



United States Attorney's Office District of Connecticut Press Release

**December 23,
2008**

YALE UNIVERSITY TO PAY \$7.6 MILLION TO RESOLVE FALSE CLAIMS ACT AND COMMON LAW ALLEGATIONS

Nora R. Dannehy, Acting United States Attorney for the District of Connecticut, today announced that YALE UNIVERSITY has entered into a civil settlement agreement with the Government in which it will pay \$7.6 million to resolve allegations that it violated the False Claims Act and the common law in the management of federally-funded research grants awarded to the university between January 2000 and December 2006.

Acting U.S. Attorney Dannehy explained that the grant awards were made by approximately 30 federal agencies and entities, including the Department of Health and Human Services, the National Science Foundation, the Department of Energy, the Department of Defense, and the National Aeronautics and Space Administration. These five agencies provided approximately 94 percent of the almost \$3 billion in federal grant funding to YALE UNIVERSITY during the time period at issue.

The investigation focused on allegations involving two types of mischarges to federal grants. Both types of mischarges arose as violations of the basic principle that recipients of federal grants are allowed to charge to each grant account only "allocable" costs, which are costs that relate to the specific objectives of that grant project. The first allegation involved cost transfers and the requirement that costs transferred to a federal grant account must be allocable to that particular grant account. The settlement resolves allegations that some YALE UNIVERSITY researchers at times improperly transferred charges to a federal grant account to which those charges were not allocable. Researchers allegedly were motivated to carry out these wrongful transfers when the federal grant was near its expiration date and they needed to spend down the remaining grant funds. Federal regulations require that unspent grant funds be returned to the Government.

The second allegation involved salary charges and the requirement that charges to federal grant accounts for researcher time and effort must reflect actual time and effort spent on a particular grant. The Government alleges that some researchers at YALE UNIVERSITY at times submitted time and effort reports, for summer salary paid from federal grants, that wrongfully charged 100 percent of their summer effort to federal grants when, in fact, the researchers expended significant effort on unrelated work. Researchers allegedly were motivated to carry out these wrongful salary charges by the fact that they are not paid their academic-year salary by YALE UNIVERSITY during the summer. The only salary received by these researchers during the summer was the result of the effort they charged to federal grants. Absent the alleged grant mischarges, the

researchers would not have been paid.

The \$7.6 million payment comprises two components: \$3.8 million in actual damages for the false claims, and \$3.8 million assessed as penalties for the false claims. The False Claims Act provides for up to treble damages and penalties of \$5,500 to \$11,000 per false claim submitted to the Government.

"This settlement sends a clear message that the regulations applicable to federally-funded research grants must be strictly adhered to," stated Acting United States Attorney Dannehy.

Acting U.S. Attorney Dannehy also noted that YALE UNIVERSITY cooperated fully in the Government's investigation, which began with the service of multiple investigative subpoenas on the university in 2006. Throughout the investigative period, YALE UNIVERSITY also made extensive efforts to significantly improve its management of federal grants.

As a result of the settlement, there will be no lawsuit filed against YALE UNIVERSITY regarding the more than 6,000 grants covered by the settlement agreement. In entering into the settlement, YALE UNIVERSITY did not admit liability and the agreement indicates that the parties settled this matter to avoid the delay, uncertainty, and expense of litigation.

The settlement resulted after a lengthy investigation conducted by the Department of Health and Human Services, Office of the Inspector General; the National Science Foundation, Office of the Inspector General; the Department of Energy, Office of the Inspector General; the Defense Criminal Investigative Service; the Department of the Army, Criminal Investigation Command; the Defense Contract Audit Agency; the National Aeronautics and Space Administration, Office of the Inspector General; and the Federal Bureau of Investigation.

The matter was handled within the U.S. Attorney's Office by Assistant U.S. Attorneys William A. Collier, John B. Hughes and David J. Sheldon, and Auditor Susan N. Spiegel.

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