

UPDATE*

Criminal

Southern District of California, case-3:2016-cr-00026-493218 (Case 3:16-cr-00026-GPC) JUDGMENT as to Sciberquest, Inc. (1), Count(s) 1, Probation for 3 years; Fine: \$175,000 to be paid to US District Court (Clerk's Office) - installments over the course of probation period; Assessment: \$400.

Signed by Judge Gonzalo P. Curiel (ksr)

January 7, 2016

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

Online article available at:

<https://www.justice.gov/usao-sdca/pr/former-ucsd-professor-admits-fraud-agrees-forfeit-180000>

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. Karimabadi 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.

*Link to Update: <https://www.docketbird.com/court-documents/USA-v-Sciberquest-Inc-et-al/JUDGMENT-as-to-Sciberquest-Inc-1-Count-s-1-Probation-for-3-years-Fine-036-175-000-to-be-paid-to-US-District-Court-Clerk-039-s-Office-installments-over-the-course-of-probation-period-Assessment-036-400-Signed-by-Judge-Gonzalo-P-Curiel-ksr/casd-3:2016-cr-00026-493218-00031>