

# National Science Foundation Office of Inspector General Update

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# Recent Changes in Audit Process

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



# Audit Selection

## Prioritization

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

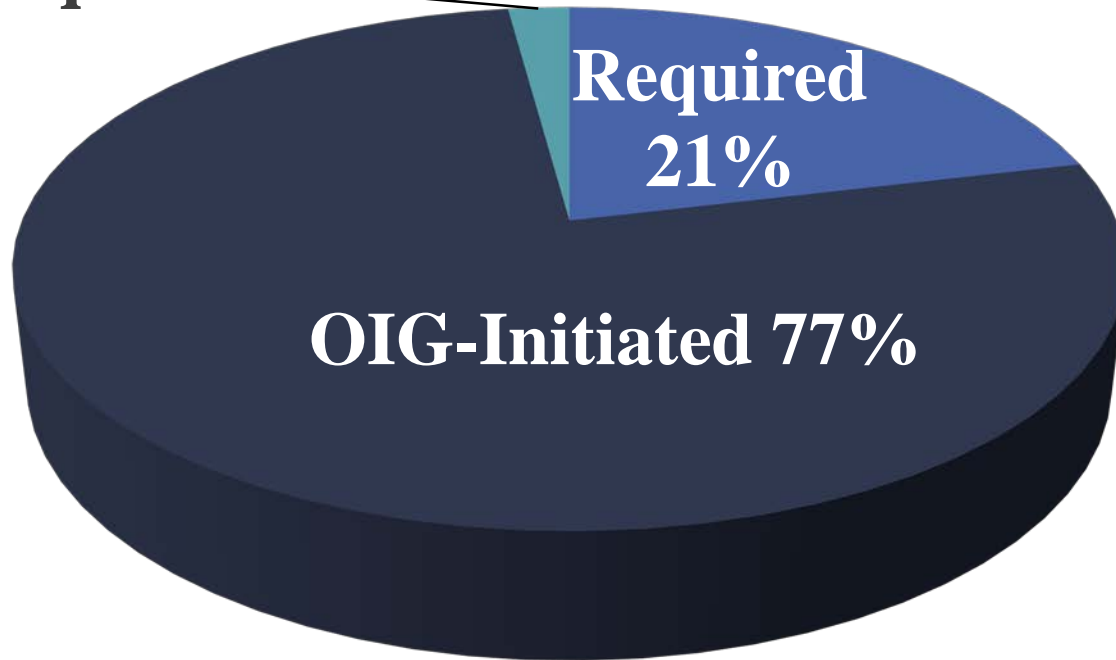


# FY 2018 Distribution of Audit Work

**NSF-Requested 2%**

**Required  
21%**

**OIG-Initiated 77%**



# On-going External Audits

## 20 Audits of Institutions of Higher Education

- 19 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

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

- 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

- Audit of NSF's Monitoring of Government-Owned Equipment Purchased on NSF Awards
  - OIG Initiated Audit
  - Objective: To determine if NSF has controls to ensure it can account for Government Owned Equipment
  - Performing work at NSF and institutions





# Ongoing Internal Audits

- 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 During Audits

- Engagement Letter
- Entrance Conference
- Notification of Preliminary Findings and Recommendations (NPFR) 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 Office of Audits Report

*Audit of NSF's Oversight of Subrecipient Monitoring*  
Report No. 18-2-005, issued 6/21/18

## Findings

- Improvements are needed to ensure recipients of large and complex awards complete subrecipient risk assessments and consistently identify subawards
- Pass through entities for major facilities did not always provide subrecipient budgets and budget justifications when required
- NSF was not always able to identify subrecipients on major facility budget proposals



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

- 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





# Recent OIG Products

## Office of Investigations (OI) Report

### Review of Institutions' Implementation of NSF's Responsible Conduct of Research Requirements

(PR 12030006,  
issued 7/25/17)



#### Requirement

Awardees must provide adequate training to students and post-docs on the Responsible Conduct of Research (RCR)



#### Methodology

OI contacted 53 institutions to find out how they implemented the required training



#### Findings

- 1/4 of institutions initially didn't comply
- Most institutions used online training
- Participants stated they'd prefer interactive training



#### Recommendations & Response

- Identified opportunities for NSF to strengthen policy
- *Important Notice* - Certify RCR requirements have been met

# Audit/Investigation Collaboration Recovered ~\$1.2 m on Audit Referral

## Audit Findings



- Missing or insufficient documentation
- Referred to Office of Investigations

## Investigation Findings



- OI determined that employees fabricated time and effort reports

## Settlement



- University agreed to repay ~\$1.2 million
- University employee pled guilty to falsifying time and effort reports, received 1 year probation
- University was required to implement 5 year compliance plan

RECENT  
OIG  
PRODUCTS  
Office of  
Investigations  
Cases



**SELF REPORTED**

University identified accounting errors and returned more than \$2.2 million to NSF



**HOTLINE**

Community college returned over \$327,000 for improper charges



**PROACTIVE**

Research Foundation returns over \$330,000 improperly paid to faculty and ineligible students



# Help OIG Eliminate Fraud and Improve Management



CONTACT US  
FRAUD, WASTE, ABUSE,  
MISMANAGEMENT,  
FABRICATION,  
FALSIFICATION,  
PLAGIARISM,  
UNNECESSARY  
EXPENSES?



WHISTLE  
BLOWERS  
SAVE TAXPAYER  
DOLLARS



PROTECT  
NSF EMPLOYEES,  
CONTRACTORS, AND  
GRANTEES WHO REPORT  
POTENTIAL WRONGDOING





# WHISTLE BLOWER PROTECTION

Who is protected from Retaliation for making Protected Disclosures?



Current and Former NSF Employees



Applicants for NSF Employment



Employees of a Federal Contractor or Subcontractor



Employees of Grantee or Subgrantee

What are 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  
Additional Information: [www.nsf.gov/oig/whistleblower.jsp](http://www.nsf.gov/oig/whistleblower.jsp)





Internet Form

[www.nsf.gov/report-fraud/form.jcp](http://www.nsf.gov/report-fraud/form.jcp)



Email

[oig@nsf.gov](mailto:oig@nsf.gov)



Phone

Business Hours: 703-292-7100  
Non-business Hours: 703-328-2189  
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FAR Contracting  
Reporting Form  
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# Questions



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