

OIG Management Activities

Congressional Testimony

In February 2011, the Inspector General testified before the House Appropriations Commerce, Justice, Science and Related Agencies Subcommittee on oversight of NSF. The Inspector General's testimony focused on two of the six top management challenges facing NSF—improving grant administration and strengthening contract administration as well as the emerging challenge of control of contingencies in budgets for large construction projects. The testimony also discussed how NSF spends money internally for its own operations and activities.

With regard to the first challenge of improving grant administration, in 2010 NSF funded more than 55,000 active awards at over 2,100 institutions. Since most of those awards were made as grants, it is essential that NSF's grants management process be robust enough to ensure the highest level of accountability and stewardship. Our audit work has found that NSF needs to improve its oversight of awardees, and NSF has taken steps to address this concern including establishing an Award Monitoring and Business Assistance Program (AMBAP) to provide oversight. However, in 2010, only about 7 percent of institutions receiving NSF funding received an AMBAP desk review or site visit. Given the breadth of our mission, we can only review a small number of awards each year. To better target our oversight, our office is developing a data analytic capacity and improved forensic financial skills to better identify high risk awards; expanding outreach to help ensure that awardees understand the rules that apply to them; and focusing efforts on proactive reviews to help identify grant fraud that might otherwise be undetected.

With regard to the second challenge of strengthening contract administration, we have placed particular emphasis on NSF's management of cost-reimbursement contracts because of the risk associated with this type of contract; the substantial amount of money NSF expends annually on contracts of this type; and the significant deficiency in the monitoring of cost reimbursement contracts cited in the Foundation's FY 2009 and FY 2010 financial statement audits. Cost reimbursement contracts are considered high risk because of the potential for cost escalation and because the contractor's costs for performance are paid regardless of whether work is completed. Compounding this risk, of the amounts NSF obligated for cost reimbursement contracts in 2010, over 70 percent (or \$204 million) was on contracts that permit advance payments to three of NSF's largest contractors.

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Recent audits of cooperative agreement proposals for large construction projects found that awardees' budgets contained more than \$150 million of unallowable contingency costs and that no barriers existed to prevent awardees from drawing down contingency funds in advance and using these funds for purposes other than contingencies.

With regard to how NSF spends money internally for its operations and activities, we recently examined expenditures in two areas, refreshments provided to individuals participating in meetings at NSF and travel expenses under NSF's Independent Research and Development program—both of which might yield cost savings with additional oversight and control.

For NSF to achieve its mission, it must spend its research funds in the most effective and efficient manner while maintaining the highest level of accountability over taxpayer dollars. The OIG will continue to utilize the full range of audit and investigative resources to exercise robust oversight of NSF's stewardship of federal funds and to safeguard the integrity of the Foundation's operations.

Outreach

Outreach is a vital tool we use in accomplishing our mission to prevent and detect fraud, waste, and abuse and to promote economy, efficiency, and effectiveness in NSF programs and operations. To this end, we undertake a number of proactive activities, such as education of NSF awardees about their financial and programmatic responsibilities.

In August 2009 the NSF Inspector General testified before the Senate Committee on Commerce, Science and Transportation on the subject of waste, fraud, and abuse in the SBIR/STTR Programs.¹⁹ Since that time, the Inspector General has continued to address concerns expressed by members of Congress regarding prevention and detection of fraud in those programs. The Inspector General and the then Acting IG at NASA created an SBIR working group under the auspices of the Council of Inspectors General on Integrity and Efficiency (CIGIE) Misconduct in Research Working Group. Based on the Working Group's recommendations, the Small Business Administration is making improvements to the government database of SBIR/STTR awards, *TECH-Net*, to better assist in the identification and analysis of companies under examination or investigation. The Working Group is also providing feedback to Congress on portions of the legislation to renew the SBIR and STTR programs that affect the IG community as well as providing insights on how to combat fraud within the programs. The Working Group is planning a government-wide SBIR-focused "summit" in June 2011 for agency officials and IG personnel, which will include discussions about various initiatives to ensure integrity, improve oversight, and enhance fraud prevention within the SBIR program. Another significant component of this effort is an agent-level group of special agents from thirteen federal agencies, led by NSF and Department of Energy OIG, which actively shares information on ongoing cases, lessons learned, and best practices related to SBIR investigations.

¹⁹ September 2010 Semiannual Report, pp.27-28.

In addition, the NSF IG is leading a Suspension and Debarment (S&D) Working Group with the Federal Housing Finance Agency IG, under the auspices of the CIGIE Investigations Committee. This group, which consists of representatives from the Recovery Accountability and Transparency Board (RATB) and eight other OIGs, is focused on increasing knowledge and use of S&D to protect government funds against fraud. In the past six months, the group conducted two surveys, one of the IG community and one of agency S&D officials. The results of these surveys will be used to begin a dialogue with the OIG community and among the RATB, OIGs, and S&D officials at agencies receiving Recovery Act funds about ways to enhance use of S&D in Recovery Act awards and other awards involving significant wrongdoing. The results will also inform the Working Group's efforts to increase and enhance the use of S&D across the government through education and outreach. Finally, in October, the Working Group sponsored a workshop attended by approximately 350 investigators, auditors, Inspectors General, and S&D officials, from over 25 agencies, which included presentations on significant cases and best practices. Presentations are available at: www.nsf.gov/oig/SD2010.jsp.

In other outreach events, the Inspector General addressed several groups, including the National Academy of Science Federal Demonstration Project Conference, highlighting recent audits and investigations and providing recommendations about how NSF recipients can best protect the funds they receive. The Inspector General also spoke with students at the Government Affairs Institute at Georgetown University on the functions of an OIG, focusing particularly on an IG's interactions with agency management and Congress.

Our extensive experience in investigating research misconduct matters is well-recognized in the community, and we continue to receive numerous requests from universities and others in the research community to provide training on the prevention, detection, and investigation of research misconduct. We also continue to focus on promoting the value of institutionalized compliance-based practices and programs throughout the research community. For example, we continue to address NSF's Responsible Conduct of Research (RCR) requirements to institutions as these requirements are key components to improving the development of individual and institutional integrity in research and to more fully developing integrity in future generations of scientists.

Our outreach in these areas during the past six months included the Assistant Inspector General for Investigations' keynote address at a workshop, "Research Integrity in a Changing World" conducted by the American Association for the Advancement of Science and her keynote address at the Association for Practical and Professional Ethics. Our office utilizes these events to educate entities about the importance of the RCR requirements and to encourage them to meet these requirements.

We continue to be involved in extensive outreach activities covering a range of issues such as grant fraud, research integrity and misconduct, compliance programs, and projects related to the Recovery Accountability and Transparency Board. Presentations on these issues were provided at the National Procurement and Grant Fraud Conference, the Federal Audit Executive Council, the National Council of University Research Administrators, the Society of

Research Administrators International, the American Association of Community Colleges, and the Council of Graduate Schools. Staff also participated in interagency efforts that included exchanges on data mining techniques and the Interagency Fraud and Risk Data Mining Group.

Investigation Closeout Memoranda Now Available Online

Our investigation closeout memoranda are now publicly available on our website at: [nsf.gov/oig/closeouts.jsp](https://www.nsf.gov/oig/closeouts.jsp). These memos describe the nature of the investigation and whether it resulted in administrative, civil, or criminal action. The memos are organized into searchable categories such as grant fraud, contractor fraud, computer intrusion, and PI misconduct.