleigh, North Carolina, was charged in a three-count felony - Information with wire fraud, false statements, and money laundering. During the time period contained in the Information, Grimes was a Professor of Electrical Engineering at The Pennsylvania State University.

Between June 30, 2006, and February 1, 2011, Grimes defrauded the National Institutes of Health ("NIH") of federal grant monies. The NIH, a component of the United States Department of Health and Human Services, provides funding for medical research through grants.

Grimes, acting through his solely-owned company, Sentech Biomed, State College, PA, requested a \$1,196,359.00 grant from NIH to perform research related to the measurement of gases in a patient's blood. The NIH funded the clinical trial because of the importance of the measurement of these gases in detecting the presence of a disease in newborn babies known as necrotizing enterocolitis.

In the application, Grimes specifically represented to the NIH that he would direct approximately \$509,274.00 to the Hershey Medical Center to conduct clinical research on adult and infant subjects. The money was never paid. Instead, the grant funds were misappropriated, in part, by Grimes for his own personal use. The clinical studies/trials were not performed.

Grimes then laundered a portion of the fraudulent proceeds he received from the National Institutes of Health.

Grimes also made false statements to the United States Department of Energy in connection with a second federal grant. In August 2009, Grimes, while a PSU professor, completed a grant application seeking a \$1,908,732.00 grant from the Advanced Research Projects Agency - Energy (ARPA-E) which was created to foster research and development of energy-related technologies. The ARPA-E grant was funded by the American Recovery and Reinvestment Act.

Due to the limited amount of funds available for research, ARPA-E seeks to avoid funding research already funded by other government and private entities. It requires applicants for grants to disclose other funding sources. In the application Grimes completed and submitted to ARPA-E, he stated there was no other funding, when, in fact, he had received a grant for the same research from the National Science Foundation.

Allison Lerner, Inspector General National Science Foundation said, "The National Science Foundation funds approximately 20% of basic research at our nation's colleges and universities. Duplicate funding fraudulently diverts these vital federal research dollars. My office will continue to vigorously pursue those who attempt to illegally obtain these funds and we commend the U.S. Attorney's Office for its strong support in this effort".

Greg Friedman, Inspector General, U.S. Department of Energy, stated that "As one of the Federal Government's largest sponsors of research, we vigorously investigate allegations of fraud and improprieties associated with the grants process. Abuse of the system is unacceptable, and today's sentencing underscores the seriousness of these crimes. I would like to thank the United States Attorney's Office and the IG Special Agents who worked tirelessly on this case. The investigation and prosecution demonstrate our commitment to holding those who defraud the Department accountable for their actions."

"Today's sentencing further shows IRS Criminal Investigation is committed to investigating individuals who use deceit and fraud to line their pockets," said Akeia Conner, Special Agent in Charge, IRS Criminal Investigation. "Those individuals who engage in this type of financial fraud should know they will not go undetected and will be held accountable."

Grimes resigned from Pennsylvania State University as of January 2011.

Grimes pleaded guilty before U.S. Magistrate Judge Martin C. Carlson in February 2012.

Morgan State University professor convicted of fraud scheme

April 02, 2014

By Carrie Wells, The Baltimore Sun

http://articles.baltimoresun.com/2014-04-02/news/bs-md-morgan-professor-convicted-20140402_1_morgan-state-university-infrastructure-engineering-research-manoj-kumar-jha

Former Iowa State Professor Pleads Guilty to False Statements

U.S. Attorney's Office
January 28, 2014
Southern District of Iowa
(515) 473-9300

DES MOINES, IA—United States Attorney Nicholas A. Klinefeldt announced that Dr. Palaniappa Molian, of Ames, pled guilty on January 24, 2014, to two felony counts relating to false statements made to the National Science Foundation.

According to the written plea agreement, in December 2009, Dr. Molian, as a principal investigator on a National Science Foundation grant to Iowa State University, submitted a reimbursement expense voucher that contained false statements. Dr. Molian claimed in a requested reimbursement that he traveled to Boston, Massachusetts, to work on an Iowa State University National Science Foundation grant research experiment. Dr. Molian admitted in the plea agreement that he did not perform any work on the grant research experiment in Boston and that he traveled to Boston for unrelated reasons.

The plea agreement also provides that Dr. Molian, in his capacity as president of Photon Energy Technology, submitted a Small Business Innovation Research Program Report to the National Science Foundation on July 1, 2010, that contained false statements. Dr. Molian claimed and sought payment for approximately \$20,000 in laser rental costs when he had access to a laser at no cost. Dr. Molian spent the excess grant funds he was awarded on unrelated personal expenses.

Dr. Molian will be sentenced on April 25, 2014, before the Honorable James E. Gritzner. Making a false statement to a federal agency carries a maximum sentence of imprisonment of up to five years and a maximum fine of \$250,000.

This case was investigated by the National Science Foundation Office of the Inspector General and the Federal Bureau of Investigation and was prosecuted by the United States Attorney's Office for the Southern District of Iowa.

CASE STUDY 2

Background: Baker County School District was awarded \$224,875 in 21st Century Community Learning Center (21st CCLC) grant funding for both fiscal years 2008-09 and 2009-10. The 21st CCLC Program was created as the only federal funding source dedicated exclusively to after-school programs. The program was established to provide a wide range of high-quality out-of-school services specifically focused on helping students meet state and local academic achievement standards in core academic subjects. Services are targeted to low-income students attending low-performing schools, and include both academic enrichment and additional services that reinforce and complement the regular school day. Programs also bolster communities by offering opportunities for literacy and related educational development to families of active program participants. By law, 21st CCLCs provide services only during non-school hours or periods when school is not in session. Programs funded with 21st CCLC grants must meet the following minimum performance standards: serve proposed numbers of targeted student participants; meet proposed levels of program operation; and provide the requisite hours of operation. Programs must demonstrate sufficient progress toward accomplishing program objectives by submitting semi-annual data. Funding levels are based largely upon proposed student attendance levels and hours of operation. Federal guidelines stipulate that failure to perform at operational levels as proposed in the approved grant application may result in reduced levels of available funds.

Findings: Records obtained from the 21st CCLC program in Baker County indicate that the average number of students in attendance for the month of May 2010 was only 24.35, a figure substantially less than the proposed daily level of 100 students. Summer attendance levels forecasted in the contract indicated that an average of 90 students would be served daily, to include 60 students with disabilities. However, the average attendance for the month of June 2010 was only 39.92 students. End of year self-report data submitted to the Department indicated an average daily attendance of 12 during 2009-10. According to the program management, the Baker County program started late during the first year and reported improved attendance levels during the summer of 2009 (53 students per day). Consequently, the Department decided not to reduce funding for the second year. However, the Department appropriately reduced the maximum award for the third year because Baker fell short of meeting the "80% threshold rule for daily attendance in 2009-10" and Baker County dissolved the program. In terms of program operation, Baker did not fully comply with the legal and regulatory requirements that stipulated that 21st CCLC programs must provide opportunities "to help student achievement...meet state and local student achievement standards in core academic subjects, such as reading and mathematics." The 21st CCLC grant requires that providers must offer remedial education and academic enrichment, to include a strong reading, mathematics, and science component delivered by certified teachers. During the months of November 2009 and March 2010, an examination of Baker County's lesson plans revealed that an insufficient amount of time was spent teaching core competencies. A disproportionate amount of time was devoted to the instruction of art, music, recreation, and entrepreneurial education in the after-school program. Although a computer lab was available to students in the after-school program, the extent to which students were utilizing the reading and math software to further remediate in core content areas was unclear. Additionally, the grant program required that after-school programs must afford students 12 full hours of impact programming per week. It is apparent that only 1 to 2 hours per day of programming was offered based on Baker County data. Florida OIG recommended that consideration be given to providing funds to higher risk sub-recipients on a reimbursement basis only.

1. What additional guidance and support could the Department have provided to this grantee?
2. What internal controls need to be strengthened at Baker County?
3. What could Baker County have done about their low student attendance?
4. What documentation could have been used to demonstrate their core content offerings?
5. How could this have been avoided?

For more information: <http://www.fldoe.org/ig/pdf/BakerReport.pdf>

CASE STUDY 5

Background: Stillman College (the College) is a four-year, private, non-profit Historically Black College in Tuscaloosa, Alabama. The purpose of the audit was to determine whether the College administered the Federal TRIO programs in accordance with Title IV, Section 402A of the Higher Education Act of 1965, as amended, and the Education Department General Administrative Regulations (EDGAR). Specifically, we determined whether the College adhered to TRIO program requirements regarding (1) accounting for and using funds, (2) determining participant eligibility, (3) providing eligible services, (4) documenting the achievement of program objectives, (5) submitting required reports, and (6) supporting salary and wage charges. Audit coverage included the following TRIO programs: Student Support Services (SSS), Upward Bound (UB), Upward Bound Young Scholars (UBYS), and Upward Bound Math & Science (UBMS).

Findings: The College lacked proper accounting controls over recording and reporting TRIO program expenditures and reporting expenditures in the financial statements. Expenditures were not posted to the accounting ledger in a timely manner. The College did not have an accurate financial picture of TRIO funds expended and funds available. The College did not maintain an adequate inventory of computer equipment purchased with TRIO funds. The TRIO Director did not maintain an inventory of computer equipment purchased with TRIO funds because EDGAR requires an inventory for equipment valued over \$5,000. However, it was the College's policy to maintain a computer equipment inventory of items valued over \$1,000. SSS program services were provided to non-SSS participants. The College allowed all students to receive tutoring by the SSS staff, who were paid 100 percent from TRIO funds were used to provide services to ineligible participants. We recommend that the Assistant Secretary for Office of Postsecondary Education require the College to:

- Return \$107,679, \$66,279, and \$139,587 that was drawn down for the SSS, UBYS, and UBMS grants, respectively, and not expended;
- Establish effective policies, procedures, and management controls to ensure that TRIO funds are only drawn down to meet immediate cash requirements in carrying out the purpose of the program;
- Establish reconciliation procedures to be performed on a monthly and year-end basis to ensure that TRIO grant funds are expended and recorded in a timely fashion;
- Maintain an inventory of equipment purchased with TRIO funds as described in 34 CFR 74.34 (f) (2001) to ensure that the equipment is adequately safeguarded to prevent loss, damage, or theft;
- Ensure that the SSS English and math tutors paid 100 percent with TRIO funds only provide services to eligible participants;
- Establish effective procedures and management controls to ensure that all TRIO accounting transactions are recorded accurately and in a timely manner in its accounting ledgers; and
- Establish adequate procedures for preparing performance reports to ensure that the performance data reported for each student is accurate and supported by sufficient documentation.

We also recommend that the Assistant Secretary for Postsecondary Education: Determine whether Stillman College should be declared a "high-risk" grantee and, if necessary, impose special conditions allowed by 34 C.F.R. 74.14 (2001) (e.g., reimbursement method for payment, etc.); and Initiate appropriate monitoring activities to bring the College into compliance with EDGAR.

Questions:

1. Why does the intuitional policy "trump" federal policy in regards to inventory?
2. How soon in advance can one draw down funds?
3. If students who need tutoring receive it, why does the government care who get the services?
4. What are the implications of being designated a "high-risk grantee"?
5. How could this have been avoided?

For more information: http://www.dhs.gov/xoig/assets/mgmttrpts/OIG_07-26_Feb07.pdf