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Former Penn State Professor Who Plead Guilty In \$3 Million Federal Research Grant Fraud Sentenced In Federal Court

FOR IMMEDIATE RELEASE

November 30, 2012

The United States Attorney's Office for the Middle District of Pennsylvania announced that a former Pennsylvania State University professor who pled guilty to a \$3 million federal research grant fraud was sentenced today in Harrisburg by United States District Court Chief Judge Yvette Kane to 41 months in prison and ordered to pay \$640,660.37 in restitution. Grimes was also previously employed with Nanjing University of Technology, Nanjing, China, as a professor of engineering from June 2011 through February 2012.

According to United States Attorney Peter J. Smith, on January 31, 2012, Craig Grimes, age 56, formerly of Boalsburg, PA, and currently living in Raleigh, North Carolina, was charged in a three-count felony Information with wire fraud, false statements, and money laundering. During the time period contained in the Information, Grimes was a Professor of Electrical Engineering at The Pennsylvania State University.

Between June 30, 2006, and February 1, 2011, Grimes defrauded the National Institutes of Health ("NIH") of federal grant monies. The NIH, a component of the United States Department of Health and Human Services, provides funding for medical research through grants.

Grimes, acting through his solely-owned company, SentechBiomed, State College, PA, requested a \$1,196,359.00 grant from NIH to perform research related to the measurement of gases in a patient's blood. The NIH funded the clinical trial because of the importance of the measurement of these gases in detecting the presence of a disease in newborn babies known as necrotizing enterocolitis.

In the application, Grimes specifically represented to the NIH that he would direct approximately \$509,274.00 to the Hershey Medical Center to conduct clinical research on adult and infant subjects. The money was never paid. Instead, the grant funds were misappropriated, in part, by Grimes for his own personal use. The clinical studies/trials were not performed.

Grimes then laundered a portion of the fraudulent proceeds he received from the National Institutes of Health.

Grimes also made false statements to the United States Department of Energy in connection with a second federal grant. In August 2009, Grimes, while a PSU professor, completed a grant application seeking a \$1,908,732.00 grant from the Advanced Research Projects Agency - Energy (ARPA-E) which was created to foster research and development of energy-related technologies. The ARPA-E grant was funded by the American Recovery and Reinvestment Act.

Due to the limited amount of funds available for research, ARPA-E seeks to avoid funding research already funded by other government and private entities. It requires applicants for grants to disclose other funding sources. In the application Grimes completed and submitted to ARPA-E, he stated there was no other funding, when, in fact, he had received a grant for the same research from the National Science Foundation.

Allison Lerner, Inspector General National Science Foundation said, "The National Science Foundation funds approximately 20% of basic research at our nation's colleges and universities. Duplicate funding fraudulently diverts these vital federal research dollars. My office will continue to vigorously pursue those who attempt to illegally obtain these funds and we commend the U.S. Attorney's Office for its strong support in this effort".

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Greg Friedman, Inspector General, U.S. Department of Energy, stated that "As one of the Federal Government's largest sponsors of research, we vigorously investigate allegations of fraud and improprieties associated with the grants process. Abuse of the system is unacceptable, and today's sentencing underscores the seriousness of these crimes. I would like to thank the United States Attorney's Office and the IG Special Agents who worked tirelessly on this case. The investigation and prosecution demonstrate our commitment to holding those who defraud the Department accountable for their actions."

"Today's sentencing further shows IRS Criminal Investigation is committed to investigating individuals who use deceit and fraud to line their pockets," said Akeia Conner, Special Agent in Charge, IRS Criminal Investigation. "Those individuals who engage in this type of financial fraud should know they will not go undetected and will be held accountable."

Grimes resigned from Pennsylvania State University as of January 2011.

Grimes pleaded guilty before U.S. Magistrate Judge Martin C. Carlson in February 2012.

U.S. Attorney Smith stated that "The Department of Justice will vigorously prosecute fraud in connection with grants for scientific research."

Fraud related to U.S. Department of Energy may be reported to: (800) 541-1625.

Fraud related to U.S. Department of Health and Human Services, including U.S. National Institutes of Health, grants and programs may be reported to: 1-800-HHS-TIPS (1-800-447-8477).

Fraud related to U.S. National Science Foundation grants and programs may be reported to: 703-292-7100.

The investigation was conducted by the Department of Energy, Office of Inspector General, the National Science Foundation, the Department of Health and Human Services, and the IRS. Prosecution was handled by Assistant United States Attorney Joseph J. Terz.

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