

National
Science
Foundation



Office of
Inspector
General



**Semiannual
Report to
Congress**

September 2010

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 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 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.

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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 September 30, 2010. During this period, our investigative staff closed 29 civil/criminal investigations, had five research misconduct cases result in findings by NSF, and recovered \$2,891,973 for the government. In addition, seven audit reports were issued, two of which questioned \$585,000, and one of which identified \$88 million of unallowable contingency costs in a non-profit's proposed budget. Over \$34 million of the contingency costs were America Recovery and Reinvestment funds. Our work reflects our sustained commitment to our mission to prevent and detect fraud, waste, and abuse within NSF and by individuals or entities that receive NSF funding.

During the last six months, we completed several cases with significant monetary recoveries for the government. A joint investigation of a public broadcasting company for alleged False Claims Act violations led to a settlement agreement under which the company returned \$950,000 to the government; agreed to a five-year compliance plan; and forfeited and deobligated more than \$1 million associated with awards from each of the three agencies. Expenses charged by the company to its NSF grant included gifts and alcohol. In another case, a company and former CEO that obtained a Small Business Innovation and Research grant by making false statements about the success of the project, each agreed to pay back \$467,000 to the government and to be bound by a five-year compliance plan.

Audits completed during the past six months, disclosed that a non-profit that was receiving NSF funds was improperly allocating contingency funds for uses such as consultant fees, travel, and beverages and snacks for employees.

In addition, my office has a leadership role in two new oversight initiatives—the Suspension and Debarment Working Group and the Small Business Innovation Research (SBIR) Program Working Group. The Suspension and Debarment Working Group, which I chair for the Council of Inspector's General on Integrity and Efficiency's (CIGIE) Investigative Committee, is focused on promoting awareness and expanding the use of suspension and debarment as an effective and powerful mechanism to safeguard taxpayer dollars from contractors and grant recipients who commit fraud, behave unethically, or nor presently responsible. The SBIR Working Group, which I lead as part of CIGIE's Research Misconduct Working Group, is focused on addressing Congress's concerns about the persistence of fraud in the SBIR program. This group has made progress on developing standard certifications, detecting duplicative funding, and sharing best practices and fraud indicators across agencies.

Finally, a working group which the NSF Deputy Director and I initiated developed a more effective process for resolving audit recommendations for entities that receive NSF funds. The new policy not only addressed some long-standing challenges that had impeded our ability to resolve audits, but also served as an outstanding model of collaboration which recognizes our shared commitment to stewardship of federal funds. I would also like to thank Dr. Steven Beering and Dr. Dan Arvizu for their service on the National Science Board. I look forward to a continued partnership with NSF in furthering our shared mission of safeguarding federal tax dollars awarded by the Foundation.

Allison C. Arnes

Report Highlights

- A company and CEO made false claims about their project's success to obtain a Phase II Small Business Research Innovation Program grant. Following a joint investigation, the company and CEO entered into a settlement agreement under which they each agreed to pay back \$467,000 to the government and enter into a five-year compliance plan.
- Three universities returned funds that had been mischarged to NSF awards. One of these universities reimbursed over \$85,000 to NSF and instituted new policies and procedures to strengthen its financial administration of NSF awards.
- An audit identified \$88 million of unallowable contingency costs in a non-profit's proposed budget. Over \$34 million of the contingency costs were America Recovery and Reinvestment funds. The audit did not find any controls or technical barriers to prevent the organization from drawing down contingency funds and spending them without NSF approval.
- The OIG and NSF management developed a more effective audit resolution process to provide robust stewardship of NSF funding provided to grantees.
- The OIG is leading an effort to protect taxpayer dollars through expanded and more effective use of suspension and debarment. The Inspector General is also working with the IG community on initiatives to combat waste, fraud, and abuse in the Small Business Innovation Research Program.

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