

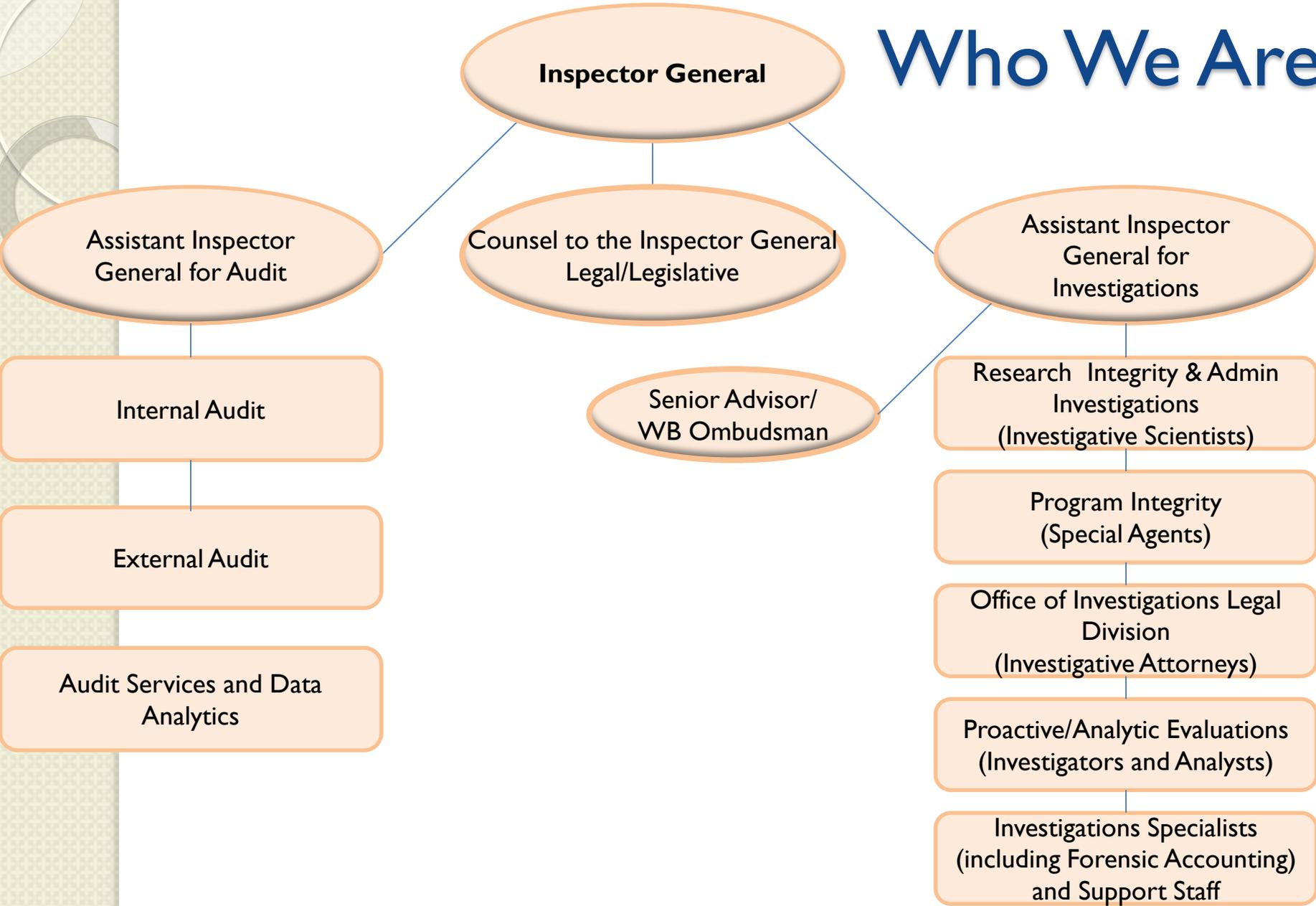
Office of Inspector General



NSF Grants Conference
November 15, 2016

Marie Maguire
Director, Internal Audit
Office of Inspector General
National Science Foundation

Who We Are



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



Office of Audit

- Audit NSF-funded grants, contracts, and cooperative agreements
- Determine if claimed costs are allowable, reasonable, and allocated properly
- Oversee annual NSF financial statement audit and IT security review
- Promote economy/efficiency in NSF financial, administrative, and programmatic operations

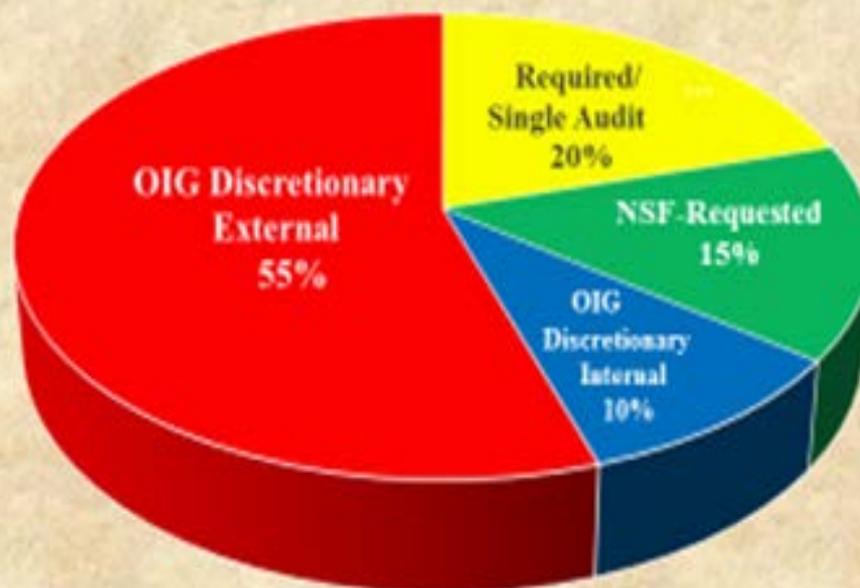


Developing the Audit Workplan

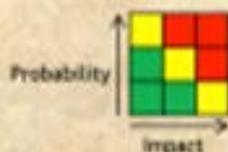
- Work Required by Law
 - Agency Financial Statement Audit (CFO Act)
 - Federal Information Security Modernization Act (FISMA)
 - Improper Payment Elimination and Recovery Act (IPERA)
 - Digital Accountability and Transparency Act of 2014 (DATA Act)
- OIG Risk-based Assessments
 - Continuous Monitoring
- Congressional Requests
- National Science Board and NSF Suggestions
- Referrals from Investigations
- NSF Management Challenges



Distribution of FY 2017 Audit Work (Estimated Cost)



**Total Direct Cost
FY 17 Audit Work
(estimated)
\$6.2 million**



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
- Unsupportable, unallocable, and unallowable expenses
- Purchases before the award effective date
- Equipment charges that do not benefit the award or are unreasonable
- Indirect expenses inappropriately claimed on participant support costs
- Travel expenses that do not benefit the award

Cost Compliance

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

We Look At

All costs claimed on NSF awards. We use data analytics to identify risk areas.

Common Findings

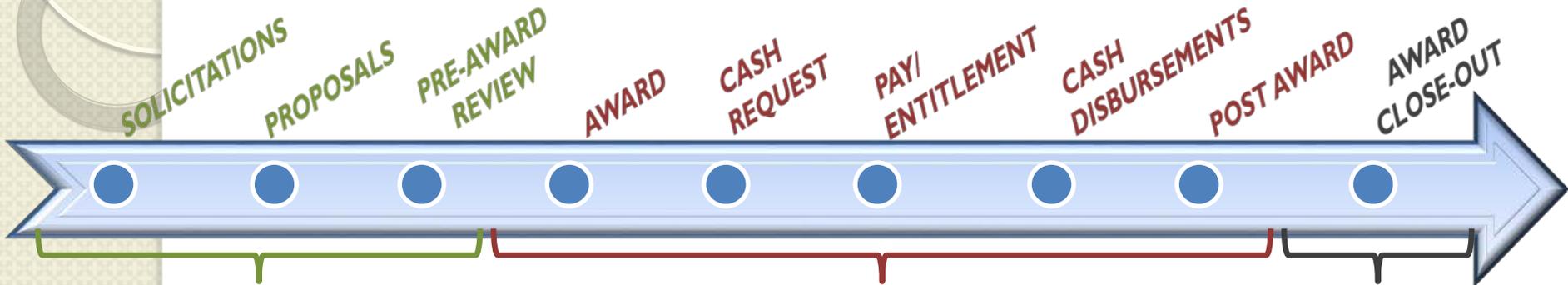
- Unsupported expenditures
 - Reimbursements not documented (invoices, etc.)
- Unallowable expenditures
 - Direct charges for costs in the indirect pool
 - Meals, non-related travel, alcohol
 - Unapproved changes in participant support



Framework for Grant Oversight

- Data analytics-driven and risk-based methodology
 - Identify institutions that may not be using Federal funds properly; identify 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 on expenditure anomalies
- Complements traditional oversight approaches

End to End Process for Grant Oversight



PRE-AWARD RISKS	ACTIVE AWARD RISKS	AWARD END RISKS
<ul style="list-style-type: none"> •Funding Over Time •Conflict of Interest •False Statements •False Certifications •Duplicate Funding •Inflated Budgets •Candidate Suspended/Debarred 	<ul style="list-style-type: none"> •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 	<ul style="list-style-type: none"> •No /Late Final Reports •Cost Transfers •Spend-out •Financial Adjustments •Unmet Cost Share

Example: Equipment Charges Incurred Immediately Before Grant Expiration Date

GRANT ID	OBJECT DESCRIPTION	GRANT EXPIRATION DATE	TRANSACTION DATE	LEDGER POST DATE	FINANCIAL AMOUNT
XXXXX42	CONSTRUCTION AND ACQUISITION	09/30/2009	09/30/2009	10/06/2009	51,851.22
Same day as expiration					
GRANT ID	OBJECT DESCRIPTION	GRANT EXPIRATION DATE	TRANSACTION DATE	LEDGER POST DATE	FINANCIAL AMOUNT
XXXXX27	INVENTORIAL EQUIPMENT	07/31/2010	06/04/2010	08/11/2010	31,621.56
57 days before expiration					
GRANT ID	OBJECT DESCRIPTION	GRANT EXPIRATION DATE	TRANSACTION DATE	LEDGER POST DATE	FINANCIAL AMOUNT
XXXXX77	INVENTORIAL EQUIPMENT	08/31/2009	07/16/2009	09/10/2009	23,163.75
46 days before expiration					
TOTAL					106,636.53

Office of Investigations

- Detect and prevent fraud
- Investigate criminal, civil, administrative matters
- Address 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

Sources* of Allegations

- Principal Investigators/co PIs
- NSF Program Officers
- Other NSF Employees
- Review Panelists
- Government Agencies
- Graduate Students
- University Administrators
- Contractors
- Anonymous Hotline Callers or Informants

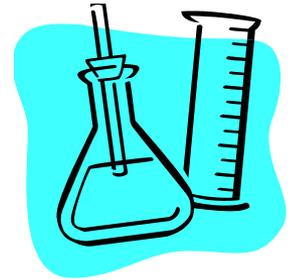
* Anyone may confidentially contact OIG to report potential wrongdoing

Investigative Process

- Determine jurisdiction; identify issues
- Objectively gather evidence
- As appropriate, refer to audit or other OIG
- Prepare written Report of Investigation
- Work with DOJ, state prosecutors, NSF, and awardees to develop appropriate resolutions that protect the interests of the Federal Government and the U.S. taxpayer

Administrative Cases

Violations of Regulations



- Research Misconduct
 - NSF Research Misconduct Regulation:
45 CFR Part 689 <http://www.nsf.gov/oig/misconscieng.jsp>
 - NSF regulation tracks OSTP's Federal policy
 - Defines Fabrication, Falsification, Plagiarism (FFP) and defines "research"
- COIs, Violations of Confidentiality, etc.
- Human Subject's Research

Administrative Cases

- Currently 115+ cases open
- Results can include LOR, certifications, debarment, and recovery of funds
- 12 RM findings and 5 debarments in 2015
- Human Subject's violations are increasing as is data fabrication by graduate students
- CAREER awards – reminder that PI must remain in tenure track position

Criminal/Civil Cases

- Violation of Statutes:
 - Conspiracy – 18 U.S.C. § 371
 - 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



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



Criminal Prosecutions

- Our jurisdiction follows NSF funds
- ~ 110 civil/criminal investigations underway
- Recently concluded prosecution of SBIR company owners
- Both convicted of
 - Wire fraud (7 counts)
 - Aggravated identity theft (5 counts)
 - Falsification of records (2 counts)
- Owners sentenced to 12 & 15 years in prison, and debarred for 15 years



Whistleblower Protection

- 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 currently* 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

* 5-year Pilot Program, starting July 1, 2013. 41 USC 4712

Whistleblower Protection Ombudsman

William J. Kilgallin

Senior Advisor, Investigations

National Science Foundation

Office of the Inspector General

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wkilgall@nsf.gov



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
- OIG Semiannual Report
 - <http://www.nsf.gov/oig/pubs.jsp>



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

NSF Hotline

Contact NSF OIG

- **Internet:**

- www.nsf.gov/oig/

- **Mail:**

- 4201 Wilson Blvd., Arlington, VA 22230

- **Phone:**

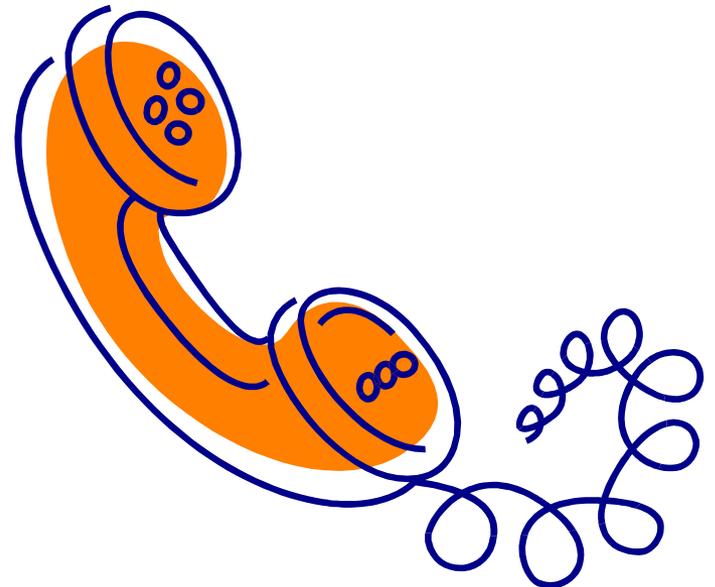
- 703-292-7100

- **Hotline:**

- 1-800-428-2189

- **E-mail Hotline:**

- oig@nsf.gov





Questions?

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