

NATIONAL SCIENCE FOUNDATION
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OFFICE OF
INSPECTOR GENERAL

To: File #I98040008
From: [REDACTED]
Investigative Attorney
Via: [REDACTED]
Assistant Inspector General for Investigations
Date: September 29, 1999
Subject: Closeout

Review Objective

We received an allegation from the former [REDACTED] at the [REDACTED] that employees and /or administrators inappropriately spent NSF funds under award [REDACTED] by creating bogus purchase orders in an effort to use all the funds before grant expiration. Our review objective was to ascertain whether there was evidence to support the allegation.

Responses to Review Objective

I. Interviews

We interviewed the complainant and he could not provide us with any evidence to substantiate the allegation. He did provide us with source documentation that was not helpful in determining whether bogus purchase orders were created.

The interviews with the employees and administrators did not reveal any evidence that bogus purchase orders were created to inappropriately spend NSF funds. In particular, we were told that:

- 1) Specialized vendors were retained for long periods of time because of the unique nature of the exhibits being created
- 2) There was never a problem with the goods not being received after payment was made to vendors

- 3) The purchasing agent used same vendors repeatedly because of the good service
- 4) Some vendors were paid early to buy and hold expensive materials for later fabrication of an exhibit or to pre-construct certain parts of an exhibit

Based on the information presented during our interviews, it did not appear that bogus purchase orders were created to inappropriately spend NSF funds.

The interviews did reveal that there were many problems between management and the employees. However, these problems did not involve the creating of bogus purchase orders. Specifically, there was high management turnover which resulted in exhibit delivery and schedule problems. In attempting to resolve the problems, administrators terminated certain employees and moved the exhibit services group from an off-site location to the main building. We were told these changes assisted in resolving most problems. Despite these problems, the exhibits were all built and everyone, including NSF program managers, were satisfied with the results of the Starter Sets grant.

II. Limited Review of Accounting Records

We conducted a limited financial compliance review on the administration of the Starter Sets grant (January 1, 1993-June 30, 1996) to provide assurance that payments to vendors (suppliers and subcontractors) were properly authorized, documented and recorded. Based on our limited review, we did not encounter any evidence in the accounting records that bogus purchase orders were created to inappropriately spend NSF funds.

In our review, we: 1) discussed with [REDACTED] the [REDACTED] in place during the administration of the grant; 2) reviewed how costs were reported to NSF in the quarterly Federal Transactions Cash Reports; 3) reviewed how direct, indirect and cost sharing expenses were accumulated; and 4) examined audit reports of the [REDACTED] prepared in accordance with [REDACTED]. The [REDACTED] reports did not indicate any internal control problems.

Finally, we selected a sample representing salary costs and vendor payments from the general ledgers and required the [REDACTED] to provide any available supporting [REDACTED]

[REDACTED] Based on our review of the documentation, we concluded that the salary costs and vendor payments appeared to be properly authorized, documented and recorded. Accordingly, we did not encounter any evidence in the accounting records that bogus purchase orders were created to inappropriately spend NSF funds.

Conclusion:

The interviews with the complainant, [REDACTED] employees and administrators and the limited review of the accounting records did not provide us with any evidence that bogus purchase orders were created in an effort to use all the NSF funds before grant expiration. Accordingly, this matter is closed.