

**OFFICE OF INSPECTOR GENERAL (OIG)****\$14,320,000**  
**+\$120,000/ 0.8%**

The Appropriations Act that funds the National Science Foundation provides for a separate appropriation for NSF's Office of Inspector General (OIG). Accordingly, the FY 2014 Request identifies the resources needed to support OIG, including amounts for personnel compensation and benefits (PC&B), contract services, training, travel, supplies, materials, and equipment.

The FY 2014 Budget Request for OIG is \$14.32 million, which represents an increase of \$120,000 over the FY 2012 Enacted of \$14.20 million.

**Office of Inspector General Funding**  
(Dollars in Millions)

	FY 2012	FY 2012	FY 2014	Change over	
	Actual	Enacted/ Annualized FY 2013 CR <sup>1</sup>	Request	FY 2012 Enacted Amount	Percent
Subtotal, OIG	\$14.12	\$14.20	\$14.32	\$0.12	0.8%
FY 2013 Adjustment <sup>2</sup>		0.09			
<b>Total, OIG</b>	<b>14.12</b>	<b>14.29</b>	<b>14.32</b>	<b>0.03</b>	<b>0.2%</b>
<i>ARRA Obligations: FY 2012/FY 2013</i>	<i>0.70</i>	<i>1.15</i>			
<i>Total, OIG including ARRA</i>	<i>\$14.82</i>	<i>\$15.44</i>	<i>\$14.32</i>	<i>-\$1.12</i>	<i>-7.3%</i>
Full-Time Equivalents (FTEs)	78	78	78	-	-

Totals may not add due to rounding.

<sup>1</sup>A full-year 2013 appropriation was not enacted at the time the budget was prepared. Therefore this account was operating under a continuing resolution (P.L. 112-175). The amounts shown for FY 2013 are placeholders and reflect an annualization of P.L. 112-175 at the account level.

<sup>2</sup>This budget line is included to adjust for an item specific to the FY 2013 continuing resolution: \$86,904 for the 0.612 percent increase provided by the continuing resolution.

**Appropriations Language**

For necessary expenses of the Office of Inspector General as authorized by the Inspector General Act of 1978, as amended, ~~\$14,200,000,000~~, \$14,320,000, to remain available until September 30, 2014, of which not to exceed \$400,000 shall remain available until September 30, 2015.

**Office of Inspector General**  
**FY 2014 Summary Statement**  
(Dollars in Millions)

	Enacted/ Request	Carryover/ Recoveries	Expired	Total Resources	Obligations/ Estimates
FY 2012 Appropriations	\$14.20		-\$0.08	\$14.12	\$14.12
FY 2012 ARRA <sup>1</sup>	-	1.84	-	1.84	0.70
FY 2013 ARRA <sup>1</sup>	-	1.15	-	1.15	1.15
FY 2012 Enacted/Annualized FY 2013 CR <sup>2</sup>	14.29		-	14.29	14.29
FY 2014 Request	14.32		-	14.32	14.32
\$ Change from FY 2012 Enacted					0.12
% Change from FY 2012 Enacted					0.8%

Totals may not add due to rounding.

<sup>1</sup>\$1.84 million in unobligated FY 2009 ARRA funds were carried over into FY 2012. The remaining unobligated balance of \$1.15 million was subsequently carried over into and obligated during the first quarter of FY 2013.

<sup>2</sup>This line includes the adjustment for an item specific to the FY 2013 continuing resolution: \$86,904 for the 0.612 percent increase provided by the continuing resolution.

## **Explanation of Carryover**

Within the **Office of Inspector General ARRA** account, \$1.15 million was carried over from FY 2012 into FY 2013. These multi-year funds are intended explicitly for ARRA oversight. These funds were obligated during the first quarter of FY 2013.

## **OIG Responsibilities**

In February 1989, the National Science Board established OIG pursuant to the Inspector General Act Amendments of 1988. The statute confers on OIG the responsibility and authority to:

- Conduct and supervise audits of NSF programs and operations, including organizations that receive NSF funding;
- Conduct investigations concerning NSF programs and operations, including organizations that receive NSF funding;
- Evaluate allegations of research misconduct, such as fabrication, falsification, or plagiarism, involving individuals who participate in NSF-funded activities;
- Provide leadership, coordination, and policy recommendations for:
  - Promoting economy, efficiency, and effectiveness in the administration of NSF programs and operations, and
  - Preventing and detecting fraud and abuse in NSF programs and operations;
- Issue semiannual reports to the National Science Board and Congress to keep them informed about problems, recommended corrective actions, and progress being made in improving the management and conduct of NSF programs.

OIG performs audits of grants, contracts, and cooperative agreements funded by NSF's programs. The office also conducts audits and reviews of both internal agency programs and external organizations that receive NSF funding to ensure that financial, administrative, and programmatic activities are conducted economically, effectively, and in compliance with agency and federal requirements. OIG is also responsible for overseeing the audit of NSF's annual financial statements, which are required for all NSF accounts and activities by the Government Management Reform Act of 1994. Since FY 2006, funds to cover the complete cost of the financial audit have been requested in this appropriation. OIG also audits financial, budgetary, and data processing systems used by NSF to develop the financial statements. In addition, the office performs multi-disciplinary reviews – involving auditors, attorneys, management analysts, investigators, and others as needed – of financial, management, and program operations to identify broader problems and highlight best practices.

OIG investigates possible wrongdoing by organizations and individuals who seek or receive NSF funds such as those who submit proposals to, receive awards from, conduct business with, or work for NSF. Allegations of research misconduct are also investigated. OIG assesses the validity and seriousness of all the allegations it receives and recommends proportionate action. When appropriate, the office refers the results of these investigations to the Department of Justice or other authorities for criminal prosecution, civil litigation, or resolution via settlement agreements and institutional compliance plans. OIG refers other cases to NSF for administrative resolution and when needed will recommend modifications to agency policies and procedures to ensure the integrity of NSF's business systems. The office works closely with institutions on the conduct of their internal investigations and performs outreach activities aimed at preventing and detecting fraud, waste, and abuse; and at raising the awareness of funded researchers, institutional administrators, and agency employees about OIG's role and NSF's rules and expectations.

Because diverse skills, training, and experience are necessary to oversee NSF's many programs, the OIG staff includes scientists, attorneys, certified public accountants, investigators, evaluators, and information technology specialists. The subjects of investigations, audits, and other reviews are also varied and may include: an individual grant recipient or institution; a broad program or functional area of NSF; or a project involving multiple disciplines or entities. OIG also utilizes contractors to perform work when it is cost effective, or when OIG lacks the necessary expertise in-house, as in the case of the annual review of the agency's financial systems controls and their compliance with FISMA. In FY 2014, the office expects to see a decline in the number of audits and investigations of NSF programs, grants, contracts, and other activities associated with funding provided by the American Recovery and Reinvestment Act of 2009 (ARRA). However OIG will maintain its oversight of ARRA awards for as long as they are active. OIG received a special appropriation in 2009 to oversee ARRA funds that is set to expire on September 30, 2013.

**Office of Inspector General  
Personnel Compensation and Benefits and General Operating Expenses**

(Dollars in Thousands)

	FY 2012 Actual	FY 2012 ARRA <sup>2</sup>	FY 2012		FY 2014 Request	Change over FY 2012 Enacted	
			Enacted/ Annualized FY 2013 CR	FY 2013 ARRA <sup>2</sup>		Amount	Percent
Personnel Compensation and Benefits	\$11,158	-	\$11,375	-	\$11,660	\$285	2.5%
Travel & Transportation of Persons	207	-	335	-	312	-23.00	-0.07
Advisory & Assistance Services <sup>1</sup>	2,466	696	2,130	1,149	1,988	-142	-6.7%
Communications, Supplies and Equipment, and Other Services	291	-	360	-	360	-	-
<i>Training</i>	159	-	160	-	160	-	-
<i>Other</i>	132	-	200	-	200	-	-
<b>Subtotal, OIG</b>	<b>\$14,122</b>	<b>\$696</b>	<b>\$14,200</b>	<b>\$1,149</b>	<b>\$14,320</b>	<b>\$120</b>	<b>0.8%</b>
Full-Time Equivalent	78	78	78		78	-	-

Totals may not add due to rounding.

<sup>1</sup> Includes the costs of the annual financial statements audit and the outsourcing of contracting services.

<sup>2</sup> \$1.84 million in unobligated FY 2009 ARRA funds were carried over into FY 2012. The remaining unobligated balance of \$1.15 million was subsequently carried over into and obligated during the first quarter of FY 2013.

The FY 2014 appropriation of \$14.32 million would enable OIG to maintain current staffing levels and provide adequate oversight of NSF's core programs, largest contracts, and riskiest grant awards. Some planned initiatives will have to be deferred. OIG will have to delay investing in necessary systems and equipment upgrades, including the improvement of a data analytics capability for Audit and the acquisition of one for Investigations, and funding for preventive activities, such as educating researchers about rules and requirements at regional conferences, and outreach efforts to NSF employees and other stakeholders will be reduced. OIG will also absorb the rising costs of personnel compensation, health insurance and other benefits, travel, training, contracts, and equipment, by reducing its spending on contracted audits.

OIG spent \$328,538 for travel during FY 2010, including \$157,893 for audits and investigations, and \$114,172 for preventive activities consistent with the IG mission, such as giving presentations at conferences and conducting workshops aimed at informing the research community about their responsibilities as awardees, principal investigators, and administrators. These expenses are critical to our ability to perform our law enforcement and oversight responsibilities and, in accordance with the Executive Order M-12-12; they are exempt from the 30 percent reduction. We have also identified approximately \$56,472 in travel expenses that were incurred mostly for training and interoffice meetings that we intend to reduce by 30 percent (\$16,942). In order to meet this goal, OIG plans to expand its use of video conference equipment for meetings and further reduce travel associated with training, while meeting essential training and professional

certification requirements. We estimate that our total travel expense will decline to \$312,000 in FY 2014, including the 30 percent reduction from FY 2010 for non-exempt travel.

**Audits.** OIG is implementing a plan to improve both the efficiency and effectiveness of its audits in concert with NSF's growing number of grants, contracts, and complex cooperative agreements. We are developing enhanced technical capabilities and data analytics that will improve oversight of NSF funds by 1) better targeting our audits toward the riskiest awardees and 2) more efficient screening and analysis of large volumes of data. Using analytics, we expect to exponentially increase the number of transactions we review during an audit from dozens to thousands, thereby increasing the average amount of questioned costs identified per audit from our current average of approximately \$250,000, to as much as \$6 million.

Based on this model, we plan for our in-house staff to conduct the analytics, applying our expertise to identify the riskiest transactions in the data. We would then provide the questionable data sets to our contract support to go on site at the institutions and perform the transaction testing, with our in-house staff providing oversight. Using this combination of in-house staff and contract support maximizes our effectiveness and helps to address our difficulties with hiring experienced grant auditors while also resolving quality and timeliness issues that we have experienced with our contractors. We are therefore in the process of determining the optimal number of audit staff and outside contractors that will enable us to achieve our goals. OIG's top priority is to reinvest in its Audit program (which has lost staff in recent years) in order to broaden the use of data analytics on its grant audits and achieve the type of outsized returns to the government seen thus far. Though OIG's contract funding for CPA and DCAA audits would decrease to approximately \$649,000 in FY 2014 from an average of \$1.16 million in 2010 and 2011, we intend to gradually increase it by diverting resources from other areas of Audit and OIG as they become available.

The requested funds would continue to support performance and information technology audits that reflect important federal and OIG priorities, including assessments of the effectiveness of: 1) NSF's acquisition program and its ability to meet existing and newly implemented federal requirements, 2) NSF oversight of contingency costs for construction projects, and 3) NSF's financial accountability and oversight responsibilities. Funds would also be used for a series of audits of the adequacy of NSF's cooperative agreements to manage and oversee its large facility awards, and to improve our oversight of IT security at NSF. Funds would be committed to audits that are mandated by law, including the annual Financial Statement Audit, the related Federal Information Security Management Act independent evaluation report, and the triennial audit of the National Science Board's compliance with the Government in the Sunshine Act.

Internal performance audit work will address federal and OIG priorities, including: 1) inventory management in the United States Antarctic Program; 2) NSF's high speed network; 3) NSF's expenditures on conferences; 4) costs associated with NSF's use of temporary personnel assigned under the Intergovernmental Personnel Act; 5) NSF's oversight of annual and final progress reports on funded projects; 6) agency management of its purchase card program; and 7) oversight of the construction of the *R/V Sikuliaq* – (formerly the Alaskan Region Research Vessel), a Major Research Equipment and Facilities Construction project that received \$148 million of Recovery Act funding.

**Investigations.** Recent investments in OIG's investigative program have yielded an excellent return for the government. In addition to civil and criminal convictions, our cases frequently produce both financial settlements for institutional fraud and compliance agreements for correcting the underlying systemic problems, thus providing greater protection for future federal funding. Over the last three years, the average number of active criminal investigations has increased by 31 percent. Similarly the overall average number of active research misconduct investigations has increased by 40 percent while the average number of substantive research misconduct investigations (those resulting in referrals to NSF) have increased by 100 percent.

OIG opened 22 new SBIR investigations in 2011 and 30 more in 2012. We expect this trend to continue as a result of enhanced proactive investigative tools that were made available to OIGs by the Recovery Board, and improved coordination among the OIGs that participate in the SBIR Investigative Working Group. The establishment of the Working Group has opened a dialogue within the OIG community about the pursuit of SBIR fraud, resulting in numerous joint investigations of companies funded by the SBIR/STTR programs. Our office has helped lead this multi-agency effort since its inception, and sustaining a high level of commitment is a top priority, both to keep our own productivity high and to maintain the momentum that has been developed in the IG community.

The increased SBIR caseload prompted OIG to seek and receive statutory law enforcement (SLE) authority from the Department of Justice last year. With that authority, our Special Agents (SAs) are able to conduct investigative activities without reliance on special deputation, which results in investigative delay; our SAs are able to execute search warrants and arrest warrants; and they are more proficient and safer as a result of SLE's mandatory training regimen. SLE alleviates the need to request another federal agency to provide support in an operation and arrange a mutually agreeable schedule. However, SLE authority creates new mandatory costs for the office. OIG SAs will have to meet specific requirements, including extensive mandatory training, under the US Attorney General Guidelines. These include firearms training and qualifications, defensive tactics training, physical training and testing, and other professional qualifications and certifications, which will total almost \$15,000 for all eight Special Agents. More significant is the cost of such activities in terms of lost productivity, which we estimate at 258 hours per Special Agent, or 2,064 hours total. The requirements involved in maintaining statutory law enforcement authority will effectively cost OIG the services of one Special Agent.

In accordance with the America Competes Act and in response to rising concerns about research integrity, NSF in 2010 implemented a Responsible Conduct of Research (RCR) requirement for NSF awards. In the course of our work, we have found that some institutions are implementing weak RCR programs that may technically comply with the requirements set by NSF, but indicate a lack a serious commitment to institutional oversight of research awards. Instances of scientific research misconduct continue to rise in number, complexity, and severity, particularly data fabrication and falsification cases. In one three-week period, we received five substantive allegations of data fabrication by graduate students and post-doctoral researchers. This trend shows the critical need for OIG oversight of institutional RCR plans, and ensuring such plans effectively address risk. During FY 2014 OIG plans to begin a large-scale review of a sample of institutional RCR programs to identify best practices as well as systemic weaknesses. We will then use the results of this review to provide NSF with RCR compliance information necessary for the agency to re-assess the effectiveness of its requirements. This review will require significant resources to conduct interviews with faculty, students and administration officials, and to collect and analyze data from numerous institutions throughout the country.

Our proactive review program has been very productive in generating new cases and identifying systemic problems that we have flagged to agency management through Management Implication Reports. The Recovery Accountability and Transparency Board recently provided access to the vast database analysis tools originally developed to uncover fraud in the federal expenditures under the American Recovery and Reinvestment Act. These tools are expected to increase the number of fraud investigations undertaken by OIG and will allow us to identify prospective NSF awardees that are high-risk recipients of federal funds based on their past misconduct. The requested funding level will enable this important proactive review program to continue.

**Legal Legislative and External Affairs.** In 2012, OIG created the Office of Legal, Legislative, and External Affairs (LLE) as a new organizational element under the executive leadership of an Assistant Inspector General. This division is comprised of two attorneys subordinate to the AIG (one of whom is

Federal Temporary employee), a Congressional liaison, and the front office administrative staff. LLE consolidates a number of functions that have historically worked together, but which were aligned directly under the Inspector General -- legal, legislative/congressional, and external affairs (including public/media contacts). In addition, LLE's portfolio includes an inspections and evaluation (IE) capability. These are quick-turnaround reviews of NSF operations and activities that do not fit into the traditional audit or investigative framework (e.g., they are not governed by the more structured and formal procedures pertaining to audits, and they are not focused on individual or organizational wrongdoing). This type of work is meant to provide information to assist NSF decision-making; recommend improvements to programs, policies, and procedures; provide factual and analytical information; monitor compliance; measure performance; identify best practices; and assess efficiency and effectiveness of specific aspects of agency programs.

Prior to LLE's inception, legal coverage was often crisis-focused, and there was no capability for routine review of OIG work product to identify and address potential legal (or other) issues at an early stage. We have made it a priority to expand legal coverage across the organization to better assist OIG in carrying out its statutory mission. For example, there is now a process for routine review of certain work products (particularly reports that are complex or high-profile) in order to identify and address potential issues at the earliest possible point. The change has also enabled more consistent attorney involvement in critical administrative areas, such as contract planning. The LLE staff actively supports government-wide projects in which NSF OIG has taken a leadership role, including those focused on increasing the use and effectiveness of suspension and debarment remedies to protect taxpayer funds; and preventing and detecting fraud, waste, and abuse in the Small Business Innovative Research Program.

**Preventive initiatives.** OIG has a robust program of activities to fulfill its core mission to prevent fraud, waste, and abuse. Our staff plays a key role in educating the agency's stakeholders, drawing on our extensive experience in dealing with grant fraud and research misconduct. OIG's proactive efforts are consistent with the emphasis on transparency and accountability mandated by the administration and the Congress, and they help to assure the integrity of federally-funded research by promoting effective oversight of NSF-funded activities. We conduct preventive activities to address: 1) growing concerns regarding the erosion of research integrity, as evidenced by a threefold increase in allegations in the past decade and studies indicating that 25 to 30 percent of scientists engage in questionable research practices; 2) the issues underlying the increasing number of allegations of serious misconduct that we are investigating, many of which are related to the employment of scientists from other countries who may not understand U.S. rules and procedures; 3) misconduct related to ARRA funds; and 4) the growth of SBIR program fraud. Our ability to continue a vigorous preventive program of proactive investigative reviews and effective outreach depends on whether our staffing and travel resources provide sufficient support, especially in light of our other urgent investigative priorities, as set out above. The direct interaction with the research community by our staff not only helps educate the community on how to maintain research integrity and financial accountability, but it also establishes vital channels of communication that provide our investigators and auditors with valuable information and insights into the needs and concerns of the institutions and researchers.