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Tuesday, June 23, 2015

Alpharetta Business Owner Convicted of Defrauding NASA and National Science Foundation of Almost \$800,000

ATLANTA – Craig D. Near and Genziko, Inc., of Alpharetta, Georgia, were convicted by a federal jury Friday, June 19, 2015, on seven counts of wire fraud and two counts of filing false claims against the United States, all relating to a procurement fraud scheme targeting the National Aeronautics and Space Administration (NASA) and the National Science Foundation (NSF).

“For years this defendant supported himself and his family in a suburban lifestyle, with practically his only earnings being the fruits of his scheme defrauding the government,” said Acting U.S. Attorney John Horn. “The Small Business Innovation Research Program, which Near defrauded, supports technological innovation by investing federal research funds in critical priorities. Near’s scheme diverted funds that should have been used for these important goals.”

“The NASA Office of Inspector General is committed to ensuring aggressive oversight of taxpayer funds used for scientific research by NASA contractors and grantees,” said Paul Martin, NASA Inspector General.

“The Small Business Innovation Research Program sets aside funds to support small companies that conduct innovative research. These convictions of guilt on nine counts, including wire fraud and false claims, send a strong signal to anyone who would seek to defraud this program and divert taxpayer dollars intended for scientific research to personal use. I commend the U.S. Attorney’s office and our investigative partners for their work on this case,” said Allison Lerner, the National Science Foundation Inspector General.

“The United States Secret Service and our law enforcement partners take an aggressive approach towards investigating individuals who commit fraud to illegally enrich themselves. We will continue to work closely with prosecutors to ensure offenders are put behind bars,” said Reginald G. Moore, Special Agent in Charge of the United States Secret Service, Atlanta Field Office.

According to Acting U.S. Attorney Horn, the charges and other information presented in court: From approximately June 2008 to June 2014, Near submitted numerous fraudulent grant and contract proposals to various federal agencies seeking funds for scientific research. Near submitted all of the proposals through his company, Genziko. All of the proposals falsely stated that Genziko had multiple employees. The proposals also listed the credentials of an apparently impressive management team with many years of experience in the relevant scientific and engineering specialties, without the knowledge or consent of several of those individuals.

Some of the proposals also contained fraudulent budgets. Near, through Genziko, Inc., inserted a variety of fake costs into the fraudulent budgets, including salaries for engineers and technicians who were not needed to accomplish the research work. Near pocketed the salaries for these “phantom employees” and also collected inflated overhead and general and administrative costs from the government based on their fictitious wages. At the same time, Near pocketed money earmarked for the university subcontractors and scientist consultants who actually completed work on the research projects. Taken together, these fraudulent techniques allowed Near and Genziko, Inc., to conceal the fact that they were making profits ranging from 79 to 197 percent on the three proposals that were actually granted by the government. These profits were far in excess of the seven percent maximum that was allowed for these contracts by the NSF and NASA.

In sum, Near and Genziko, Inc., received almost \$800,000 in federal research funds on the three granted proposals. Rather than using the money for the scientific research for which it was intended, Near spent it almost entirely on personal expenses such as mortgage payments, private school tuition for his children, vacations, shopping, and large money wires to family and friends overseas.

Sentencing has been scheduled for 10:00 am on September 1, 2015, before United States District Judge Thomas W. Thrash.

This case is being investigated by the National Aeronautics and Space Administration, the National Science Foundation, and the United States Secret Service.

Assistant United States Attorneys Alana R. Black and Lynsey M. Barron are prosecuting the case.

For further information please contact the U.S. Attorney’s Public Affairs Office at USAGAN.PressEmails@usdoj.gov or (404) 581-6016. The Internet address for the home page for the U.S. Attorney’s Office for the Northern District of Georgia Atlanta Division is <http://www.justice.gov/usao-ndga>.

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