

*National Science Foundation
Office of Inspector General
OIG Update*

1

**Federal Demonstration Partnership
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Introduction: Recent Changes in Audit Process

2

- Focus on risk areas
- Increase the number of external audits that address the cause of findings
- More OIG-conducted external work

Audit Selection

3

Prioritization

- Risk
 - ✓ Risk score
 - ✓ Awardee type – small vs large institution
- Availability of Resources
 - ✓ Audit staff
 - ✓ Funds for IPA audits



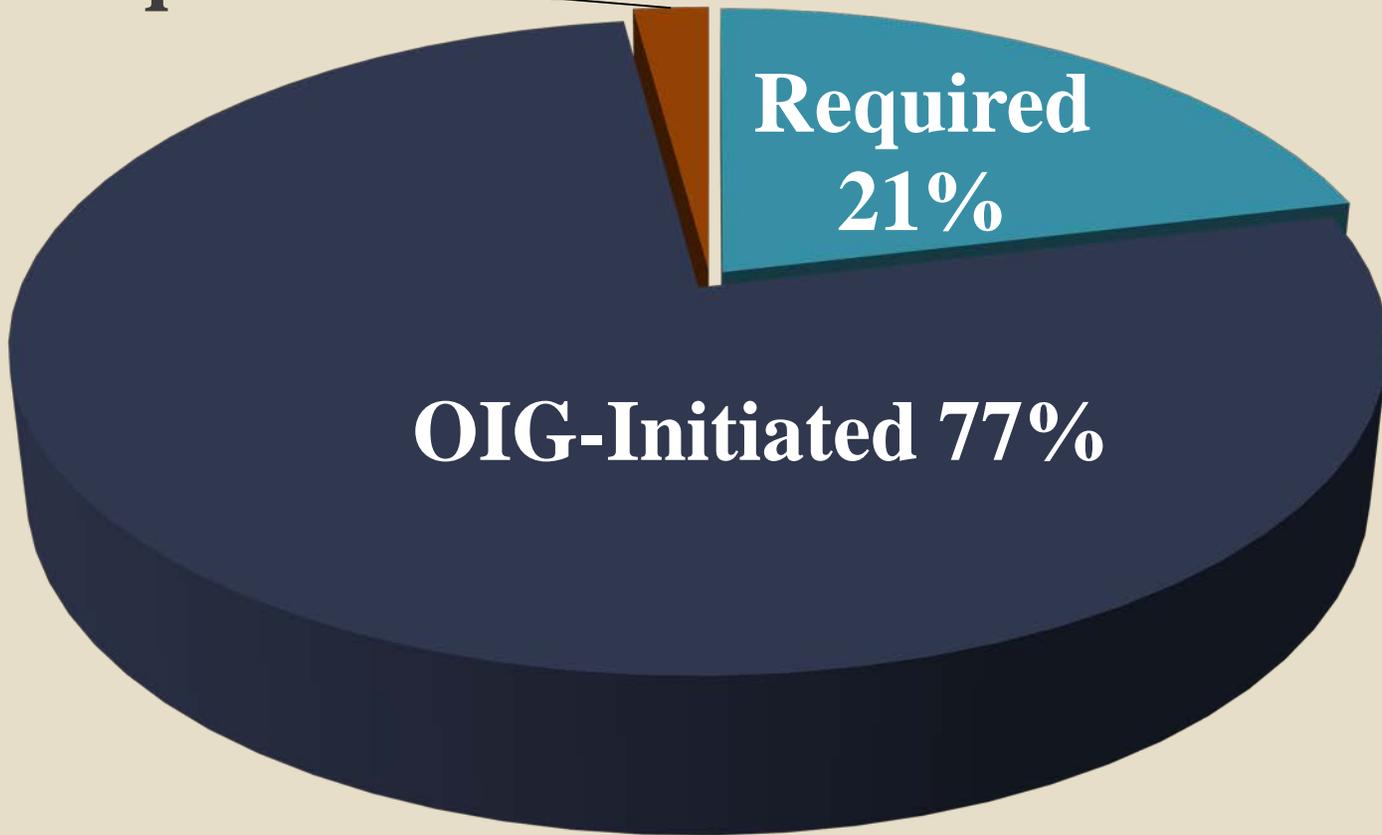
FY 2018 Distribution of Audit Work

4

NSF-Requested 2%

Required
21%

OIG-Initiated 77%



On-going External Audits

5

- 22 Audits of Institutions of Higher Education
 - 21 by Five IPA Firms
 - 1 by OIG
- 2 Audits of Non-Profit Institutions
 - 1 by IPA
 - 1 by OIG
- 1 Audit of a Large Facility
 - By IPA firm

Common External Audit Findings

6

- Allocability-- No documentation of how a cost benefited the award to which it was charged
 - Examples
 - ✓ Equipment purchased at the end of the award
 - ✓ International travel related to research tangential to the award
 - ✓ Equipment/supplies charged to one award when it has multiple uses
 - ✓ Cost transfers

Common External Audit Findings

7

- Indirect Costs – Improper application
 - Awardee applies rate different from (usually higher than) its negotiated rate
 - Application of indirect costs to a direct cost, such as participant support, on which indirect costs are not allowable

Ongoing Internal Audits

8

- Subrecipient Monitoring
 - Required by the American Innovation and Competitiveness Act (AICA)
 - Objective: To determine if NSF's processes for monitoring awardees are sufficient to ensure that the prime awardees/pass-through entities monitor their subrecipients properly
 - Performing work at NSF and institutions

Ongoing Internal Audits

9

- NSF's Controls to Prevent Misallocation of Appropriations for the Construction and Operations of Major Facilities
 - Objective: To determine whether NSF, as part of its oversight of the construction and operations of major facility projects, has internal controls that ensure awardees allocate their construction and operations expenses to the correct award
 - Will issue one report related to NSF controls for three major facility awardees
 - Performing work at NSF and at major facilities

Communication with Awardee and NSF during Audits

10

- Engagement Letter
- Entrance Conference
- Notification of Findings (NFR) vs Discussion Draft
- Exit Conference
- Formal Draft Report
 - Awardee usually has 30 days to comment
 - Provided to NSF, even if NSF is not the awardee
 - Awardee comments are summarized in the final report and attached as an appendix

Recent OIG Product Office of Audits Report

11

NSF Controls to Mitigate IPA Conflicts of Interest
Report No. 17-2-008, issued 6/8/17

Findings

- Conflicted parties could access NSF's proposal and award information
- Rules on submitting proposals while at NSF not clear or consistently enforced
- Substitute negotiator not always named when negotiating awards with former IPAs
- Inadequate exit process to acknowledge post-employment restrictions
- Inadequate NSF corrective actions to address problems found in a prior 2015 Office of Investigations report

Audit Resolution in Accordance with OMB Circular A-50 (*Audit Followup*)

12

- External Grantee Audits
 - Resolution is required within 6 months of report issuance
 - NSF sends OIG report to auditee for response to findings and recommendations
 - NSF provides OIG with auditee feedback
 - NSF provides OIG with draft audit resolution and NSF and OIG discuss
 - NSF provides OIG with Audit Resolution Memorandum (ARM)
 - ✓ Includes NSF's Management Decision on resolution of recommendations
 - ✓ OIG has 10 days to respond
 - If OIG disagrees with NSF's Management Decision, it can escalate to NSF's Audit Follow-up Official
 - Ultimate decision on audit resolution rests with NSF
- OIG's options if it disagrees with final resolution for any recommendation

Planned Future Audit

13

- NSF's Oversight of its Foreign Awardees
 - Prior OIG audits (in FYs 2004-2005) indicated NSF needed to improve its oversight of its foreign awardees
 - 10/10/17: Sent the Head of NSF's Office of International Science and Engineering (OISE) notice that OIG was beginning research for a potential audit and might contact OISE staff in the future to obtain information
 - 11/14/17: Project put on hold so staff could work on higher priority project
 - Plan to resume audit Spring 2018
 - Objective(s): TBD

Recent OIG Products

Office of Investigations (OI) Report

14

Review of Institutions' Implementation of NSF's Responsible Conduct of Research Requirements (PR 12030006, issued 7/25/17)

- 2007 America COMPETES Act: NSF to require awardees to provide adequate training to students and post-docs about Responsible Conduct of Research (RCR)
- OI contacted 53 institutions to find out how they had implemented the required training
- Findings
 - Most complied with RCR requirements, but ~ 1/4 did not do so initially
 - Most institutions (73%) used online training primarily; however, ~ 65% of participants said they would prefer interactive training
 - Lack of guidance from NSF about what constitutes “appropriate” training
- Identified opportunities for NSF to strengthen its RCR policy (e.g., by providing written guidance or templates for universities to follow)
- NSF's action in response to report: 8/17/17 *Important Notice* from NSF Director reminding institutions that they must certify on proposals that they meet NSF's RCR requirements

Audit/Investigation Collaboration

Recovered ~\$1.2 m on Audit Referral

15

- Audit found that a university charged NSF salary and other expenses for which there was insufficient or no supporting documentation and referred the issue to OI
- OI determined that in preparing for the audit and in response to preliminary findings, university employees fabricated time and effort reports and provided them to the auditors
- March 31, 2017 OIG Semiannual Report to Congress reported that the University agreed to pay nearly \$1.2 million to settle allegations it had not maintained adequate records to support NSF expenses
- A former University employee, who pled guilty to falsifying time and effort reports and directing others to do so, was sentenced to 1-year of probation
- The settlement agreement with the Department of Justice also required the University to implement a 5-year compliance plan to ensure it will exercise proper oversight of NSF awards in the future

Recent OIG Products

OI Cases

16

- **University identified accounting errors and returned more than \$2.2 million to NSF**
Self-reported
 - Due to an issue with its accounting procedures the University erroneously charged various NSF awards for salaries for some administrative staff who did not work on NSF awards. University took corrective action.
- **Community college returned over \$327,000 for improper charges**
Hotline
 - PI improperly charged costs to an NSF grant that were related to another federal grant and submitted numerous charges that lacked supporting documentation. The college removed the PI and the college president from their positions.
- **Research Foundation returns over \$330,000 improperly paid to faculty and ineligible students**
Proactive
 - PI, college, and foundation did not ensure that students were legal resident aliens/U.S. citizens and academically eligible for the awards. PI did not adhere to selection criteria in the proposals and solicitations.

How to Help OIG Eliminate Fraud and Improve Management

17

- Provide OIG with information about suspicions of fraud, waste, abuse, mismanagement, research misconduct (fabrication, falsification, plagiarism) or unnecessary government expenses
- Whistleblowers can save taxpayer dollars
- A core value of OIG is protecting NSF employees, contractors, and grantees who step forward to identify potential wrongdoing

Whistleblower Protection

18

- Current and Former NSF Employees, Applicants for NSF Employment, and **Employees of a Federal Contractor, Subcontractor, Grantee, or Subgrantee** are Protected from Retaliation for making Protected Disclosures
 - Violations of any law, rule, or regulation
 - Gross waste of funds, gross mismanagement, and abuse of authority
 - Substantial and specific danger to public health and safety
- Protected disclosures can be made to management, OIG, Congress, or the Media

Information on whistleblower protection is available on OIG's webpage: www.nsf.gov/oig/whistleblower.jsp

How to Contact OIG

19

Internet Form:

[Internet Form](#) (nsf.gov/report-fraud/form.jsp)

E-mail:

oig@nsf.gov

Phone:

**703-292-7100 (business hours), or
703-328-3932 (non-business hours)**

Anonymous Hotline:

1-800-428-2189

Fax:

703-292-9159

Mail:

**2415 Eisenhower Avenue
Alexandria, VA 22314
ATTN: OIG HOTLINE**

**FAR Contracting
Reporting Form:**

[FAR Hotline Form](#)

NOTE: Recent news articles have raised concern about the security of the online complaint process used to report fraud, waste, and abuse to more than two dozen OIG hotlines, including NSF OIG. NSF OIG has swiftly addressed the issue to ensure the security and confidentiality of this process. Please be advised that we are unaware of any actual security compromise to information that has been reported through the system.

Questions

20

