Office of Inspector General

NSF Regional Grants Conference
October 7, 2014

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Assistant Inspector General for Audit
Office of Inspector General
National Science Foundation
Who We Are

Assistant Inspector General for Audit
- Financial Statement and IT Audit
- CPA Contract Audit Oversight
- External Audit
- Performance Audit
- Compliance Analytics

Assistant Inspector General for Audit

Counsel to the Inspector General
- Legal/Legislative

Inspector General

Assistant Inspector General for Investigations
- Admin. Investigations (Investigative Scientists)
- Civil/Criminal Investigations (Special Agents)
- Investigative Legal / Outreach (Investigative Attorneys)
- Proactive/Analytic Evaluations (Investigators and Analysts)
- Investigations Specialists and Support Staff

Ombudsman

Expertise in areas of research grant and contract administration
What We Do

- Office of Audit
  - We conduct internal/external audits:
    - Financial
    - Performance

- Office of Investigations
  - We investigate allegations of:
    - Fraud, waste, and abuse
    - Research misconduct
    - Violations of law, regulation, directive, or policy

- Outreach
  - We invest in outreach:
    - Presentations
    - Briefings
    - Publications and Brochures
      - [www.nsf.gov/oig/outreach_all.jsp](http://www.nsf.gov/oig/outreach_all.jsp)
Office of Audit

- Audits NSF-funded grants, contracts, and cooperative agreements
- Determines whether costs claimed by awardees are allowable, reasonable and allocated properly
- Oversees annual audit of NSF’s financial statement
- Promotes economy and efficiency in NSF’s financial, administrative, and programmatic operations
Development of Audit Workplan

- **Work Required by Law**
  - Agency Financial Statement Audit (CFO Act)
  - Federal Information Security Management Act (FISMA)
  - Improper Payment Elimination and Recovery Act (IPERA)
  - American Recovery and Reinvestment Act of 2009 (ARRA)

- **Congressional Requests**

- **Referrals from Investigations**

- **National Science Board and NSF Suggestions**

- **OIG Risk-based Assessments**
  - NSF Management Challenges
  - Continuous Monitoring
Audit Issues

- Award Administration
  - NSF administration
  - Awardee administration

- Cost Compliance
  - Allowable
  - Within award scope
  - Documented
Award Administration

Grant Recipient Responsibilities

We Look At

- Financial management system and expenditures
- Accuracy and timelines of reporting, notifications
- Participant support, sub-award monitoring
- Effort reporting

Common Findings

- No approvals, no procedures for determining allowable costs
- Effort reporting not timely, not approved by appropriate official
- Budget not compared to actual expenditures
- Participant support reallocated without prior NSF approval
- Inadequate sub-award monitoring

OMB Circulars A-110, A-133
Cost Compliance

Costs must be allowable, reasonable, allocable, documented, and consistent in treatment

We Look At
All costs, including cost share expenditures, claimed on NSF awards. We use data analytics tools to identify risk areas.

Common Findings
- Unsupported expenditures
  - Reimbursements not documented (invoices, etc.)
  - Time and effort not timely, not signed/certified
- Unallowable expenditures
  - Direct charges for costs in the indirect pool
  - Excess faculty/senior personnel salaries (unless NSF-approved)
  - Meals, non-related travel, alcohol
  - Unapproved changes in participant support

OMB Circulars A-21, A-87, A-122
Framework for Grant Oversight

- Data analytics-driven, risk-based methodology to improve oversight
  - Identify institutions that may not use Federal funds properly
  - Techniques to surface questionable expenditures
- Life cycle approach to oversight
  - Mapping of end-to-end process to identify controls
  - 100% review of key financial and program information
  - Focus attention to award and expenditure anomalies
- Complements traditional oversight approaches
  - Techniques to review process and transactions are similar
  - Transactions of questionable activities are targeted
End to End Process for Grant Oversight

PRE-AWARD RISKS
- Funding Over Time
- Conflict of Interest
- False Statements
- False Certifications
- Duplicate Funding
- Inflated Budgets
- Candidate Suspended/Debarred

ACTIVE AWARD RISKS
- Unallowable, Unallocable, Unreasonable Costs
- Inadequate Documentation
- General Ledger Differs from Draw Amount
- Burn Rate
- No/Late/Inadequate Reports
- Sub-awards, Consultants, Contracts
- Duplicate Payments
- Excess Cash on Hand/Cost transfers
- Unreported Program Income

AWARD END RISKS
- No/Late Final Reports
- Cost Transfers
- Spend-out
- Financial Adjustments
- Unmet Cost Share

DATA ANALYSIS

Dr. Brett M. Baker, 2010
Risk Assessment and Identification of Questionable Transactions

**Phase I**
Identify High Risk Institutions

- **Agency Award Data**
  - Project reporting
  - Cash draw downs

- **Data Analytics**
  - Continuous monitoring of grant awards

- **External Data**
  - Single Audits
  - SAM (CCR, EPLS)

**Phase II**
Identify Questionable Expenditures

- **Agency Award Data**
  - Project reporting
  - Cash draw downs

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  - Project reporting
  - Cash draw downs

- **Awardee Data**
  - General ledger
  - Sub-award data

- **Data Analytics**
  - Apply risk indicators to GL.
  - Compare to Agency data

- **External Data**
  - Single Audits
  - SAM (CCR, EPLS)

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**Review Questionable Transactions**

Dr. Brett Baker (2012)
## Example: Equipment Charges Incurred Immediately Before Grant Expiration Date

<table>
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<tr>
<th>GRANT ID</th>
<th>OBJECT DESCRIPTION</th>
<th>GRANT EXPIRATION DATE</th>
<th>TRANSACTION DATE</th>
<th>LEDGER POST DATE</th>
<th>FINANCIAL AMOUNT</th>
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</tbody>
</table>

### Same day as expiration

### 57 days before expiration

### 46 days before expiration

**Total** 106,636.53
Office of Investigations

Investigates alleged wrongdoing involving proposals and awards and those who conduct business with, or work for NSF
Allegations

- Allegations
  - Violation of law, regulations, award conditions, or policies
  - Mismanagement
  - Waste of funds
  - Abuse of authority

- Type of Allegations Received
  - Fraud
  - False Statements
  - Theft or abuse of government funds
  - Plagiarism or intellectual theft
  - Falsification/Fabrication of data
  - Employee Misconduct
  - Conflict of Interest
  - Failure to share data
Criminal/Civil Cases

• Violation of Statutes:
  ◦ False Claims – 18 U.S.C. § 287
  ◦ Embezzlement – 18 U.S.C. § 641
  ◦ Theft of Federal Funds – 18 U.S.C. § 666
  ◦ False Statements – 18 U.S.C. § 1001
  ◦ Mail Fraud – 18 U.S.C. § 1341
  ◦ Wire Fraud – 18 U.S.C. § 1343
  ◦ Civil False Claims – 31 U.S.C. § 3729(a)

• Abuse of federal rules and regulations

• Other actions that could compromise the integrity, efficiency, and operations of NSF
Administrative Cases

Violations of Regulations

- **Research Misconduct**
  - NSF regulation tracks OSTP’s Federal policy
  - Defines Fabrication, Falsification, Plagiarism (FFP) and defines “research”

- COIs, Violations of Confidentiality, etc.
Outcomes of Investigations

- Refer to law enforcement authorities
  - Criminal or civil matters may result in:
    - Prosecution
    - Settlement Agreement / Compliance Agreement
    - Fines, Reimbursements, Incarceration

- Refer to NSF
  - Administrative matters may result in:
    - Termination/ Restrictions on Awards
    - Certifications / Assurances
    - Suspensions / Debarments
    - Reprimands / Retractions

- Refer to OIG Audit
A core value of OIG is protecting NSF employees, contractors, and grantees who step forward to identify potential wrongdoing. Federal law prohibits retaliation for providing information reasonably believed to evidence:

- a violation of law, rule, or regulation
- gross mismanagement
- gross waste of funds
- abuse of authority, or
- a substantial and specific danger to public health and safety
**Whistleblower Protection**

- **NSF federal employees** are protected if they make a whistleblower disclosure to the US Office of Special Counsel, the OIG, or a supervisor.

- **Employees of NSF contractors and grantees** are protected if they make a whistleblower disclosure to their management, an OIG, or an official responsible for investigating misconduct.

- **Both** federal employees and contractor/grantee employees are also protected for communications to Congress or the media.
Whistleblower Protection

The NSF Whistleblower Protection Ombudsman is:

William J. Kilgallin
Senior Advisor, Investigations
National Science Foundation
Office of the Inspector General
(703)292-4993
wkilgall@nsf.gov
When should you contact OIG?

- Report significant administrative or financial problems
- Report allegations of wrongdoing
  - Research misconduct
  - Fraud / theft involving NSF funds
  - Violation of regulation, directive, or policy
OIG Outreach

- Presentations at conferences and seminars
  - For students, PIs, and administrators
  - OIG outreach visit can be requested

- Fact sheets and brochures, briefings, conference presentations
  - [www.nsf.gov/oig/outreach_all.jsp](http://www.nsf.gov/oig/outreach_all.jsp)

- OIG Semiannual Report
Contact NSF OIG

- **Internet:**

- **Mail:**
  - 4201 Wilson Blvd., Arlington, VA 22230

- **Phone:**
  - 703-292-7100

- **Hotline:**
  - 1-800-428-2189

- **E-mail Hotline:**
  - oig@nsf.gov
Questions?

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