

OFFICE OF INSPECTOR GENERAL

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\$8,770,000

The Appropriations Act that funds the National Science Foundation provides for a separate Appropriation heading for NSF's Office of Inspector General (OIG). Accordingly, the FY 2004 Request identifies the resources needed to support OIG, including amounts for personnel compensation and benefits, contract services, training, travel, supplies, materials, and equipment.

The FY 2004 Request for OIG is \$8.77 million, an increase of \$1.07 million, or 13.9 percent, over the FY 2003 Request of \$7.70 million.

(Dollars in Millions)

	FY 2002 Actual	FY 2003 Request	FY 2004 Request	Change	
				Amount	Percent
Personnel Compensation & Benefits	5.49	5.88	7.18	1.30	22.1%
Other Operating Expenses	1.21	1.82	1.59	-0.23	-12.6%
Total OIG	\$6.70	\$7.70	\$8.77	\$1.07	13.9%
Full-Time Equivalent Employment	51	53	60	7	13.2%

In February 1989 the National Science Board established OIG pursuant to the Inspector General Act Amendments of 1988. The statute confers on OIG the responsibility and authority to:

- Conduct and supervise audits of NSF programs and operations, including organizations that receive NSF funding.
- Conduct investigations concerning NSF programs and operations, including organizations that receive NSF funding.
- Evaluate allegations of research misconduct, such as fabrication, falsification, or plagiarism involving individuals who participate in NSF-funded activities.
- Provide leadership, coordination, and policy recommendations for:
 - Promoting economy, efficiency, and effectiveness in the administration of NSF programs and operations, and
 - Preventing and detecting fraud and abuse in NSF programs and operations.
- Issue semiannual reports to the National Science Board and Congress to inform them about problems, recommended corrective actions, and progress being made in improving the management and conduct of NSF programs.

As set forth in the OIG Strategic Plan, the primary functions of the Office are audits, reviews, and investigations. Reflecting the diverse skills, training, and experience necessary to oversee NSF's varied programs, OIG staff includes scientists, attorneys, certified public accountants, investigators, evaluators, and information technology specialists. The focus of an investigation, audit, or other review may be on a single entity or individual, an organization, a project involving multiple disciplines, or a broad program or functional area.



OIG audits grants, contracts, and cooperative agreements funded by the Foundation’s programs. OIG performs audits and reviews of the operations of both internal agency programs and external organizations that receive NSF funding to ensure that financial, administrative, and programmatic activities are conducted economically and efficiently. The Office is also responsible for auditing the Foundation’s annual financial statements, which are required for all NSF accounts and activities by the Government Management Reform Act of 1994. OIG contracts with a public accounting firm to conduct the financial statements audit, and the cost is allocated proportionately to the accounts audited. In addition to overseeing the audit, OIG performs systemic audits of financial, budgetary, and data processing systems used by NSF to develop the financial statements. The Office also performs multi-disciplinary reviews of financial, management, and program operations that identify broader problems and highlight best practices.

OIG investigates possible wrongdoing by organizations and individuals who submit proposals to, receive awards from, conduct business with, or work for the Foundation. Allegations of research misconduct are also investigated. OIG assesses the validity and seriousness of the allegations and recommends proportionate action. When appropriate, the Office refers the results of these investigations to the Department of Justice or other authorities for criminal prosecution or civil litigation. Other cases are referred to the Foundation for administrative resolution. OIG works closely with institutions on the conduct of their internal investigations and performs outreach activities aimed at raising the awareness of funded researchers, institutional administrators and agency employees about the OIG’s role and NSF’s rules and expectations.

The National Science Board, to which OIG reports, has approved measured growth, over a period of years, in the number of audits conducted at organizations that receive NSF funding. The budget increase requested for FY 2004 is needed to improve OIG coverage of NSF programs that have not been adequately addressed in the past due to resource constraints. Over 80 percent of the request is dedicated to OIG personnel costs, and the balance would permit continuing contract support for audits and modest growth in OIG technological capability, staff training, and outreach activities.

Personnel Compensation and Benefits and General Operating Expenses

(Dollars in Thousands)

	FY 2002 Actual	FY 2003 Request	FY 2004 Request
Personnel Compensation & Benefits	5,494	5,880	7,180
Travel and Transportation of Persons	119	190	225
Advisory and Assistance Services	831	1,475	925
Other Services	170	35	60
Communications, Supplies & Equipment	86	120	380
	\$6,700	\$7,700	\$8,770

The proposed increase would allow OIG to expand its efforts in several priority areas, consistent with the OIG Strategic Plan. To support NSF program goals, our audit objectives focus on seven areas that pose the greatest risk to the agency: financial management, acquisition, information technology, human capital, award administration, awardee financial accountability and compliance, and the management of

agency programs and projects. To have an impact, OIG needs additional resources to build its staff and increase its skills in conducting performance audits and evaluations of NSF's business operations. In particular, the additional auditors would enable OIG to expand its assessments of (1) NSF's management of large programs, such as the Polar Program operations, and infrastructure projects funded from the Major Research Equipment and Facilities Construction appropriation, (2) the agency's administration of the grant awards process, and (3) NSF's planning and management of its workforce. These efforts are consistent with the President's Management Agenda, which requires federal agencies to restructure their operations to improve the performance and accountability of their programs. NSF has a number of initiatives under way to address these management and performance challenges, and by FY 2004 they should be sufficiently seasoned to allow productive OIG review.

The additional staff is also needed to oversee audits by outside CPA firms, on which OIG relies for its review of NSF awardees' compliance with the financial terms of award agreements. The increasing size and complexity of the agency's awards pose a higher risk for improper and erroneous payments by awardee institutions. Like other federal agencies, NSF makes substantial use of CPA audits performed under the Single Audit Act to provide assurance that awardees are properly accounting for and managing federal grant funds. Recent reviews by other OIGs have raised concerns regarding the quality of these audits, and we need to strengthen the quality control reviews necessary for assessing the reliability of Single Audits of NSF awardees.

The additional auditing capability is also essential for meeting the increasing requirements and workload of the financial statement and information security audits performed in accordance with the Government Management Reform Act and the Federal Information Security Management Act. Accelerated financial statement reporting deadlines, increased focus on reconciling interagency account balances, and heightened attention to information security controls will require more audit resources to ensure timely completion.

Current investigation staffing levels allow us to react to allegations of fraudulent practices, but they do not provide for proactive prevention and detection efforts to determine if violations identified during individual investigations are widespread or whether they undermine the integrity of the data upon which NSF relies. Existing investigative resources also do not enable OIG to evaluate adequately the indicators of grant fraud that may be found during audits and other reviews. Additional investigators would allow OIG to focus proactively on complex audit findings that may indicate fraud and other activities with potential violations that currently go undetected. They would also be able to initiate cases resulting from grant fraud and compliance review programs, as well as from proactive SBIR fraud reviews, and concentrate Office resources on major cases to ensure their timely resolution. The additional audit and investigative staff would also enable OIG to take advantage of missed outreach and education opportunities to awardees' institutions and other government agencies, leverage our specialized experience on behalf of other IG offices by providing guidance on grant-related audits and investigations, and coordinate grant fraud and research misconduct work more effectively with other agencies.

