National Science Foundation

Office of Inspector General

Semiannual Report to Congress

March 2010

About The National Science Foundation...

The National Science Foundation (NSF) is charged with supporting and strengthening all research discplines, 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 approximately $7 billion per year in a portfolio of more than 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 recieve 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.

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From the Inspector General

This Semiannual Report to Congress highlights the activities of the National Science Foundation Office of Inspector General for the six months ending March 31, 2010. During this period, our office issued fifteen reports, four of which contained more than $115,000 of questioned costs. Our investigative staff closed 28 civil/criminal investigations and 32 administrative investigations, had six research misconduct cases result in findings by NSF, and recovered $1,408,318 for the government.

Our efforts to ensure proper stewardship of NSF's American Recovery and Reinvestment Act (ARRA) funds are ongoing. We are currently reviewing a small sample of ARRA awards to ensure that Recovery Act goals are being met and that awardees are adequately prepared for the Act's additional financial and reporting requirements. We are beginning to focus attention on NSF's ability to manage its largest ARRA projects, such the Alaska Region Research Vessel. During this reporting period, we completed a review of NSF's efforts and controls to oversee the quality of data ARRA recipients are required to report. It is critical that this data be accurate, as it provides evidence to support whether recipients of ARRA funds are meeting the Act's reinvestment and job creation goals. We found that NSF is developing a sound process to review the quality of reported data, and we will continue to provide suggestions for future reporting cycles.

Other audit work completed this period includes labor effort reporting audits at five universities, the last in a series of sixteen reviews on this subject. Later this year we plan to issue a summary report describing the most significant issues found in this series of audits to assist NSF and universities in improving oversight and reporting of their labor effort charges. Finally, we issued two alert memoranda raising concerns about contract monitoring for cost reimbursement contracts, which was reported as a significant deficiency in NSF's FY 2009 financial statement audit. Cost reimbursement contracts are high risk because of the potential for cost escalation and because contractor's costs for performance are paid regardless of whether the work is completed.

Significant investigative results during this period include a university returning $380,000 in CAREER award funds drawn down on the award after the PI had left the university. Examples of our criminal investigations included a settlement agreement that resulted in a university returning $500,000 to NSF after making false claims and certifications related to a cooperative agreement.

Because research misconduct damages the scientific enterprise, is a misuse of public funds, and undermines the trust of citizens in government-funded research, we aggressively pursue such allegations against NSF-funded researchers. In the past six months, we found that a PI breached the confidentiality of NSF's merit review process; a scientist with a Florida company plagiarized

in four Small Business Innovation Program proposals, and another PI plagiarized text from a funded NSF proposal. I am pleased to report that NSF took strong action on several previously reported cases and debarred four individuals in response to our recommendations.

Our work reflects my office's sustained commitment to helping NSF be an effective steward of taxpayer dollars and benefits from the support of NSF management across the Foundation. We look forward to our continued constructive partnership with NSF to this end.

Allison C. Lerner

Report Highlights

- The OIG continued its proactive oversight of NSF's management of its Recovery Act funds with an emphasis on the accuracy of data ARRA recipients are required to report to NSF.

- OIG alert memoranda detailed deficiencies in NSF's monitoring of two large cost reimbursement contracts. Contract monitoring for cost reimbursement contracts was also reported as a significant deficiency in NSF's FY 2009 financial statement audit. In FY 2009, NSF obligated approximately $480 million for contracts for products and services. Of this amount, $361 million was obligated for cost reimbursement contracts, of which $270 million allowed for advance payments for three contractors, with the majority going to one contractor.

- Audits of labor effort reporting at five universities, the last in a series of sixteen reports, identified weaknesses such as noncompliance with federal effort reporting requirements, inadequate effort reporting training, and insufficient justification of labor cost transfers between awards. NSF annually provides more than $1.2 billion, approximately one-third of all NSF funds to universities, for salaries and wages.

- A Massachusetts university drew down nearly $200,000 on a CAREER award after the PI had left the university. The university terminated the award and returned $380,000 to NSF.

- Our investigation of fraud and mismanagement of NSF funds under a cooperative agreement at a Georgia university determined that a PI used NSF funds improperly and charged costs that were not related to the NSF project. A settlement agreement resulted in $500,000 in restitution and a five-year compliance agreement.

- In response to OIG recommendations, NSF debarred four individuals, including a former professor who had violated his university's conflict of interests and outside compensation policies for many years.