

Thursday, May 9, 2019

Chicago Software Developer Sentenced to Prison for Fraudulently Obtaining Federal Grant Money

Original article available at:

<https://www.justice.gov/usao-ndil/pr/chicago-software-developer-sentenced-prison-fraudulently-obtaining-federal-grant-money>

CHICAGO — A Chicago software developer has been sentenced to three months in federal prison for fraudulently obtaining \$200,000 in grant funds from the National Aeronautics and Space Administration and the National Science Foundation.

MIROSLAV VELEV, a mathematician with a doctorate in electrical and computer engineering, operated the Chicago-based software development and consulting company Aries Design Automation LLC, which developed methods to solve electronic design automation problems. Velev sought and obtained federal grant funds for his company through the Small Business Innovation Research program, which provides opportunities for small businesses to participate in federally-sponsored research and development. Aries was awarded a total of \$200,000 in grants from NASA and the NSF after Velev made materially false representations about the company's financial condition.

Velev, 50, of Chicago, pleaded guilty last year to one count of conversion of government funds, a misdemeanor. U.S. District Judge Gary Feinerman on Wednesday sentenced Velev to three months in federal prison. Velev previously paid restitution of \$150,000 to NASA and \$50,000 to the NSF.

The sentence was announced by John R. Lausch, Jr., United States Attorney for the Northern District of Illinois; Curtis Vaughn, Special Agent-in-Charge of the Office of Investigations of NASA's Office of Inspector General, Eastern Field Office; and Jennifer Springmann, Special Agent-in-Charge of the NSF's Office of Inspector General's Civil, Criminal and Program Integrity Division.

"Absent Velev's fraud and false statements, his proposals would not have been approved and he would not have been awarded federal funds," Assistant U.S. Attorney William R. Hogan, Jr., argued in the government's sentencing memorandum. "By intentionally deceiving the government, Velev personally benefitted at the expense of another eligible small business, and at the expense of the taxpayers who funded the SBIR program."

"This investigation exposed an individual that used federal funds to advance his own personal gain," said SAC Vaughn. "I applaud the outstanding efforts of our agents and law enforcement partners."

"The Small Business Innovation Research 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," said SAC Springmann. "It is essential to protect the integrity of

this program. 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 support in this effort.”

The SBIR program required applicant companies to show independent, third-party investments or commitments of investments in their projects. Velev admitted in a plea agreement that he falsely represented to NASA and the NSF that Aries had received the required independent investment from an individual investor. Velev fraudulently submitted in his grant proposals a screenshot of his company's bank account that reflected a funds transfer from the purported investor. In reality, the investor did not exist, and Velev had routed his own money into the account to support the false appearance of an investment.

Velev also submitted in his grant proposals an “investment letter” that identified a Chief Financial Officer for the purported investor. In fact, the alleged CFO was an acquaintance of Velev's wife and had no connection with an investment in Aries.