



NATIONAL SCIENCE FOUNDATION
OFFICE OF INSPECTOR GENERAL
OFFICE OF INVESTIGATIONS

CLOSEOUT MEMORANDUM

Case Number: I-01100025

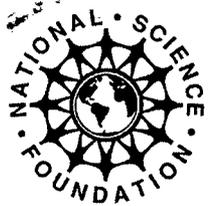
Page 1 of 2

The Office of Inspector General received information on November 8, 2001, from a former employee¹ of a midwestern university², alleging that NSF grant funds were spent for unauthorized projects.

The first allegation involved possible false claims. Specifically, the complainant alleged that various costs, primarily supplies, were inflated and billed to grant accounts and the funds were transferred to other university unrestricted accounts for use by the biology department. The documentation provided by the complainant related to events well passed any criminal statute of limitations. During our investigation it was discovered that these allegations had been made to the university previously and an audit of the grants associated with the Biology Department was completed in July of 1999. Although this audit did not identify any specific wrongdoing on the part of any university staff, it did identify a total of \$16,770 in questionable costs charged to an NSF grant. These costs were considered questionable because of a lack of sufficient documentation and the report contained a recommendation that that amount be returned to the grant account. Documentation was also included to confirm that the funds were returned to the grant account on August 31, 1999. In response to the audit report the university also implemented new procedures for billing supplies to various grant accounts, including the creation of a computerized stockroom billing program to track inventories and purchases. Our review of these procedures found them to be sufficient. A subsequent follow-up by the university's auditing department conducted in May of 2000 confirmed that corrective actions had been taken and the previous findings had been resolved.

The second allegation by the complainant involved another department within the university and involved the Principal Investigator³ for an NSF grant⁴ improperly charging a total of \$18K in labor and other indirect costs to the NSF grant. The complainant stated that on two separate occasions in 1998, the P.I. billed the NSF account in order to pay employees for work unrelated to the NSF Award and in support of his personally owned company⁵. The complainant also alleged that the lab⁶ was mired in fiscal mismanagement and had an operating deficit in excess of \$1.5M.





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Page 2 of 2

During our investigation we requested that the university conduct an audit of the labor costs associated with the specific grant. The subsequent audit report identified a total of \$95,606 in labor charges and other indirect costs that were mis-charged to the NSF grant account. The primary contributor that led to this discrepancy was found to be poor financial management of the lab. The investigation also determined that the university had identified several of the same issues and implemented corrective actions prior to this investigation. These corrective actions have included the implementation of procedures to ensure complete compliance with NSF grant conditions and the employing of a Fiscal Officer to manage the financial aspects of the lab. No information or evidence was identified to indicate that the mis-charging was intentional or involved any potentially criminal activity.

Based on the information identified during this investigation and the university's audit report confirming the amount in question, the university was directed to return the funds totaling \$95,606 to the grant account to be put to better use. Subsequently, on August 15, 2003, the university transferred the funds from the university's general account to the specific account associated with the NSF Grant⁷.

With the return of the funds to the NSF grant account, this case is closed.

[REDACTED]