

The following is a summary of some of the more significant issues described in this Semiannual Report:

- The Inspector General's list of the most serious management and performance challenges facing the National Science Foundation (NSF) is summarized on **page 7**.
- OIG issued the Fiscal Year 2001 Independent Auditor's Report in which NSF received its fourth consecutive unqualified opinion on the financial statements. However, the auditors identified two reportable conditions relating to (1) post-award grant and asset management, and (2) electronic data information systems. Although NSF has an adequate system of award management over its pre-award and award phases, it does not have a comprehensive risk-based internal grants management program to monitor its post-award phase. The audit also revealed vulnerabilities in NSF's electronic data information systems that increase the risk of loss, misuse, and unauthorized modification of information or disruption of essential services. (See **page 19**)
- Providing effective management and oversight of large infrastructure projects remains an important management challenge, as NSF has spent over \$600 million for major research equipment and facilities projects in FY 2001 alone. We have continued our audit work in this area during the current reporting period, issuing one audit report and nearing completion of another. We are also tracking corrective actions taken by the agency to address this issue. (See **page 22**)
- Issues related to cost sharing commitments comprise another of the top ten management challenges facing NSF. Recently we undertook two audit initiatives to gauge the extent of the problem. The first initiative focused on five different campuses of the same university system. The second cost-sharing audit initiative focused on eight geographically dispersed educational institutions that had promised \$500,000 or more of cost sharing. The results thus far indicate that of \$16.5 million of cost sharing promised by five educational institutions, \$1.5 million of claimed cost sharing was not supported in accordance with Federal cost

principles. The audits also indicate that in general, awardees are not accounting for cost sharing adequately. (See page 23)

- In two recent cases, courts firmly enforced the terms and conditions of NSF's awards. Grantees that sued NSF to avoid reimbursing the government for costs improperly claimed were ordered to repay the disputed amounts. In one case, the court ordered a University Foundation to repay \$139,152 in promised cost sharing and stated "NSF was well within its contractual rights to seek relief when the award letter unequivocally stated that as a condition of receiving the grant, the Foundation had to 'agree to share in the costs of the project.'" (See page 32)
- Shortly after participating in an NSF awards conference, attendees became the victims of identity theft. The investigation concluded that the victims' social security numbers (SSNs) were stolen through information they had provided to NSF as part of the registration process. Subsequently, the NSF funding program has modified its procedures to ensure that in the future, the SSNs of all conference participants will be expunged from the event database. In addition, the program issued an advisory and apology to the conference attendees. (See page 40)
- On February 25, 2002, a bioengineering professor from a South Carolina university pled guilty in U.S. District Court to one count of submission of false information to the Federal government. In our September 2001 Semi-annual Report, we reported that the professor submitted a fraudulent final report for an NSF Small Business Innovation Research (SBIR) Phase I grant, that was essentially copied verbatim from a thesis written by one of his students. In addition, a company accused of submitting duplicate SBIR proposals to NASA and NSF and obtaining funding from each agency to conduct the same research, agreed to a settlement in which it repaid \$25,000 to the government. (See page 43)
- Following OIG's recommendations, the Deputy Director issued a finding of misconduct in science in two separate cases: the first involving a biologist at a Washington institution who plagiarized material from another scientist's proposal and; a doctoral candidate in chemistry who falsified data contained in research supported by NSF. Other penalties were assessed in each case. (See page 47)