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Department of Justice

U.S. Attorney's Office

Western District of Michigan

FOR IMMEDIATE RELEASE

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## Lansing-Based Research And Development Firm Pays \$500,000 To Resolve Federal Contract Fraud Allegations

### Metna Co. And Its President Voluntarily Agree To Two-Year Ban From Federal Contracting

**GRAND RAPIDS, MICHIGAN** — United States Attorney Andrew Birge announced today that Metna Co., a Lansing-based research and development firm, paid \$500,000 to resolve allegations that the company violated the federal False Claims Act by concealing its use of underpaid foreign graduate students—students, the government alleged, who were ineligible to work at Metna under their visa restrictions—to obtain Small Business Innovation Research (“SBIR”) contracts from the United States Army. Metna and its president also voluntarily agreed to two-year, government-wide exclusions from federal contracting and financial assistance.

The SBIR program, administered through eleven participating agencies, encourages domestic small businesses to engage in federally-sponsored research and development with the potential for commercialization. By including qualified small businesses in the nation's research and development efforts, the SBIR program stimulates high-tech innovation and promotes entrepreneurialism to meet the government's needs.

The Army's SBIR contract proposal process requires applicants to declare any foreign nationals working on the project. Foreign national disclosures facilitate the Army's review of foreign nationals' visa work authorizations, their compliance with visa work restrictions, and any potential risks associated with providing access to innovative research and emerging technologies funded by the federal government.

This case involved F-1 student visas, which allow foreign nationals to enroll as full-time students at accredited academic institutions in the United States. F-1 students may engage in certain types of off-campus employment after their first academic year if, among other things, the sponsoring institution approves and the proposed employment is consistent with specific work-hour limitations during the academic year.

The government alleged that Metna falsely certified that it was not using foreign nationals in its SBIR proposals when, in fact, the company used foreign graduate students to work on the Army contracts. The government alleged that the graduate students were not eligible to work at Metna because, among other things, Metna provided false information to Michigan State University—including about the number of hours the students would work at Metna during the academic year—to secure the necessary F-1 visa work authorizations. Metna, the government alleged, also paid the graduate students substantially less than the hourly labor rate that Metna quoted to the Army in its contract budget proposals. The government also claimed that Metna did not use a number of third-party consultants that Metna included and budgeted for as part of its proposed project teams. Finally, the government alleged that Metna's designated principal investigator (the individual responsible for the preparation, conduct, and administration of the Army contracts) did not actually serve in that role during performance of the projects.

U.S. Attorney Birge said, “The SBIR program involves intense competition for a limited pool of funds. Exploiting foreign students and then making misrepresentations to outcompete deserving and eligible small businesses are just the sort of allegations we should all care about. This settlement reflects my office's commitment to ensuring that taxpayer dollars spent through this critical economic program go to deserving and eligible small businesses.”

“This settlement demonstrates the Army's dedication to protecting the interest of the SBIR program and holding companies accountable when the program is exploited. The U.S. Army Criminal Investigation Command will continue to investigate allegations of fraud which threaten the small business procurement program,” said Special Agent in Charge Ray A. Rayos, Southwest Fraud Field Office of the Army Criminal Investigation Command's Major Procurement Fraud Unit.

“Protecting research and development programs funded by the Department of Defense is a priority for the Department of Defense Office of Inspector General Defense Criminal Investigative Service (DCIS),” stated Special Agent in Charge Patrick J. Hegarty, DCIS Northeast Field Office. “The settlement agreement with Metna is the result of a joint investigative effort to protect Small Business Innovative Research contracts from fraud and abuse, and this case demonstrates the DCIS's ongoing commitment to work with the U.S. Attorney's Office for the Western District of Michigan and its law enforcement partners to investigate and prosecute companies that defraud the SBIR programs.”

This case was investigated by multiple agencies, including the U.S. Army Criminal Investigation Command, the U.S. Department of Energy, Office of Inspector General, the U.S. Department of Transportation, Office of Inspector General, the Defense Criminal Investigative Service, the Defense Contract Audit Agency, the U.S. Environmental Protection Agency, Office of Inspector General, Homeland Security Investigations, and the U.S. Attorney’s Office for the Western District of Michigan.

Assistant U.S. Attorney Adam B. Townshend represented the United States.

*The claims resolved by the civil settlement agreement are allegations only, and there has been no determination of liability.*

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<b>Topic(s):</b> False Claims Act	<b>Component(s):</b> <u>USAO - Michigan, Western</u>
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