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Delaware Man Pleads Guilty To Defrauding Federal Government Of Hundreds Of Thousands Of Dollars In Small Business Fraud Case

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WILMINGTON, Del. -A Delaware man pleaded guilty today to wire fraud in connection with false representations that he made in a final report to the United States Air Force.

Pengcheng Lv is a co-owner of AlphaSense, Inc. ("AlphaSense"), a small technology company located in Wilmington, Delaware. Starting as early as 2008 and continuing through at least 2016, AlphaSense, through Lv, voluntarily and intentionally made false representations in grant proposals and payment requests to United States government agencies, including the United States Department of Energy (DOE), Air Force, Navy, and Army, the Defense Advanced Research Projects Agency, the National Science Foundation (NSF), and the National Aeronautics and Space Administration (NASA), seeking funds for scientific research. The total loss attributable to Lv's conduct is between \$250,000 and \$500,000. As part of Lv's plea, he also agreed to enter into a civil settlement to pay \$700,000 in damages to the government for violations under the False Claims Act.

Lv's grant applications were submitted to the government agencies in connection with grants or contracts that were administered through the Small Business Innovation Research ("SBIR") and Small Business Technology Transfer ("STTR") programs. The SBIR and STTR programs encourage domestic small businesses to engage in federal research and development that has the potential for commercialization. These funding programs are highly competitive and require a showing of adequate and qualified staffing and, in some cases, industry support.

Lv's scheme included forging letters from university professors and industry professionals and including such letters in his proposals to the government as evidence of capability, support, or interest; representing that AlphaSense had employees with impressive experience and education, when many of those individuals had never worked for AlphaSense; and, pocketing money that had been earmarked through the government awards to others, including "ghost" employees.

"Lv deceived numerous government agencies into awarding federal grants or contracts that should have gone to honest, qualified, and deserving small businesses," said U.S. Attorney David C. Weiss. "Fraud in the award process serves to undermine public trust and confidence in such programs, and harms deserving small businesses looking to commercialize their ideas. With our agency partners, we will continue to identify and punish those who use the federal funding process to line their own pockets and we will disgorge bad actors of any ill-gotten gains."

"The SBIR/STTR program is a valuable tool in advancing NSF's mission to promote the progress of science by increasing opportunities for small businesses to undertake cutting-edge scientific

research, and it is essential to protect the integrity of this program," commented Allison Lerner, the Inspector General for NSF. "The NSF Office of Inspector General is committed to vigorously pursuing oversight of these taxpayer funds and I commend the U.S. Attorney's Office and our investigative partners for their strong support in this effort."

"I commend the outstanding investigative efforts of our law enforcement partners and the work of the USAO for the District of Delaware in reaching this plea," said NASA Inspector General Paul K. Martin. "Their teamwork resulted in ensuring aggressive oversight of taxpayer funds used for scientific research by NASA contractors and grantees."

"Protecting research and development programs funded by the U.S. Department of Defense is a priority for the Defense Criminal Investigative Service (DCIS)," stated Special Agent in Charge Leigh-Alistair Barzey, DCIS Northeast Field Office. "The defendant's guilty plea is the result of a joint effort and this case demonstrates the DCIS' ongoing commitment to work with the USAO-DE and its law enforcement partners to investigate and prosecute individuals who defraud the SBIR and STTR programs."

"The SBIR and STTR programs are critically important in the generation of scientific breakthroughs and technological innovations. Those who defraud our programs are a threat to our nation. The Department of Energy, Office of Inspector General will continue to work with our law enforcement partners to hold all who violate the integrity of our Nation's scientific programs accountable," said Department of Energy Inspector General Teri L. Donaldson. "Thank you to the U.S. Attorney's Office and our law enforcement partners on this joint investigation."

Lv faces a maximum penalty of 20 years imprisonment, 3 years supervised release, a fine equal to the greater of \$250,000 or twice the gross loss, and a \$100 special assessment. Actual sentences for federal crimes are typically less than the maximum penalties. A federal district court judge will determine any sentence after taking into account the U.S. Sentencing Guidelines and other statutory factors.

This case is being investigated by the Offices of Inspectors General at NASA, NSF, and DOE, the Air Force Office of Special Investigations, the Defense Criminal Investigative Service, and the Naval Criminal Investigative Service, with assistance from United States Citizenship and Immigration Services and Homeland Security Investigations. The case was prosecuted by Assistant U.S. Attorney Laura D. Hatcher and Elisabeth Christensen, Special Assistant U.S. Attorney, from the National Science Foundation Office of Inspector General.

A copy of this press release is located on the website of the U.S. Attorney's Office for the District of Delaware. Related court documents and information is located on the website of the District Court for the District of Delaware or on PACER by searching for Case No. Case 1 :20-cr-00021-MN.