

National
Science
Foundation



Office of
Inspector
General



Semiannual Report to Congress

March 2009

About The National Science Foundation...

The National Science Foundation (NSF) is charged with supporting and strengthening all research disciplines, and providing leadership across the broad and expanding frontiers of science and engineering knowledge. It is governed by the National Science Board which sets agency policies and provides oversight of its activities.

NSF invests over \$5 billion per year in a portfolio of approximately 35,000 research and education projects in science and engineering, and is responsible for the establishment of an information base for science and engineering appropriate for development of national and international policy. Over time other responsibilities have been added including fostering and supporting the development and use of computers and other scientific methods and technologies; providing Antarctic research, facilities and logistic support; and addressing issues of equal opportunity in science and engineering.

And The Office of the Inspector General...

NSF's Office of the Inspector General promotes economy, efficiency, and effectiveness in administering the Foundation's programs; detects and prevents fraud, waste, and abuse within the NSF or by individuals that receive NSF funding; and identifies and helps to resolve cases of misconduct in science. The OIG was established in 1989, in compliance with the Inspector General Act of 1978, as amended. Because the Inspector General reports directly to the National Science Board and Congress, the Office is organizationally independent from the agency.

About the Cover...

Original photo by Dr. Ken Busch, Investigative Scientist.

Table of Contents

- OIG Management Activities7**
 - Appointment of New IG7
 - The American Recovery & Reinvestment Act7
 - Congressional Testimony8
 - Legal Matters.....9
 - Outreach9

- Audits & Reviews 13**
 - Significant Internal Reports 14
 - Significant Grant and Contract Audits 15
 - A-133 Audits20
 - Audit Resolution24
 - Work in Progress27

- Investigations29**
 - Civil & Criminal Investigations29
 - Administrative Investigations35
 - Research Misconduct Investigations 41

- Statistical Data53**

- Appendix65**

[Blank Page]



From the Inspector General

This Semiannual Report to Congress highlights the activities of the National Science Foundation (NSF) Office of Inspector General (OIG) for the six months ending March 31, 2009. During this period our office issued 13 reports containing questioned costs of \$636,718. In addition our investigative staff closed 29 civil/criminal investigations, 33 administrative investigations and recovered \$1,294,136 for the government while referring seven cases to the Department of Justice.

This Report is my first since being appointed Inspector General of the National Science Foundation in late April. I want to thank the National Science Board for giving me this rare opportunity to serve. Thanks are also due to Deputy Inspector General Tim Cross under whose leadership much of the work reported in this period was conducted. Tim not only performed the duties of IG and Deputy IG during this period of transition, but more than rose to the challenge when the Recovery Act thrust many new responsibilities on our office.

These are difficult times for those of us in the Inspector General community. As more federal funds are spent to bolster the economy, higher standards of accountability and transparency are required to maintain the public's confidence in the institutions of government. OIGs are being asked to be more proactive and to develop new ideas for preventing fraud waste and abuse (FWA) before it occurs. Increasingly, Congress and the public expect OIGs to report on where the risks reside as opposed to uncovering problems after they have occurred.

While these are formidable challenges, I believe that the National Science Foundation's OIG is well-positioned to meet them. Our OIG has historically invested more of its resources in *preventative* activities than most. Our staff regularly reaches out to the research community and NSF staff to make them aware of their role in combating fraud and waste, and to alert them to what we are finding in our audits and investigations. Since it is difficult if not impossible to measure the value of FWA that is prevented, these efforts do not show up in statistical tables or performance metrics, but pay large dividends nonetheless in terms of raising awareness of accountability and compliance issues. I consider this outreach a wise investment and plan to continue it.

The Semiannual Report carries information about our initial efforts in response to the Recovery Act on p. 7, and general outreach efforts on p. 9. Other articles of interest include: the FY 2008 audit of NSF's financial statements on p. 14; audits of four grantees that failed to adequately monitor their subrecipients on p. 15; our role in a multi-agency investigation that resulted in a \$7.6 million settlement on p. 29; and five cases in which employees of awardee institutions violated positions of trust on p. 30.

A handwritten signature in black ink that reads "Allison C. Lerner".

Allison C. Lerner
Inspector General

[Blank Page]

Report Highlights

- Allison C. Lerner assumed the duties of Inspector General (IG) of the National Science Foundation (NSF) in April 2009. Ms. Lerner previously served as Counsel to the Inspector General at the Department of Commerce, where she began her federal career in 1991. **(Page 7)**
- The NSF OIG initiated oversight of \$3 billion in stimulus funds appropriated to the agency as part of the American Recovery and Reinvestment Act (ARRA). OIG is taking a two-stage approach to its ARRA responsibilities: 1) a *proactive* phase for risk mitigation activities that can be accomplished in the near term to help the agency and OIG prevent problems and prepare for more substantive work and; 2) an *operational* phase during which audits, investigations, and other types of reviews are conducted. **(Page 7)**
- An audit of NSF's FY 2008 financial statements conducted by an independent CPA firm under a contract with OIG resulted in the agency again receiving an unqualified opinion. However, the FY 2008 Management Letter identified seven findings, some of which included elements of prior years' findings related to NSF's operations and financial reporting controls. **(Page 14)**
- Four audits of non-profit organizations with more than \$14 million of subawards, found a consistent pattern of inadequate subrecipient oversight. Awardees that pass through federal funds to subrecipients are required to monitor them by methods such as reviewing financial and performance reports, performing site visits, or otherwise ensuring they have adequate financial systems to manage federal funds. **(Page 15)**
- NSF sustained \$3.3 million of \$4.2 million in costs questioned by auditors during a 2008 audit of two NSF awards to the School District of Philadelphia. In their report, auditors issued a disclaimer of opinion as they could not determine whether approximately \$13 million of direct and associated indirect costs and \$3.2 million of claimed cost sharing were allowable, allocable, and reasonable. **(Page 24)**
- OIG participated in a multi-agency investigation of allegations against a Connecticut university, resulting in a civil settlement under which the university paid \$7.6 million to the federal government. NSF's share of the settlement was \$438,821. **(Page 29)**

- In five separate cases, employees of awardee institutions abused positions of trust for personal gain. Four of the cases involved using grant and university funds for personal purchases, and in the fifth, an awardee contracting officer engaged in a kickback scheme. Such abuse violates federal as well as state and local criminal laws. **(Page 30)**
- A graduate student who committed verbatim plagiarism and intellectual theft when he published a paper derived from his graduate research and omitted any reference to his U.S. advisor, was found by NSF to have committed research misconduct, sent a letter of reprimand, and debarred for 5 years, consistent with OIG's recommendations. Because the actions were so serious, and had a lasting, adverse effect on the U.S. advisor's research and the relationship between collaborating scientists, we considered the student's conduct to be egregious. **(Page 43)**