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Department of Justice

U.S. Attorney's Office

District of Colorado

FOR IMMEDIATE RELEASE

Monday, February 13, 2023

Colorado Laser Technology Company Agrees to Pay More Than \$400,000 to Resolve Allegations that it Improperly Used Foreign Subcontractors

DENVER – Vescent Photonics, Inc., a laser technology company located in Golden, Colorado, agreed to pay \$402,621 to resolve allegations that it violated the False Claims Act by using contractors located outside of the United States in research projects funded by the Small Business Innovation Research (SBIR) program.

The SBIR program is a federal program intended to foster eligible small businesses in the United States through federally funded research and development awards. Awards are made by various government agencies to eligible small businesses for them to use domestically, in conducting research and developing technology with potential commercial benefits. The government does not own the research it subsidizes through the SBIR program or share in the profits from commercial applications. In order to ensure that taxpayer dollars are properly spent, the Small Business Administration, and each agency issuing awards, publishes eligibility requirements for participation in the program. One eligibility requirement for SBIR funds is that all research and development must be performed in the United States. More details on the SBIR program are available at <https://www.sbir.gov/faqs/general-questions>.

According to the United States, Vescent, a company that conducts research and development of complex laser technologies, applied for and received two SBIR awards, one from the National Aeronautics and Space Administration (NASA), and one from the United States Air Force. Vescent then subcontracted with two foreign nationals, located in foreign countries, to perform research and development on these SBIR projects. In doing so, Vescent failed to comply with the SBIR requirement that all research and development be performed in the United States, and violated the False Claims Act.

“SBIR funds are intended to help support qualified small businesses in the United States, and to encourage domestic innovation and domestic technology development,” said U.S. Attorney Cole Finegan. “Diverting SBIR funds to foreign nationals located abroad undermines the purpose of this funding and violates the rules of the SBIR program.”

“Protecting research and development programs funded by NASA is a priority for the NASA Office of Inspector General (OIG). The settlement agreement with Vescent Photonics is the result of a joint effort to protect SBIR contracts from fraud and abuse, and this case demonstrates the commitment of the NASA OIG and our law enforcement partners to work with the U.S. Attorney’s Office to investigate and prosecute companies that defraud SBIR programs,” said Bob Steinau, Assistant Inspector General for Investigations, NASA OIG.

“This case demonstrates the dedication of the Department of Defense Office of Inspector General, Defense Criminal Investigative Service (DCIS), along with our law enforcement partners, to tirelessly investigate fraudulent conduct that undermines the integrity of the SBIR program,” said DCIS Assistant Inspector General Paul Sternal. “The outcome in this case reflects our steadfast commitment to hold those who defraud the United States Government and the Department of Defense accountable for their actions.”

“This settlement represents the combined efforts of partnering agencies to defend programs designed to assist domestic small businesses to ensure they are able to thrive and compete. We are fully committed to ensuring integrity within Air Force-funded acquisition programs,” said James P. Stoddard, Special Agent in Charge of the U.S. Air Force, Office of Special Investigations (OSI).

The claims resolved by this settlement are allegations only.

This matter was investigated by NASA OIG, the DCIS, and the U.S. Air Force OSI. It was handled by Assistant U.S. Attorney Zeyen Wu.

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