

TESTIMONY OF ALFRED J. LONGHI, JR.

Senate Committee on Commerce, Science and Technology

August 6, 2009

Good afternoon Chairman Rockefeller and distinguished committee members. It is both an honor and a privilege to be able to present a statement today to the Senate Committee on Commerce, Science, and Transportation regarding the ease with which fraud can be conducted against the \$2 billion a year Small Business Innovation Research Program.

My name is Alfred Longhi Jr, and I am the former Vice President of Lithium Power Technologies and a witness to SBIR Fraud. Due to being a father, husband, and patriotic citizen, I had no choice but to lead by example and reveal this fraud even though there may have been, and still be, severe consequences for my family. I began documenting fraud by my employer, reported it to the government and, at the government's request, wore an undercover wire to record conversations. These actions and others, placed my family at physical and financial risk, but were necessary to reinforce the teachings to our children by my wife and I on love of country and always striving to "do the right thing." In 2002, I filed a False Claims Act Qui Tam case in the Southern District of Texas, where working closely with the government, we obtained a summary judgment of over \$5 million, a judgment that was recently affirmed in its entirety by the Fifth Circuit Court of Appeals. To date, eight years of my life have been dedicated to shining the light on SBIR fraud with the Department of Justice and Federal Court System as my ally.

I witnessed over a dozen different ways in which technical research fraud was used to acquire funds from the United States ARMY, NASA, United States Air Force, Ballistic Missile Defense Organization (Formerly the BMDO now the MDA), and the Office of the Secretary of Defense (OSD), along with allegations of the same involving NIST (National Institute of Standards and Technology) and the Department of Energy (DOE).

Lithium Power Technologies, referred to as LPT, was founded by Dr. Mohammed Zafar Munshi in 1998 with the goal of developing and manufacturing the "Holy Grail" of lithium batteries. Dr. Munshi persuasively convinced a group of investors, myself included, that he had the technology to revolutionize the battery industry. As a true believer in Dr. Munshi's ability, I willingly invested an amount of money that, given my personal net worth, was a massive investment for myself and my family, even involving a mortgage on my home. Buoyed by Dr. Munshi's success with obtaining six different SBIR grants, totaling over \$2 million dollars in just the first 20 months of business, I resigned from my long-term employer and moved from New York to Texas to join LPT to help grow the business.

During the next 30 months of my employment, Dr. Munshi quickly acquired additional SBIR contracts and three related NASA and NIST grants that totaled almost \$7.5 million dollars. This grand total of 26 Government Research Contracts (23 of them SBIR), coupled with Dr. Munshi's "smoke and mirrors" research; became the recipe for turning LPT into a "SBIR Mill" that methodically stole Government funds. A single morally bankrupt man that had quickly learned how to "scam" the SBIR system in just his first 24 months of business conducted this shocking fraud! To certain types of individuals, the ease that research fraud can be conducted with SBIR Funds becomes addictive and an alternative to the hard work of commercializing actual research.

Submitted with this testimony is Federal Court documentation that shows how Dr. Mohammed Munshi fraudulently induced SBIR reviewers in a variety of ways to grant the Phase I and Phase II Awards. In addition, I also alleged many other types of SBIR fraud that the court was asked not to rule on because the fraudulent inducement judgment won by the Government was sufficient to put Dr. Munshi and LPT out of business. Specifically these other areas were:

- Duplication in Phase I and Phase II proposals PRIOR to funding.
- Duplication in Phase I and Phase II Contracts AFTER Funding within performance reports.
- Invoicing the Government for the same equipment and materials under different SBIR grants.
- Different Guidelines used to Grant awards by the various SBIR Agencies. Of particular note here is the attached deposition by the former MDA SBIR Director Jeff Bond who did not think it was relevant or material that Lithium Power lied to the government in its SBIR proposals!
- Lack of communication between different SBIR Agencies on similar research topics awarded to the same company.
- Time Sheet Fraud
- Subcontracting SBIR work out to another company – without the Government's knowledge.
- Cross charging labor and materials used to complete commercial work to government-funded SBIR contracts

- Steering new SBIR research topics toward topics previously funded and granted by other SBIR agencies to facilitate research recycling
- Lack of government oversight – government seldom tested or verified reported research performance claims

So this brings me to my purpose for testifying here today. In the last eight years, I lost a lot of money and lot of time in always trying to highlight the weaknesses within the SBIR funding system. I implore you to change SBIR oversight systems in ways to prevent these kinds of frauds from happening in the future. At the very least, outsource a company to “mine” data for research duplication within incoming Phase I & II proposals, along with the final technical reports for funded proposals.

I truly believe in the concept of the SBIR program to seed and potentially groom new research to yield technology that will eventually be commercialized. Technological advances in energy, medical, defense and many other areas have been and will continue to be one of the fundamental strengths of our country. The answer is not to cut back on SBIR funding, but to create policies, oversight management systems, and outsource technical fraud detection to insure that funding is not fraudulently obtained or used. Implementing these corrective steps now will save our country hundreds of millions dollars in the future.

Thank you for the chance to present this statement. I would be happy to answer questions and participate with the Committee staff to reduce the SBIR Program’s exposure to this type of technical research fraud.