

National
Science
Foundation



Office of
Inspector
General



**Semiannual
Report to
Congress**

September 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.

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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, 2011. During this period, our investigative staff closed 50 investigations, had 5 research misconduct cases result in findings by NSF, and recovered \$12,903,449 for the government. In addition, eleven audit reports and reviews were issued which identified \$201,756 in questioned costs and nearly \$76 million in funds put to better use.

During the past six months, we completed several cases with significant monetary recoveries for the government. An investigation of overcharges by the contractor that provides support for the U.S. Antarctic Program led to the recovery of \$11.4 million. A joint investigation of false claims made under NSF grants led to a settlement agreement requiring a Georgia college to reimburse the government \$1.2 million and enter into a five-year compliance plan. Expenses charged to the NSF grant included personal purchases and travel. Four ongoing investigations of fraud and duplicate funding involving NSF awards resulted in \$875,000 being either recovered from awardees or retained by the government.

An audit completed during the last six months made recommendations to NSF regarding oversight of financial conflicts of interest at institutions receiving NSF awards. An audit of grants management processes at an Alaska university found that more than \$533,000 of grant funds were expended inappropriately on food and entertainment, among other things. Auditors also identified \$76 million in unallowable contingency costs in the bid to build the National Ecological Observatory Network.

Taxpayers expect government managers to be prudent custodians of agency funds in both good times and bad, but expectations are even higher when budgets are tight. In tough economic times Federal agencies and programs must make every dollar count; exercise the most stringent oversight; and ensure these standards apply whether the money is being spent by NSF awardees or internally within the Foundation.

Recently the OIG has performed reviews to examine expenditures at NSF and identify possible cost savings, as well as changes that could lead to efficiencies and could reduce fraud, waste, and abuse. We previously assessed the amount NSF spends to provide light refreshments to peer review panelists. During this reporting period, we assessed NSF's purchases of wireless devices and services, which in FY 2010 amounted to \$660,000. Like the earlier review, the report cited the need for a centralized procurement process which could result in economies of scale when purchasing, and concluded that the agency should establish a policy to guide the purchase, distribution and use of wireless technology. NSF has been responsive to our recommendations.

There are many opportunities to conserve money within a \$7 billion dollar organization like NSF without having an adverse impact on the agency's core mission. My office will continue to focus on identifying opportunities for cost savings or funds that can be put to better use.

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.

Allison C. Lerner

Report Highlights

- Our investigation of overcharges by the contractor that provides support for the U.S. Antarctic Program, which began pursuant to a referral from the Office of Audit, led to the recovery of \$11.4 million in wrongful contract charges.
- An investigation involving a PI at a Georgia college who submitted false claims to NSF and NASA grants over a five year period led to a settlement agreement requiring the college to reimburse the federal government \$1.2 million. The college also agreed to a five-year compliance plan and did not renew the PI's employment contract.
- More than \$875,000 was recovered from four ongoing cases. In one case, an employee at a Delaware university charged fraudulent and unallowable costs to an NSF award and, during our investigation, altered records to transfer improper costs off the awards. In another case, involving duplicate funding related to NSF and Department of Energy awards, NSF terminated an award in response to our recommendation, providing NSF with more than \$261,000 in funds put to better use.
- An audit of NSF's oversight of grantee institutions' financial conflicts of interest programs found that NSF policy does not require it to provide monitoring and oversight of grantee institutions' implementation of their conflicts programs. In addition, institutions are not required to notify NSF when they permit research to continue without imposing restrictions on an identified conflict. As a result, NSF cannot be assured that the institutions are properly managing, reducing, or eliminating conflicts of interest or that unmanageable conflicts are being reported to NSF.
- Auditors found that the \$433.7 million cost proposal for construction of the National Ecological Observatory Network included approximately \$76 million in unallowable contingency costs. Problems with contingencies in this award are similar to those reported previously. Since September 2010, a total of \$226 million in unallowable contingencies in cost proposals for three large construction projects has been identified.

