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District of Massachusetts

FOR IMMEDIATE RELEASE

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Woburn Company and President Agree to Pay \$2.25 Million to Resolve Allegations of Grant Fraud

BOSTON – Agiltron, Inc., a Woburn research and development company financed largely by federal government funding, and its President, Jing Zhao, have agreed to pay \$2.25 million to resolve allegations that they violated the False Claims Act by seeking disbursements from federal agencies for falsified labor costs in order to maximize charges to grants and contracts awarded by federal agencies.

“When the government awards precious funding to foster innovation, it expects and requires grant recipients to use the money appropriately,” said United States Attorney Carmen M. Ortiz. “It is unlawful and unfair to other deserving grant applicants for companies to submit falsified information to take advantage of government funding.”

As alleged in the settlement agreement, from 2009 to 2012, Agiltron received funds under 15 grants and contracts awarded through the federal Small Business Innovation (SBIR) and Small Business Technology Transfer (STTR) programs, which are intended to provide opportunities for small businesses to develop products that they can ultimately commercialize. The government alleges that Agiltron and Zhao engaged in a scheme in which they directed and allowed employees to charge labor hours to the awards, even when those hours did not correspond with the employees' actual time and effort. They also directed and allowed employees to alter their completed timesheets, with the goal of maximizing charges to each grant or contract. The government further alleges that Agiltron and Zhao directed and allowed employees to discard or destroy documents instructing them on how many hours to charge or change on their timesheets.

The government's investigation of Agiltron originated when the Offices of Inspector General of multiple agencies participating in the SBIR and STTR programs, including the National Science Foundation, Department of Defense, Department of Homeland Security, Department of Energy, and National Aeronautics and Space Administration, learned of allegations that Agiltron was improperly billing time and effort to SBIR/STTR grants and contracts. In 2013, the Department of

the Air Force suspended Agiltron and Zhao, as well as Agiltron's related companies, from government contracting, in part because of suspected improper billing. In reaching an administrative agreement with the Air Force to terminate the suspension, Agiltron implemented a number of remedial measures to correct its accounting practices and internal controls. The settlement agreement resolves multiple federal agencies' claims for civil damages arising from allegations of fraudulent time-and-effort billing to SBIR/STTR grants and contracts.

"Fraudulently certifying efforts to obtain funds intended to support innovative research under the SBIR/STTR programs is unacceptable. I commend the U.S. Attorney's Office and the investigative teams for their sustained and vigorous effort in reaching this settlement agreement," said Allison Lerner, Inspector General of the National Science Foundation.

"This agreement demonstrates the continuing efforts of the Defense Criminal Investigative Service and our law enforcement partners to investigate fraud, waste and abuse within the SBIR/STTR program," said Craig W. Rupert, Special Agent in Charge, Office of the Inspector General, U.S. Department of Defense, Defense Criminal Investigative Service, Northeast Field Office. "Consistent with our mission to 'Protect America's Warfighters,' DCIS is dedicated to ensuring the integrity of the DoD procurement process."

"I commend the outstanding investigative efforts of the investigative team and the work of USAO for the District of Massachusetts in reaching this agreement," said Michael W. Sonntag, Special Agent in Charge of NASA, Office of Inspector General, Office of Investigations. "The NASA Office of Inspector General is committed to ensuring aggressive oversight of taxpayer funds used for scientific research by NASA contractors."

U.S. Attorney Ortiz, NSF Inspector General Lerner, DoD-OIG-DCIS Special Agent in Charge Craig W. Rupert, and NASA-OIG Special Agent in Charge Sonntag, made the announcement today. The matter was handled by Assistant U.S. Attorneys Deana El-Mallawany and Michelle Leung of Ortiz's Civil Division.

USAO - Massachusetts

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