

# Executive Summary

- OIG's annual statement of what the office considers the most serious management and performance challenges facing NSF appears on [p. 7](#).
- The Fiscal Year 2002 Independent Auditor's Report, which includes the results of the information security review, was issued during this reporting period. NSF received its fifth consecutive unqualified opinion on the financial statements. However, the audit report identified two reportable conditions in its Report on Internal Control over Financial Reporting. They relate to (1) post-award procedures for monitoring awardees' administrative and financial management and tracking of NSF-owned property, plant and equipment in the custody of awardees, and (2) entity-wide information security. The report also identifies 3 specific areas of vulnerability in NSF's electronic data information systems that were considered significant. [See p. 17](#).
- In March, we issued our report on the audit of the medical and occupational health and safety programs that serve the United States Antarctic Program (USAP). We found that these programs generally protect the overall health and safety of USAP participants. However, the review identified health and safety issues related to aging facilities and infrastructure. Since the USAP staff depends on the facilities for protection from the harsh elements, we recommended that NSF develop a capital asset management plan for the USAP. In order to assure that the plan is funded, we also recommended that NSF establish a separate line item within its budget so that it does not have to compete with other priorities for its funding. [See p. 19](#).
- NSF negotiates indirect cost rates for 112 awardees that receive approximately \$585 million of Federal funding annually. Since most of these organizations are relatively small and possibly unfamiliar with the complexities of indirect cost proposals, we audited four indirect cost rate proposals during this period. Overall, we found that the organizations did not correctly calculate their proposed indirect cost rates and overstated their rates by an average of 8 percentage points. Four of the grantees could not support direct or indirect costs claimed because of either a lack of documentation or inadequate systems for tracking labor costs. In addition, two awardees did not submit

annual indirect cost proposals to NSF as required. While not necessarily representative of all awards, the findings suggest that the negotiation of indirect cost rates may need increased scrutiny by NSF. [See p. 20.](#)

- An NSF grantee agreed to pay \$1.4 million to the government to settle a case that involved allegations of conflicts of interests, non-competitive procurement, and the submission of proposals to NSF that omitted material information. The grantee, a non-profit organization that provided computer network services to institutions, carried out a complicated reorganization for the apparent purpose of realizing a benefit from the sale of a lucrative network. Our investigation confirmed the substance of the allegations made by a former executive, and also found that the grantee violated NSF requirements concerning program income. [See p. 31.](#)
- Three universities that were victimized by fraud recently reported making management improvements to prevent future occurrences. In one case resolved this period, an audit report disclosed that a university grant administrator fraudulently charged approximately \$235,000 to various university grant accounts. The fraud included \$79,220 to Federal grant accounts, of which \$3,480 was charged to an NSF grant account. The administrator pled guilty to one count of mail fraud, and was sentenced to 18 months in prison followed by 3 years of supervised release, and ordered to pay restitution of \$215,835.05. We recommended that NSF debar him for three years. [See p. 34.](#)
- A computer scientist incorporated 90 lines of verbatim text from another scientist's successful proposal into his own Faculty Early Career Development (CAREER) proposal, as well as unattributed text from a dozen other sources. Moreover our review of 4 earlier NSF proposals, as well as other works by the scientist, uncovered more indications of plagiarism that were previously unknown. We recommended that NSF find that the subject committed misconduct in science and send him a letter of reprimand. We also recommended that the subject be debarred for three years and excluded from serving as an NSF reviewer, advisor, or consultant for a period of five years. [See p. 36.](#)
- In OIG's first Performance Report, most goals were achieved. Many of the goals were aimed at improving key internal processes. The Office of Audits successfully implemented initiatives such as "team based auditing", and the development of new quality checks for documenting and reporting on audits. These quality improvements contributed to a successful peer review of audit operations by another Federal OIG. The Office of Investigations carried out a major revision of its policy manual, conducted a mock peer review, and wrote two articles published in professional journals. In addition, Audits and Investigations collaborated to develop an effective process for referring matters that require the other's professional expertise. [See p. 41.](#)