

Former UCSD Professor Admits Fraud, Agrees to Forfeit \$180,000

Department of Justice, U.S. Attorney's Office, Southern District of California Press Release
January 7, 2016

SAN DIEGO - Dr. Homayoun Karimabadi, a former research professor at the University of California, San Diego ("UCSD") and the Chief Executive Officer for SciberQuest, Inc., was charged in federal court today with fraudulently obtaining millions of dollars in government grants and contracts.

Dr. Karimabadi and SciberQuest, Inc., the corporation run by Dr. Karimabadi, both waived indictment and were arraigned on an information charging them with felony wire fraud and criminal forfeiture. SciberQuest entered a guilty plea before U.S. Magistrate Judge Karen S. Crawford; Dr. Karimabadi is scheduled to enter into a deferred prosecution agreement on January 15, 2016 at 8:30 a.m. before Judge Gonzalo P. Curiel. Additionally, Dr. Karimabadi and SciberQuest jointly agreed to forfeit \$180,000 as money that was improperly received as a result of the fraud, in addition to a fine that will be imposed on the corporation at sentencing.

According to court records, during the fraud Dr. Karimabadi was the Chief Executive Officer and Chief Technology Officer at SciberQuest and at the same time was employed as a research professor at UCSD where, among other things, he served as the group leader of the space physics plasma simulation group.

According to the corporation's plea agreement, from January 2005 to June 2013, Dr. Karimabadi, who has a Ph.D. in Plasma Astrophysics, applied for and received grants or contracts from the National Science Foundation ("NSF"), United States Air Force ("USAF") and National Aeronautics and Space Administration ("NASA") both through SciberQuest and UCSD. SciberQuest was awarded around \$6.4 million under 22 separate grants or contracts. Of those, eight were Small Business Innovation Research ("SBIR") grants with a value of about \$1,760,000. The SBIR Program was enacted by Congress to strengthen the role of innovative small business concerns in federal-funded research and development in order to stimulate technological innovation, foster and encourage participation by socially and economically disadvantaged small business concerns, and increase private sector commercialization of innovations derived from federal research and development, thereby increasing competition, productivity and economic growth.

To obtain the SciberQuest grants or contracts, Dr. Karimabadi made false statements to government officials. Specifically, in award proposals, Dr. Karimabadi failed to disclose all of his and SciberQuest's current and pending grants or contracts, thereby overstating the time he and SciberQuest could devote to the projects he was applying to receive. In one example, Dr. Karimabadi only disclosed to NSF four current and eleven pending grants, and knowingly failed to disclose an additional ten current and five pending grants. In all, Dr. Karimabadi disclosed to NSF only about three months per year of work that he was committed to, when in fact, he had already committed to various agencies over nineteen months per year of work.

Dr. Karimabadi also falsely certified in SBIR award proposals submitted to NASA and USAF that he was primarily employed by SciberQuest. In truth, he was employed full-time at UCSD both at the time of the award submission and during the performance of the grant. Dr. Karimabadi and SciberQuest made these false statements to be awarded grants or contracts that they likely would not have received but for the deception. As a result, from 2005 to 2013, Dr. Karimabadi received over \$1.9 million in salary from SciberQuest due, in part, to the fraudulently obtained grants or contracts.

"Dr. Karimabadi took advantage of his trusted positions at SciberQuest and UCSD to deceive government agencies into awarding federal grants or contracts," said U.S. Attorney Laura E. Duffy. "Federal research funding is an important stimulus to local economies, especially in San Diego, which

has a large research university presence. Fraud in the award process threatens to undermine confidence in the continued federal funding of research and innovation. With the continued diligence of our agency partners, we will continue to deter the dishonest practices used in this case by prosecuting those responsible and taking away any ill-gotten gains.”

Chris Hendrickson, Special Agent in Charge of the Defense Criminal Investigative Service Western Field Office, said “As this matter demonstrates, we are committed to investigate not only those who make false claims in supplying goods and services for the national defense, but also those who misrepresent research and submit deceitful intellectual representations. Any such abuses of the public trust for personal gain simply will not be tolerated.”

Allison Lerner, NSF Inspector General said, “Dr. Karimabadi violated the public trust to enrich himself when he fraudulently represented his work on NSF awards. My office will continue to vigorously pursue those who attempt to illegally obtain scarce federal dollars intended for scientific research, and I commend the U.S. Attorney’s office for its sustained efforts in reaching this settlement agreement.”

“Individuals who fraudulently obtain federal research funds earmarked for small businesses deprive others of an opportunity to pursue meaningful technological discoveries,” said Paul Martin, NASA Inspector General. I commend the outstanding efforts of our agents and the other law enforcement agencies that are committed to ensuring the integrity of this program and prosecuting to the fullest extent of the law those who abuse research programs for the sake of personal enrichment.” SciberQuest will be sentenced on March 18, 2016 at 8:30 a.m. before U.S. District Judge Gonzalo P. Curiel. Dr. Karmabadi was placed on bond and ordered to return to court on January 15, 2016, for further proceedings to enter a Deferred Prosecution Agreement for his role in the matter.

A deferred prosecution agreement is an agreement between a criminal defendant and the United States Attorney’s Office wherein the defendant admits to the facts constituting a criminal offense, but the United States agrees to suspend the entry of judgment for a period of time and agrees to dismiss the charges if, during that period, the defendant complies with certain conditions set forth in the agreement.

The investigation was conducted by the Department of Defense, NSF, and NASA. The case is being prosecuted by Assistant U.S. Attorneys Rebecca S. Kanter and Christopher M. Alexander of the Southern District of California.

Those with information relating to fraud, corruption, or waste in government contracting should contact the DOD Hotline at www.dodig.mil/hotline or call (800) 424-9098.

[Scientists Sentenced to Prison for Defrauding the Small Business Innovation Research Program](#)

Department of Justice, U.S. Attorney’s Office, Middle District of Florida Press Release
September 11, 2015

Tampa, Florida – U.S. District Judge Virginia Hernandez Covington has sentenced Mahmoud Aldissi (a/k/a Matt) and Anastassia Bogomolova (a/k/a Anastasia) for conspiracy to commit wire fraud, wire fraud, aggravated identity theft, and falsification of records. Aldissi was sentenced to 15 years in federal prison and Bogomolova was sentenced to a term of 13 years. As part of their sentences, the court entered a money judgment in the amount of \$10.6 million, representing the proceeds of the crime, and ordered them to pay \$10.6 million in restitution. Aldissi and Bogomolova were found guilty on March 20, 2015.

According to testimony and evidence presented during the month-long trial, through their two companies, Fractal Systems, Inc., and Smart Polymers Research Corp., Aldissi and Bogomolova fraudulently obtained approximately \$10.5 million of small business research awards from the federal government. In order to be awarded contracts, they submitted proposals using the stolen identities of real people to create false endorsements of and for their proposed contracts. In the proposals, they also lied about their facilities, costs, the principal investigator on some of the contracts, and certifications in the proposals.

"The Defense Criminal Investigative Service and its law enforcement partners are committed to protecting the integrity of all Department of Defense programs," said Special Agent in Charge John F. Khin, Southeast Field Office. "DCIS aggressively investigates those who defraud the DoD procurement process, and places the utmost importance on preserving precious American taxpayer dollars intended to support our Warfighters. "

"The NASA Office of Inspector General will continue to aggressively investigate those who undermine and defraud NASA programs and operations," said Special Agent in Charge John Corbett, Central Field Office. "Today's sentencing serves as a staunch reminder that such conduct will not be tolerated. The NASA OIG applauds the efforts of the entire investigative and prosecution team during this multi-year investigation, and we look forward to our continued cooperation with our law enforcement partners in the pursuit of justice."

Allison Lerner, Inspector General at the National Science Foundation said, "Through their repeated lies, falsification of records, and other illegal practices, these individuals fraudulently obtained millions of taxpayer dollars intended to advance new technologies. I commend our law enforcement and prosecution partners whose diligent efforts led to today's sentencing."

"We are extremely pleased with the outcome of this investigation and today's sentencing," said the Director of the U.S. Army Criminal Investigation Command's Major Procurement Fraud Unit, Frank Robey. "This case is a prime example of various investigative agencies working closely together to solve a suspected crime and how their varying investigative skills, knowledge and expertise complement one another to bring those responsible to justice."

"Today's sentencing of Mr. Aldissi and Ms. Bogomolova serves as a fitting end to their scheme to cheat legitimate business owners out of the opportunity to compete for government contracts," said Jerry Polk, acting Special Agent in Charge, EPA OIG Atlanta Field Office. "Their fate is certainly a cautionary tale for other contractors to avoid these types of illegal activities. The EPA OIG is committed to guarding federal funds and aggressively investigating those who abuse the American taxpayer's money."

"The Department of Homeland Security Office of Inspector General applauds the efforts of the investigative and prosecution team during this complex investigation, and we look forward to our continued cooperation with our law enforcement partners and the United States Attorney's Office in the pursuit of justice. The Small Business Innovation Research Program is one of the largest public-private partnerships in the United States, and the DHS Office of Inspector General will aggressively investigate those who seek to unjustly capitalize and benefit from it," stated James J. DePalma, Senior Special Agent, DHS Office of Inspector General, Orlando.

"This sentencing serves as a reminder that fraud in the Small Business Innovation Research Program will not be tolerated," said Inspector General Gregory H. Friedman of the DOE. "The Small Business Innovation Research program is an essential Department of Energy program to support scientific excellence and technological innovation. I salute the work of the U.S. Attorney's Office and our investigative partners in pursuing this matter."

This case was investigated by Defense Criminal Investigative Service (DCIS), National Aeronautics and Space Administration's Office of the Inspector General (NASA-OIG), the Major Procurement Fraud Unit (MPFU) of the United States Army Criminal Investigation Division (Army CID), National Science Foundation's Office of the Inspector General (NSF-OIG), the Environmental Protection Agency's Office of the Inspector General (EPA-OIG), the Department of Energy's Office of the Inspector General (DOE-OIG), and the Department of Homeland Security's Office of the Inspector General (DHS-OIG). It was prosecuted by Assistant United States Attorney Thomas N. Palermo.

[Lexington Couple Pleads Guilty to Grant Fraud](#)

Department of Justice, U.S. Attorney's Office, Eastern District of Kentucky Press Release
February 10, 2016

LExINGTON — A Lexington couple has admitted in federal court that they submitted false claims related to federal grants from the National Institutes of Health ("NIH") and defrauded the government out of hundreds of thousands of dollars.

Today, Jerome Hahn, 69, pleaded guilty, to conspiracy to defraud the United States with respect to claims, before U.S. District Judge Danny C. Reeves. On December 16, 2015, Vesta Brue, 70, pleaded guilty to making a false claim against the United States.

According to court documents, Vesta Brue certified on behalf of Telehealth Holdings, LLC, a company owned by Jerome Hahn, that the company had incurred expenses totaling \$222,037, relating to two federal grants Telehealth received from NIH, for the development of medical devices. Brue falsely certified that the funds had been spent in accordance with grant rules and regulations.

Brue and Hahn waived their right to be indicted by a grand jury, were formally charged in court, and admitted to the charges.

Kerry B. Harvey, United States Attorney for the Eastern District of Kentucky; Howard S. Marshall, Special Agent in Charge, Federal Bureau of Investigation; Derrick Jackson, Special Agent in Charge, U.S. Department of Health and Human Services, Office of Inspector General, Atlanta Region; and Christopher A. Henry, Special Agent in Charge, Internal Revenue Service, Criminal Investigation Division, jointly announced the guilty pleas.

The investigation was conducted by the Federal Bureau of Investigation, the U.S. Department of Health and Human Services, Office of Inspector General, and the Internal Revenue Service, Criminal Investigation Division. Assistant U.S. Attorney Kate K. Smith represents the federal government in this case.

Vesta Brue is scheduled to be sentenced on March 30, 2016. She faces a maximum prison sentence of 5 years and a maximum fine of \$250,000. Jerome Hahn is scheduled to be sentenced on May 18, 2016. He faces a maximum prison sentence of 10 years and a maximum fine of \$250,000. Any sentence will be imposed by the Court after consideration of the U.S. Sentencing Guidelines and the federal statutes.