

The Price of Fraud Just Got Real for Florida Tech Incubator

Written by Nick Sanders

Monday, 26 November 2012 00:00

It's getting tiresome, quite frankly, to keep writing about fraud and fraud-related lawsuits, and settlements and plea-bargains, and fraud-related convictions. (Hell, we've even written about the "special plea in fraud," which is an affirmative defense available only to the government—though we would argue stridently that it should be made available to the other side of the contracting bargain, so as to make the government accountable for its [ill-founded](#) suits against contractors.)

The fact of the matter is that the downside of fraud—the getting caught part—is so bad that it ought to deter anybody with two brain cells left to rub together. The [cost of fraud](#) is high; the price to be paid for even a fraud-related allegation (let alone a conviction) is higher than almost anybody should care to pay. Even a decent plea bargain agreement is life-ruining, but for those who eschew plea bargains and are convicted to long prison sentences, the price of fraud fairly may be said to be [life-ending](#).

Yet despite the dire consequences of fraud in the government contracting environment, we here at Apogee Consulting, Inc., are bombarded with fraud stories nearly every single day, and our blog has become chock-full of articles on the topic. And that's not the half of it. We don't even report on the stories of Social Security, Medicare, and other healthcare-related fraud! Believe us when we write that, if we felt like telling you about *all* the fraud-related stories that we receive, this blog would have a fraud-related article every day, seven days a week; on some days we would have two or three of them.

Which has led us to the following conclusion: the price of fraud does not seem to deter fraudsters from perpetrating their fraudulent actions. Whether we discuss military officers, members of the federal civil service, or contractor employees, the story is the same. Individuals perpetrate fraud, people collude, and groups conspire. Companies contracting with the U.S. Government continue to skimp on internal controls, internal audits, and internal reviews. Federal employees continue to take advantage of lax controls. Military officers continue to dishonor their oaths of service. Not all of them, of course—but enough to keep this blog site awash in fraud-related stories for the past four years.

And it's not all about the fraudsters themselves. Those who engage in fraud don't do so in a vacuum, because most everybody is accountable to somebody else. Which has led us to another conclusion: leaders continue to fail to lead, managers continue to fail to manage, and

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supervisors continue to fail to supervise their subordinates—and nobody seems to care very much. Why do we fail to hold those in charge accountable for their inactions? Do we simply accept their excuses, such as “*We don’t have budget to establish proper internal controls,*” or “*We don’t have the personnel to perform adequate oversight*,” as being adequate justification and/or rationale for their negligence?

Or is it simply the overall environment? Do we accept the continual leadership failures and endemic corruption because that’s just the way it is today?

The hell with it. Here’s today’s fraud-related story. It illustrates, quite plainly, the high price of fraud. Not that we expect this story is going to do anything to change the situation.

Today’s story comes to us from Florida, as [reported](#) by Florida Today. It concerns the state’s Technological and Research Development Authority (TRDA). Founded in 1987, TRDA was a “technology-based economic development organization focused on helping fledgling high-tech businesses.” In March, 2012, the Department of Justice filed suit against TRDA under the False Claims Act, alleging “the authority improperly applied for millions of dollars of grants and then knowingly misused some of that funding to build its Melbourne headquarters and business incubator,” according to Florida Today.

According to [this Florida Today story](#) —

The government’s lawsuit was on behalf of NASA and the Economic Development Administration, a branch of the U.S. Department of Commerce, both of which provided grants to TRDA in the early 2000s.

The six-count complaint, detailed in a filing submitted Thursday, centered on alleged violations of the False Claims Act. The government was seeking three times the amount of federal grant money used in the project from TRDA as well as interest and damages, or more than \$9.4 million. ...

Government lawyers alleged the authority improperly applied for millions of dollars in grants and then knowingly misused some of that funding to build its Melbourne headquarters and business incubator.

TRDA reached a settlement agreement with the Department of Justice—one that illustrates the price of fraud about as plainly as anything we’ve ever seen.

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The TRDA settlement agreement included a “consent judgment” of \$15 million. However, the DOJ agreed that it would not attempt to recover the judgment from TRDA. In return, TRDA agreed to disband and close its facilities within 14 months.

Yep, after 25 years, TRDA will be no more. Employees will be let go. But that’s not the end of the story. According to Florida Today—

The TRDA currently has 13 tenants in the building and about 15 ‘virtual tenants,’ businesses and individuals from all over Florida who use authority resources for their entrepreneurial ventures. ... Tenants, and others affected by TRDA’s decision were notified late Thursday afternoon of the settlement.

So the technology incubator will be no more, which means that those 28 start-up companies will need to find another warm spot in which to hatch their corporate eggs.

Note, readers, that none of the current TRDA staff or Directors were employed by TRDA at the time of the alleged improprieties (according to the Florida Today story). They just have to pay some of the price. And the tenants also have to pay more than their fair share, as well, even though they had nothing to do with decisions on how to spend grant funds.

We don’t know how the decision to shut down TRDA will affect those 28 start-ups. Perhaps they will quickly find another tech incubator and will move forward without much of a hitch. But perhaps they won’t find such a warm place and will, as a result, end their start-up dreams. Certainly, not all start-ups go on to become successful businesses; but those that do end up employing lots of people and contributing to the local, state, and national economy. As a result of the settlement, it’s certainly possible that real consequences will be evidenced in the derailing of what might have been the next Google, Facebook, or Apple.

And that’s a very steep price to pay, indeed.

For all of us.