

Suspension and Debarment Referrals Resulting From Audit and Inspection Work

**2014 Suspension and Debarment Workshop
March 28, 2014**



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Need to Increase Awareness: Auditors and Inspectors Have a Role in S&D

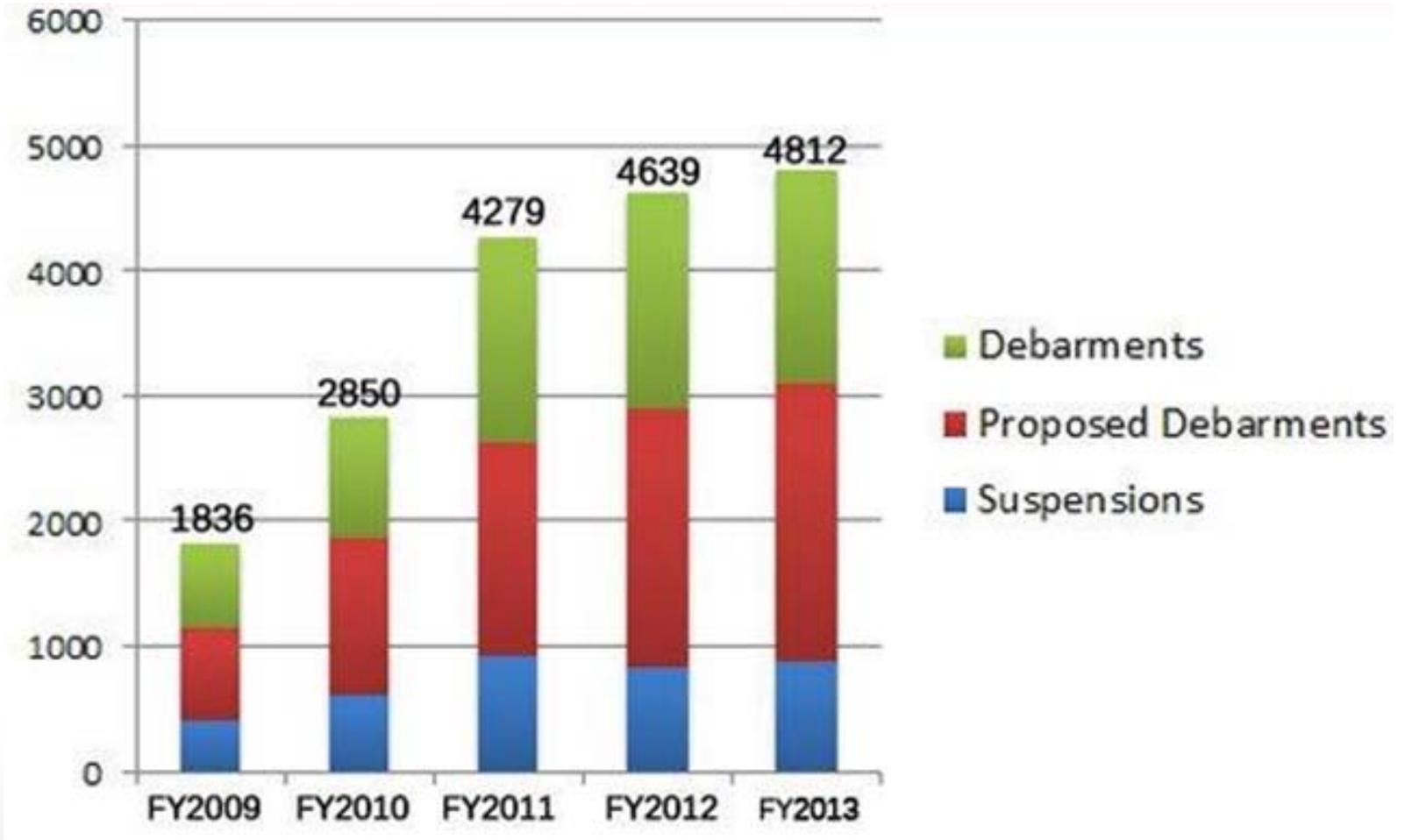
- **CIGIE S&D Working Group Surveys**

- 2010 Survey: Only 1 OIG Office of Audit said it “regularly” made S or D referrals. Only 2 Offices of Inspections said they had recommended S or D.
Note: These referrals/recommendations may not have been audit or inspection-initiated, but rather assists on cases that arose from Investigations work.
- 2012 Survey: 62 audit-related referrals and 5 inspections-related referrals. Again, unclear how many of these referrals were initiated by audits or inspections, as opposed to audit/inspections-assisted Investigations referrals.

PROGRESS, but room for greater number of S&D referrals arising directly from audits/inspections

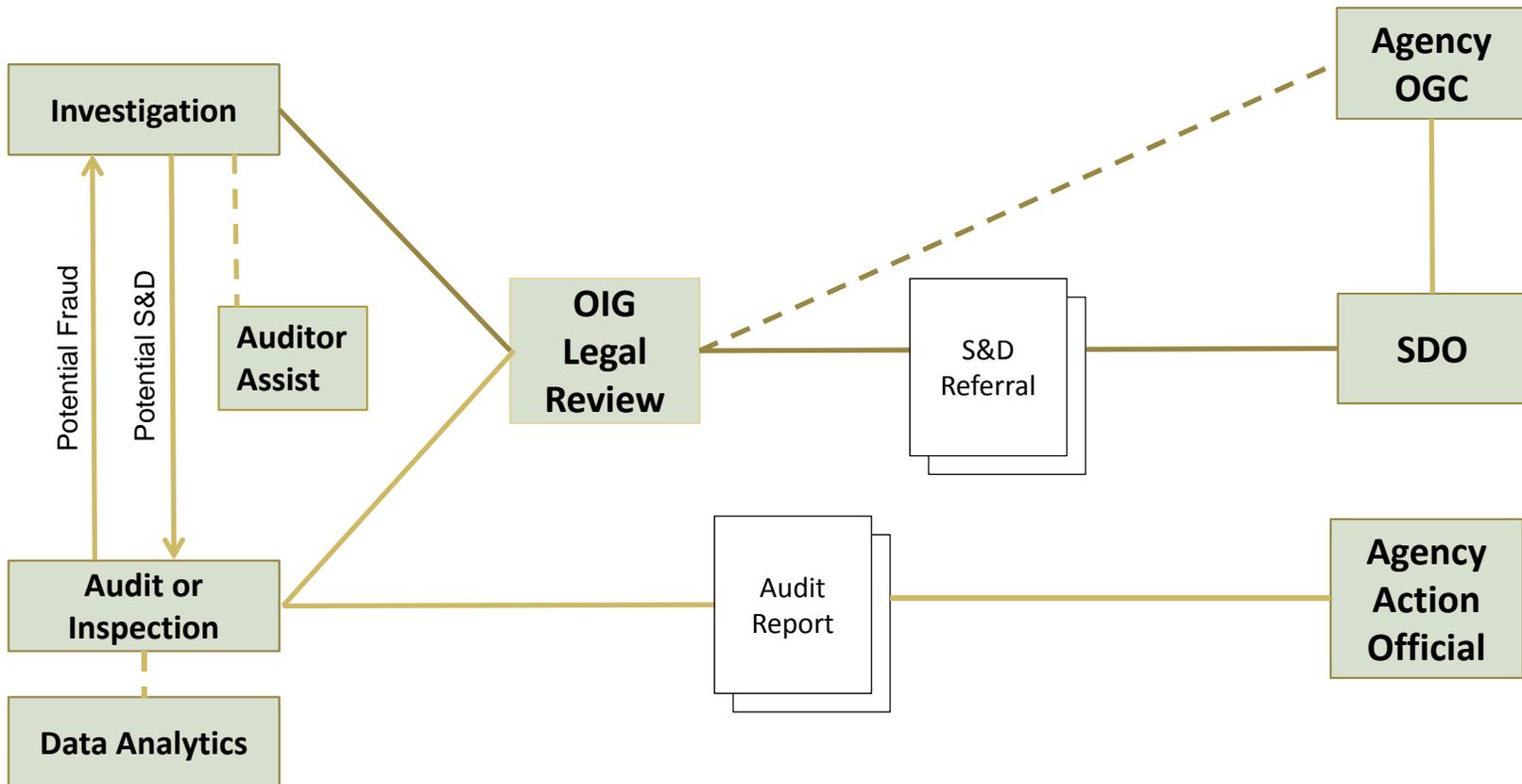
- **CIGIE Sub-Group, Federal Audit Executive Council (FAEC), has a working group on S&D.**
 - How to surface S&D issues during regular audit/inspections processes
 - ✓ Developing standardized practices for auditors and inspectors

Trends in Federal S&D



OIG Roles In Suspension and Debarment

Sources of S&D Referrals



Audits of Grants, Contracts, Cooperative Agreements

Lack of Present Responsibility: In course of audit/inspection work, surface potential fraud, waste, and abuse; non-compliance with applicable laws; Federal/agency requirements; or poor performance.

Possible subjects: institution, research administrator, principal investigator, research staff

Grants Differ from Contracts

Grants

- Services for the public good
- Merit review (competitive)
- Multiple awardees
- Award budget
- No Government ownership
- Grant payments
 - Summary draw-downs
 - No invoices for claims
 - Expenses not easily visible
- Salary percentages

Contracts

- Specified deliverables (goods and services)
- Competitive process
- One awardee
- Contract price
- Government ownership
- Contract payments
 - Itemized payment requests
 - Invoices to support claims
 - Detailed costs
- Salary hourly rates

Some Indicators For Possible Audit/Inspection S or D Referral

Both Grants and Contracts

- Expenses not reconcile with draw-downs
- Inadequate accounting system
- Multiple improper cost transfers
- Trend: Inadequate sub-award monitoring

Grants

- Large cash draws (esp. at end)
- High burn rate
- Spending after award expiration
- Effort reporting deficiencies
 - Staff didn't work on award
 - Paid too much
- Depr. of Fed.-funded property
- Cost share not documented
- No annual or final project reports

Contracts

- \$ for contract from another source
- Overestimating % of completion
- Payments on 1 contract fund another
- Falsified/missing invoices
- Lack of approval signatures
- Possible forged signatures
- Defective/nonconforming deliverables
- Shipping short to the Government

Suspension and Debarment Referrals

- Sample referrals from OIGs of SBA, Postal Service, and NSF are included as appendices to *Don't Let the Toolbox Rust*¹
- Next slide: Sample S&D template for Government-wide suspension and debarment referral

¹ <http://www.ignet.gov/randp/sandwgrpt092011.pdf>

Sample Government-Wide Referral

- I. Subjects:** One or more individuals and/or entities, e.g., head of sponsored research office and grants accountant (grants); CEO and the Company (contracts)
- II. Background:** How issue came to our attention, e.g., ongoing audit questioned \$10 m of unsupported costs.
- III. Facts:** Like audit conditions: e.g., improper cost transfers; inadequate accounting system
- IV. Suspension/Debarment**
 - A. Grounds**— Like audit criteria: FAR Part 9, subpart 9.4 for contracts, and 2 C.F. R. Part 180 for grants
 - B. Burden of Proof**— Amount of evidence needed to persuade suspension and debarment official to act

Suspension: **Adequate Evidence**
Debarment: **Preponderance of the Evidence**
 - C. Relevant- Factors**- including immediate need (for suspension)
 - Actual or potential harm
 - Frequency/duration of problem(s)
 - Pattern
 - Role of subject(s) in wrongdoing
 - Any mitigating factors (e.g., repayment)
- V. Recommendation: Period of suspension/debarment**

NSF OIG Office of Audit Case Study

Example of using data analytics for a possible debarment referral

- OA issued audit on project reporting – compliance with requirement to submit annual and final project reports.
- Used data analytics to identify 10 Principal Investigators (PI) with multiple final reports that had not been submitted.
- Discussed these cases with NSF Office of General Counsel.
- NSF chose to send administrative letters to their universities.
- Nine PIs submitted their reports.
- The 10th PI has left the university. NSF decided to waive the reporting requirements on his awards.
- **Conclusion:**
 - May not be an S or D referral based on this case, but there was substantial compliance with receipt of these late final project reports.
 - Raised the “scepter” of S&D, although the Office of Audit has not made an actual referral.

Questions?

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