

# Office of Inspector General



## NSF Regional Grants Conference October 7, 2014

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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\\_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

# 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

SOLICITATIONS PROPOSALS PRE-AWARD REVIEW AWARD CASH REQUEST PAY/ ENTITLEMENT CASH DISBURSEMENTS POST AWARD AWARD CLOSE-OUT

## 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

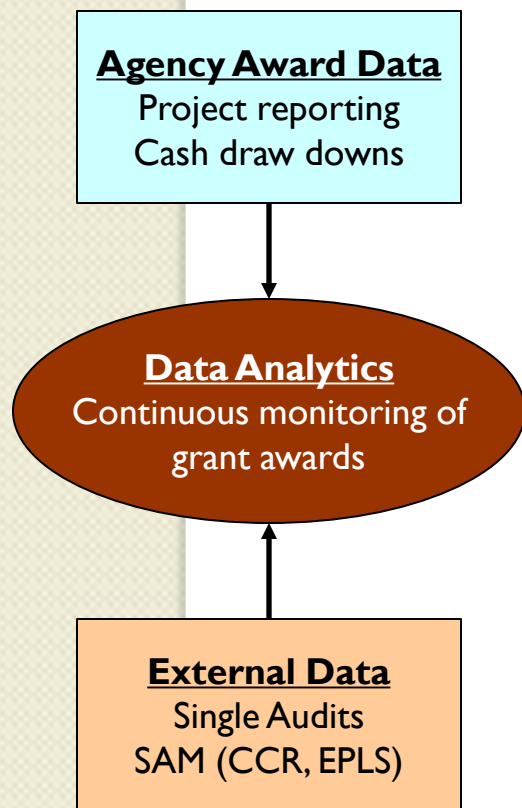
DATA ANALYSIS

Dr. Brett M. Baker, 2010

# Risk Assessment and Identification of Questionable Transactions

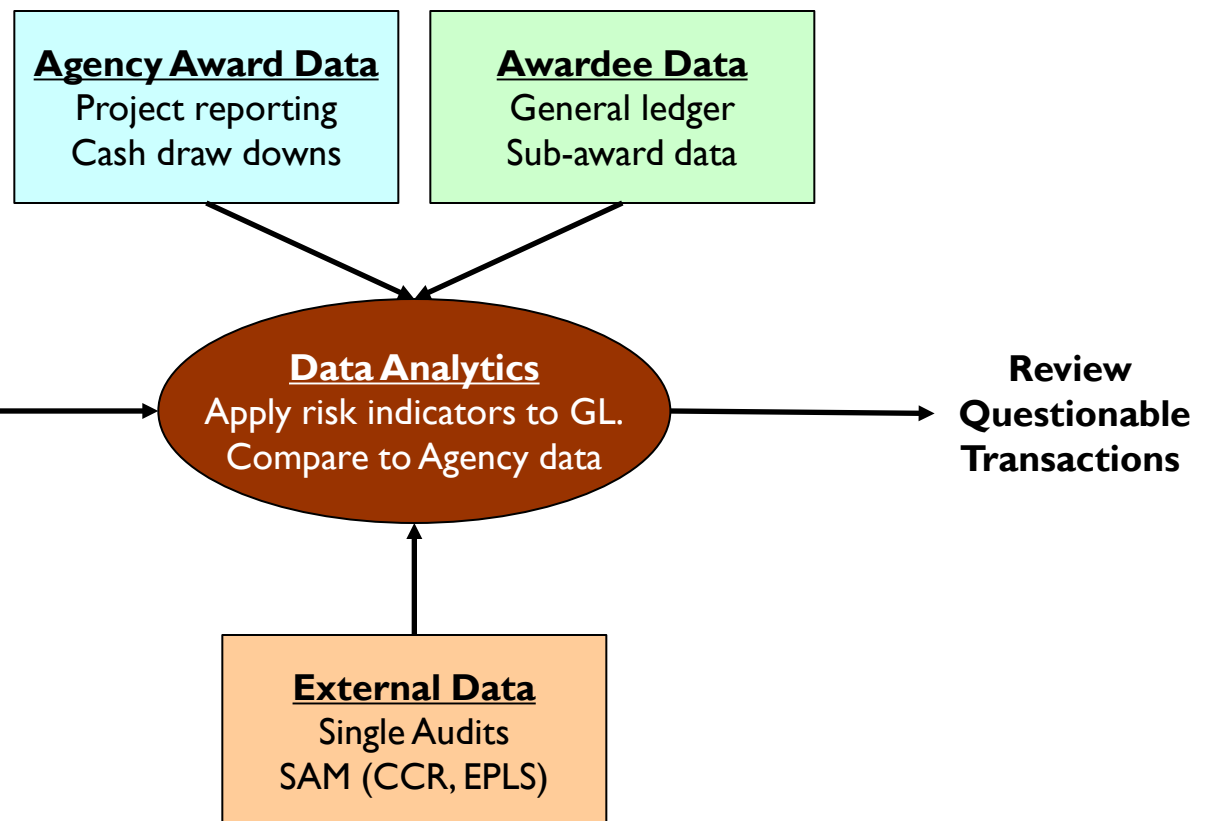
## Phase I

Identify High Risk Institutions



## Phase II

Identify Questionable Expenditures



# 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
<b>Same day as expiration</b>					
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
<b>57 days before expiration</b>					
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
<b>46 days before expiration</b>					
<b>TOTAL</b>					<b>106,636.53</b>

# 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:
  - 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



# 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.



# 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





# 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 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](mailto: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

**NSF Hotline**

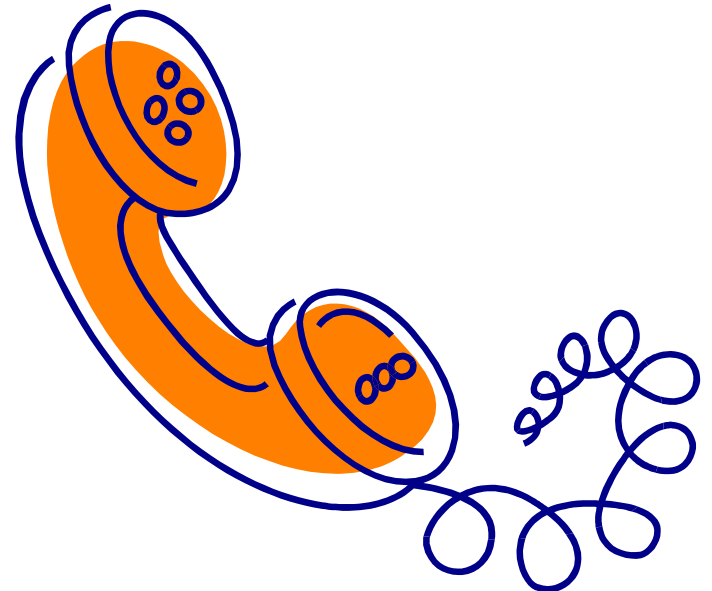
# OIG Outreach

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



# Contact NSF OIG

- **Internet:**
  - [www.nsf.gov/oig/](http://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](mailto:oig@nsf.gov)





# Questions?

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