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Husband And Wife Plead Guilty In Scheme To Defraud The United States

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ROCHESTER, N.Y. - U.S. Attorney James P. Kennedy, Jr. announced today that Bin “Ben” Wen, 46, and Peng “Jessica” Zhang, 45, both formerly of Horseheads, NY, pleaded guilty for their roles in a scheme to defraud the United States before U.S. District Judge Elizabeth A. Wolford. Wen pleaded guilty to conspiracy to commit wire fraud which is punishable by a maximum penalty of 20 years in prison and a \$250,000 fine. Zhang pleaded guilty to conspiracy to defraud the United States and faces a maximum sentence of five years in prison and a \$250,000 fine. As part of the plea, the defendants agreed to forfeit nearly \$5,000,000 in assets derived from their criminal activity.

Assistant U.S. Attorneys Tiffany H. Lee Grace M. Carducci, who are handling the case, stated that between June 2010, and December 2015, the defendants participated in a scheme to defraud departments and agencies of the United States of federal research funds that were awarded to companies controlled by the defendants. The government entities defrauded by the defendants included: the National Science Foundation (NSF); the United States Department of Energy (DOE); and the United States Department of Agriculture (USDA).

In December, 2003, Zhang incorporated United Environment & Energy, L.L.C. (UEE) in Horseheads, NY. Meanwhile, Wen incorporated Advanced Technologies and Materials, L.L.C. (ATM), in December, 2007, also in Horseheads. UEE submitted approximately 13 applications to NSF totaling over \$2,600,000, 10 applications to the DOE totaling more than \$5,000,000 and four applications to the USDA totaling approximately \$650,000. The defendant received, through their companies, approximately \$8,400,000 in awards from the NSF, the DOE, and the USDA. Wen and Zhang submitted false and fraudulent information in Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) applications by:

- fabricating letters of support and investment;
- providing false information in research grant proposals and reports regarding business entities, business employees, business/research facilities, matching funds and investments; and
- providing falsified reports and emails regarding how federal research funds were expended.

A substantial amount of the fraudulently obtained money went toward the personal use and benefit of the defendants.

“By diverting monies that were intended to promote innovation and technology in small businesses, the defendants, through their frauds, not only swindled taxpayers but stifled economic and scientific development,” stated U.S. Attorney Kennedy. “It is a core responsibility of this Office to ensure that those receiving federal funds are entitled to those funds and that they are spent in accordance with the purposes for which it was given. Wen and Zhang neither deserved nor appropriately dispersed the millions of dollars in grants that they received.”

Allison Lerner, NSF's Inspector General said, "The defendants conspired to provide false information about their businesses in SBIR/STTR research proposals, correspondence, and reports submitted to the federal government, misrepresenting among other things, their key personnel and investments, and forming multiple sham companies to carry out their fraud schemes. Not only did they divert scarce taxpayer dollars intended for scientific research to personal use, they inflated their budgets with hours for individuals who were not actually employed by or doing research for their business, and doctored their biographies to strengthen their proposals, victimizing legitimate researchers and professionals in the community. I commend the U.S. Attorney's Office and our investigative partners for their work on this case."

"The SBIR Program is an essential Department of Energy program that supports scientific excellence and technological innovation," stated Principal Deputy Inspector General April G. Stephenson. "We appreciate the efforts of our investigative partners and the U.S. Attorney's Office in pursuing this matter. We will continue to work collaboratively with them to aggressively investigate those who seek to defraud Department programs."

"In addition to enforcing the nation's criminal tax laws, we are also an essential part of the larger law enforcement community," said James D. Robnett, Special Agent-in-Charge, IRS-Criminal Investigation, New York Field Office. "Our specialized financial expertise is needed in these large and complex investigations, where in this case our Criminal Investigators followed the complex flow of money designed by the defendants to conceal fraudulent grant proceeds they obtained. In addition to today's guilty plea, this led to the seizure of \$5,000,000 in assets that will be forfeited."

"This investigation demonstrates that ensuring taxpayer dollars are protected from fraud and abuse is a top priority for both the Office of Inspector General (OIG) and the Department of Transportation (DOT)," said Douglas Shoemaker, DOT OIG Regional Special Agent-in-Charge. "Working with our law enforcement and prosecutorial partners, we will continue our efforts to promote the prevention, detection, and prosecution of contract and grant fraud schemes."

Today's plea is the result of a joint investigation by Special Agents with the National Science Foundation, Office of Inspector General, under the direction of Inspector General Allison Lerner; the Department of Energy, Office of Inspector General, under the direction of Principal Deputy Inspector General April G. Stephenson; the Internal Revenue Service, Criminal Investigations, under the direction of Special Agent-in-Charge James D. Robnett, New York Field Office; and the Department of Transportation, Office of Inspector General, under the direction of Special Agent-in-Charge Douglas Shoemaker.

Component(s):

USAO - New York, Western

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