



National Science Foundation
Office of the Director

May 1, 2018

Maria T. Zuber, Ph.D.
Chairperson, National Science Board
Massachusetts Institute of Technology, Rm 3-234
77 Massachusetts Avenue
Cambridge, MA 02139-4307

Dear Dr. Zuber:

The National Science Foundation herewith transmits its response to the Office of Inspector General's (OIG) Semiannual Report, which covers the period from October 1, 2017, through March 31, 2018. Also included for the same time period is the management report on final actions on audits with disallowed costs.

In this response, we reaffirm our commitment to cooperation with our OIG, and to protections from retaliation for whistleblowers. We highlight positive results from audits directed to financial management and information technology controls, which include NSF receiving its twentieth consecutive unmodified audit opinion for its FY 2017 financial statements. We provide additional information and context about an OIG audit of NSF's spending data transparency. Finally, we provide an overview of NSF's support of OIG investigations, including OIG referrals for research misconduct.

Sincerely,

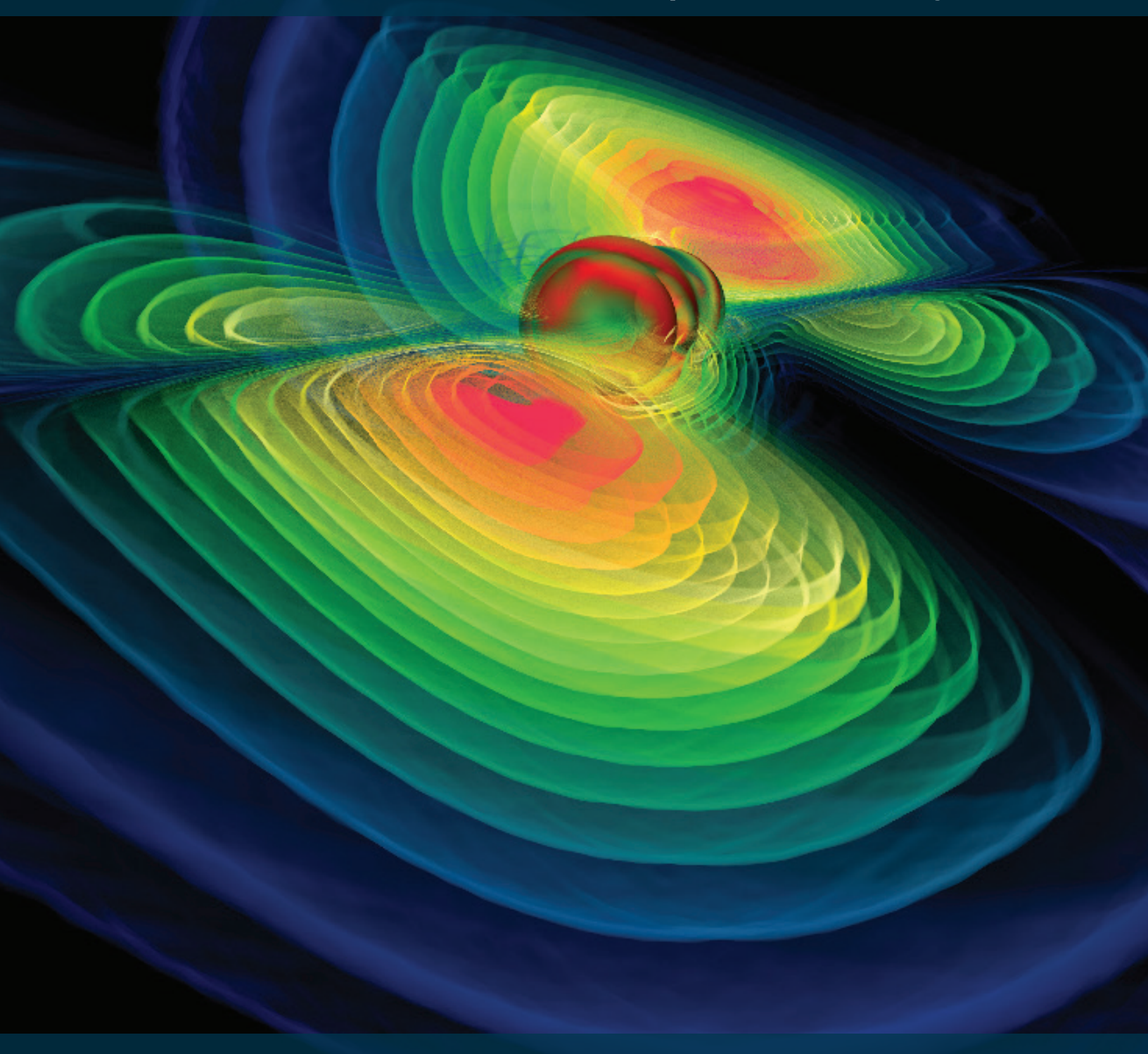
A handwritten signature in black ink that reads "Joan Ferrini-Mundy".

Joan Ferrini-Mundy
Chief Operating Officer

Enclosures

cc: Dr. France Córdova

NSF's Response to the Office of Inspector General's Semiannual Report to Congress



National Science Foundation
Spring 2018



NSF Management appreciates the opportunity to provide a response to the Office of Inspector General's (OIG) Semiannual Report covering the period from October 1, 2017, through March 31, 2018. In this response, we reaffirm our commitment to cooperation with our OIG, and to protections from retaliation for whistleblowers. We highlight positive results from audits directed to financial management and information technology controls and provide additional information and context about an audit directed to spending data transparency. And we provide an overview of NSF's support of OIG investigations, including OIG referrals for research misconduct. Finally, we include the Management Report on final actions on audits with disallowed costs.

We strongly reaffirm that NSF employees are encouraged to identify and report any risks or instances of waste, fraud, and abuse to the OIG, or other officials, without fear of retaliation. As stated by the Director of NSF and me in a memorandum to all staff on April 23, 2018, we take employee rights very seriously, and it is important to emphasize to every NSF employee that he or she has a right to be free of prohibited personnel practices. Retaliation against whistleblowers will not be tolerated at NSF, and we will pursue any violations to the maximum extent. Similarly, on April 9, 2018, for the third time in less than three years, the NSF Director reminded all employees that NSF's policies on cooperation with the OIG will be steadfastly enforced. NSF leadership is committed to continuing to work with the OIG to emphasize these core values throughout NSF.

During this Semiannual Reporting period, NSF received its twentieth consecutive unmodified audit opinion for its FY 2017 financial statements, without any material weaknesses, significant deficiencies or any instances of non-compliance with applicable laws and regulations. The clean audit opinion demonstrates the consistent commitment across NSF, in such areas as program, finance, budget, information technology, procurement, human capital, and other administrative services.

NSF is pleased that the OIG's Federal Information Security Modernization Act of 2014 (FISMA) audit for FY 2017 recognized that the agency had taken corrective actions sufficient to close four of the five prior-year findings. With respect to the two new findings and one modified-repeat finding, NSF timely submitted a Corrective Action Plan to the OIG to implement the OIG's recommendations.

NSF is committed to the Digital Accountability and Transparency Act (DATA) goal of providing increased transparency on federal spending to the public. Since passage of the Act in 2014, NSF staff have worked collaboratively as dedicated partners with the Office of Management and Budget (OMB), the Department of Treasury, and other Agencies. NSF was recognized with the Treasury Secretary's Certificate of Appreciation for outstanding commitment to collaboration for this work. NSF has been successfully submitting quarterly data to Treasury since April 2017, as required by the Act.

The DATA Act requires each agency's OIG to conduct biennial DATA Act audits. NSF's OIG audited the agency's first submission of FY 2017 Quarter 2 data and found that NSF's overall error rates were elevated pertaining to accuracy, completeness and quality. The auditors appropriately separated Government-wide reporting errors that are beyond NSF's control from errors they found attributable to the agency. NSF appreciates that distinction, and generally agrees with the auditor's recommendations. Nonetheless, NSF identified key differences with the auditors' report, most of which the agency expects to be resolved by new guidance anticipated from OMB. The remaining differences pertain to how the findings were derived in the audit report. NSF appreciates that the OIG's recommendations provide opportunities for improvement, and we are implementing responsive actions.

Under Section 115 of the American Innovation and Competitiveness Act (AICA), NSF reports findings of research misconduct pursuant to 45 C.F.R Part 689 to other Federal science agencies. We also note that, pursuant to 2 C.F.R. Parts 180 and 2520, suspensions and debarments are entered into the government-wide System for Award Management and publicly available through www.sam.gov.

NSF supports the OIG's program integrity investigations, including those arising from Small Business Innovation Research (SBIR)/Small Business Technology Transfer (STTR) awards. We are proud to have supported the OIG's recovery of \$1,530,205 during this Semiannual Reporting period. We also appreciate the quality of the OIG's reports for its investigations of research misconduct under 45 C.F.R. Part 689. We note that, in FY 2017, the OIG issued 13 reports for research misconduct, defined as plagiarism, falsification, and/or fabrication of research funded by, or proposed to, NSF.¹ Several of these cases arose from allegations of plagiarism in unfunded proposals to NSF so no funds were at risk. Notwithstanding, every allegation of research misconduct is taken very seriously by NSF.

NSF appends its Management Report on Final Actions Taken on Audits with Disallowed Costs (also known as Final Action Tables) to this response.

We look forward to continuing to engage the OIG to identify opportunities for improvements in our agency's programs and operations, particularly in the areas of financial management and information technology controls. We will continue to support the OIG's program integrity and research misconduct investigations.

Joan Ferrini-Mundy

A handwritten signature in black ink that reads "Joan Ferrini-Mundy". The signature is written in a cursive, flowing style.

Chief Operating Officer, National Science Foundation

¹ The thirteen research misconduct cases reported to NSF in FY 2017 exclude program integrity cases, e.g., cases arising from SBIR/STTR awards.

Management Report on Final Actions TA1:D65aken on Audits with Disallowed Costs for the Six-month Period Ended March 31, 2018			Sustained Costs
A. Audit Reports with management decisions on which final action has not been taken at the beginning of the period:			
1	09-1-014	University of Michigan ¹	\$81,461
2	09-5-048	College of the Mainland	\$15,004
3	13-1-002	Jackson State University	\$231,320
4	13-1-004	Cornell University ²	\$38,363
5	15-1-014	University of Wisconsin - Madison	\$134,514
6	15-1-020	Stanford University	\$70,040
7	15-5-049	Paine College	\$177
8	16-4-028	Toyota Technological Institute at Chicago	\$25
9	16-4-052	National Ecological Observatory Network (NEON) ³	\$962,298
10	17-5-054	Chicago State University	\$473
		Subtotal A	\$1,533,675
		10	
B. Audit Reports on which management decisions were made during the period:			
1	15-5-094	JF Drake State Community and Technical College	\$15,846
2	16-5-081	JF Drake State Community and Technical College	\$37,419
3	17-1-002	University of California - Davis	\$86,853
4	17-1-004	Oregon State University (Oceanus) ⁴	\$5,082
5	17-1-008	Georgia Institute of Technology	\$20,117
6	17-4-112	UNAVCO, Inc.	\$187,636
7	17-5-074	JF Drake State Community and Technical College	\$43,578
		Subtotal B	\$396,531
		7	
C. Total Audit Reports pending final action during this period: (Total A+B: 17)			\$1,930,206
D. Audit Reports on which final action was taken during this period:			
1	09-1-014	University of Michigan ¹	\$81,461
2	09-5-048	College of the Mainland	\$15,004
3	13-1-002	Jackson State University	\$231,320
4	13-1-004	Cornell University ²	\$38,363
5	15-1-014	University of Wisconsin - Madison	\$134,514
6	15-5-094	JF Drake State Community and Technical College	\$15,846
7	15-5-049	Paine College	\$177
8	16-4-028	Toyota Technological Institute at Chicago	\$25
9	16-5-081	JF Drake State Community and Technical College	\$37,419
10	17-4-112	UNAVCO, Inc.	\$187,636
11	17-5-054	Chicago State University	\$473
12	17-5-074	JF Drake State Community and Technical College	\$43,578
		Subtotal D	\$785,816
		12	
E. Audit Reports needing final action at the end of the period:			
1	15-1-020	Stanford University	\$70,040
2	16-4-052	National Ecological Observatory Network (NEON) ³	\$962,298
3	17-1-002	University of California - Davis	\$86,853
4	17-1-004	Oregon State University (Oceanus) ⁴	\$5,082
5	17-1-008	Georgia Institute of Technology	\$20,117
		Subtotal E	\$1,144,390
		5	
			\$1,930,206
F. Reconciliation of Audit Reports: (Total D+E: 17)			
¹ Original sustained costs in the amount of \$92,667 were appealed by the awardee. \$11,206 of the sustained costs were overturned under the appeal, reducing the amount to be collected to \$81,461.			
² The previously reported sustained amount was \$35,573. The actual sustained amount and the amount repaid was \$38,363.			
³ A total of \$962,298 was sustained with \$812,941 offset due to the finalization of the FY 2015 negotiated rate and \$189,972 pending final action. The \$189,972 sustained amount was provided to the Grants Officer on 10/16/2017 for consideration under the pre-existing liabilities provision of the Battelle Memorial Institute's (BMI) current awards.			
⁴ Note that the OIG tables reported \$3,002 sustained in the SAR; NSF is reporting \$5,082 which includes \$2,080 in reversed charges from the current award. The audit report also made a Recommendation for Better Use of Funds at \$315,016 with final action completed for the reporting period ended 3/31/2018.			

**Management Report on Final Actions
Taken on Audits with Disallowed Costs for the Six-Month Period
Ended March 31, 2018**

	Number of Reports	Dollar Value
A. Audit reports with management decision on which final action has not been taken at the beginning of the period	10	\$1,533,675
B. Audit reports on which management decisions were made during the period	7	\$396,531
C. Total audit reports pending final action during this period (Total A+B)	17	\$1,930,206
D. Audit reports on which final action was taken during this period		
(1) Recoveries		
a) Collection and Offset	12	\$783,816
b) Amount uncollectible	0	
(2) Write-offs	0	
E. Audit reports needing final action at the end of the reporting period (C-D)	5	\$1,144,390
F. Total (D+E)	17	\$1,930,206

**Management Report on Final Action
on Audits with Recommendations for Better Use of Funds
Agreed to by Management
For the Six-Month Period Ended March 21, 2018**

	Number of Reports	Dollar Value
A. Audit Reports with management decisions on which final action had not been taken at the beginning of the period	0	\$0
B. Audit Reports on which management decisions were made during the period	2¹	\$12,029,696
C. Audit reports on which final action was taken during this period (Total A+B)	0	\$12,029,696
D. Recommendations on which final action was taken during this period	2	
(1) the dollar value of recommendations that were actually completed		\$0
(2) the dollar value of recommendations that management subsequently concluded should not or could not be implemented or completed		\$12,029,696
E. Audit reports for which no final action has been taken by the end of the reporting period (C-D)	0	\$0

¹14-1-005 – Association of Universities for Research in Astronomy (AURA) at \$11,714,680; and, 17-1-004 – Oregon State University (Oceanus) at \$315,016.