

National  
Science  
Foundation



Office of  
Inspector  
General



# Semiannual Report to Congress

March 2011

### ***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.

# Table of Contents

<b>Audits and Reviews</b> .....	<b>7</b>
NSF's Actions to Address Recommendations for Workforce Management Change .....	7
Audits of NSF Awards and Internal Controls .....	8
Unallowable Contingency Costs and Inadequate Accounting System .....	8
Recovery Act and Effort Reporting .....	12
Financial Statements Audit .....	13
A-133 Audits .....	15
<b>Investigations</b> .....	<b>19</b>
Civil and Criminal Investigations .....	19
Research Misconduct Investigations .....	23
Management Implication Reports .....	28
<b>OIG Management Activities</b> .....	<b>31</b>
Congressional Testimony .....	31
Outreach .....	32
<b>Statistical Data</b> .....	<b>35</b>
<b>Appendix</b> .....	<b>45</b>
Peer Reviews .....	45

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# From the Inspector General

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This Semiannual Report to Congress highlights the activities of the National Science Foundation, Office of Inspector General for the six months ending March 31, 2011. During this period, 24 audit reports were issued, five of which questioned \$4 million and one of which identified \$62 million of unallowable contingency costs in a proposed construction budget for the Advanced Technology Solar Telescope. More than \$20 million of these unallowable contingency costs were America Recovery and Reinvestment Act funds. In addition, our investigative staff closed 32 civil/criminal investigations, had six research misconduct cases result in findings by NSF, and recovered \$1,948,754 for the government. Further, our investigations resulted in four convictions, four government-wide debarments, and one government-wide suspension.

In February, I testified before the House Commerce, Justice, Science Appropriations Subcommittee regarding some of the top management challenges facing the Foundation, as well as reviews my office has conducted of NSF's operational expenses. Since NSF's primary mission activity is accomplished through funding external awardees, the Foundation's success is largely dependent on effective grant and contract administration. Accordingly, we are focusing significant audit work on two of NSF's top management challenges — improving grant administration and strengthening contract administration. We have also identified controls over contingency funds as an emerging challenge, and we have recommended that the Foundation require its awardees to remove unallowable contingencies from their proposed budgets and that NSF stop its current practice of allowing awardees to manage contingency funding. NSF has been responsive to our recommendations pertaining to grant and contract administration, and we are working with NSF to resolve contingency related findings.

In light of the current economic climate, it is essential that we also examine how NSF spends money internally for its own operations and activities. In this vein, we recently reviewed expenditures in two areas — refreshments provided to individuals participating in meetings at NSF and travel expenses under NSF's Independent Research and Development Program — both of which could yield cost savings with additional oversight and control. Our findings on expenditures for refreshments are detailed in this report; our September 2010 report included our findings on travel expenses.

Our investigative work continues to be a vital component of our efforts to prevent and detect fraud, waste, and abuse within NSF and by individuals or entities that receive NSF funding. Notable examples in the past six months include a case in which the president and executive director of a research company were required to pay over \$120,000 in restitution, and each was debarred for ten years after instructing their employees to bill time to NSF projects regardless of how much time they spent on those projects. In another case, three universities returned nearly \$200,000 to NSF for improper charges to NSF awards.

Finally, in an effort to be more transparent, we are now making our investigative closeout memoranda publicly available on our website. These memos describe the nature of the investigation and whether it resulted in an administrative, civil, or criminal action. As of March 31, we have uploaded 2,000 closeout memos onto our website covering over 20 years worth of investigative activity. We have organized the cases into searchable categories such as grant fraud, contractor fraud, and computer intrusion, in order to facilitate the public's access to this information.

I look forward to a continued partnership with the Congress and with NSF in advancing our shared mission of safeguarding federal tax dollars awarded by the Foundation and in protecting the integrity of NSF's programs and operations.

A handwritten signature in black ink that reads "Allison C. Arnes". The signature is written in a cursive style with a clear, legible font.

# Report Highlights

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- An audit of NSF's actions to address over 100 recommendations for workforce management change found that NSF has completed action on only 11 recommendations and that its process for change is informal, undocumented, and ad-hoc. NSF has outlined steps it has started to take to address workforce management issues.
- An audit of four awards at one institution and of three awards at another institution identified significant compliance and internal control deficiencies that led to more than \$3 million in questioned costs. These findings are particularly critical because one of these institutions had 382 active NSF awards totaling over \$160 million, and the other had more than six NSF awards totaling over \$23.7 million.
- An audit of the \$298 million cost proposal to construct the Advanced Technology Solar Telescope included \$62 million in unallowable contingency costs and an undetermined amount of contingency escalation costs. Problems with contingencies in this award are similar to those reported in our September 2010 semiannual in which a non-profit organization's proposed budget included \$88 million in unallowable contingency costs.
- Our investigation involving the president and executive director of a research company that had received a number of NSF grants led to the president being required to pay over \$105,000 in restitution and being sentenced to a month in prison. The executive director was required to pay over \$5,000 in restitution, and both executives and the company were debarred for ten years. These executives were instructing employees to bill time to NSF projects regardless of how much time they spent on the projects.
- In response to our recommendation, NSF terminated a Small Business Technology Transfer grant to a company that improperly accepted the grant while the company was under a Notice of Proposed Debarment from another agency, making it ineligible to receive any federal grants. The company spent \$100,000 of the grant which was funded under the American Recovery and Reinvestment Act. We referred this matter to the Department of Justice, and because the company did not take any steps to repay the money, and the fact that we had ongoing concerns with the company's present responsibility, we recommended that NSF debar the company.

- Our investigation of a former PI revealed that he had charged significant personal purchases to NSF awards and lied to his supervisor to cover up these charges. Based on our recommendation, NSF suspended the former PI government-wide so that he could not receive any federal awards for the duration of our criminal investigation.