

OFFICE OF INSPECTOR GENERAL**\$12,350,000**

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 2008 Budget 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 2008 Budget Request for OIG is \$12.35 million, which represents an increase of \$490,000, or 4.1 percent, over the FY 2007 Request of \$11.86 million.

Office of Inspector General Funding

(Dollars in Millions)

	FY 2006 Actual	FY 2007 Request	FY 2008 Request	Change over FY 2007 Request	
				Amount	Percent
Personnel Compensation and Benefits	\$8.14	\$8.20	\$8.51	\$0.31	3.8%
Other Operating Expenses ¹	3.33	3.66	3.84	0.18	4.9%
Total	\$11.47	\$11.86	\$12.35	\$0.49	4.1%
Full-Time Equivalent Employment	63	63	63	-	

Totals may not add due to rounding.

¹ Includes the costs of the annual financial statements audit and the outsourcing of contracting services.

Appropriation Language

For necessary expenses of the Office of Inspector General as authorized by the Inspector General Act of 1978, as amended, \$12,350,000, to remain available until September 30, 2009.

**Office of Inspector General
FY 2008 Summary Statement**

(Dollars in Millions)

	Enacted/ Request	Rescission	Carryover/ Recoveries	Total Resources	Obligations Incurred/Est.
FY 2006 Appropriation	\$11.50	-\$0.15	\$1.14	\$12.50	\$11.47
FY 2007 Request	11.86	-	1.01	12.87	12.87
FY 2008 Request	12.35	-	-	12.35	12.35
\$ Change from FY 2007					-\$0.52
% Change from FY 2007					-4.0%

Subtotals may not add due to rounding.

Explanation of Carryover

Within the Office of Inspector General (OIG) appropriation, a total of \$1.01 million was carried forward into FY 2007 to cover priority audits that are contracted out; fund contracts for financial analysis and

other technical support for OIG investigations; provide contract support for information technology and other administrative needs of the office; and fund personnel compensation costs.

OIG Responsibilities

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 keep them informed 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. To provide the diverse skills, training, and experience necessary to oversee NSF's varied programs, the 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 performs audits of grants, contracts, and cooperative agreements funded by the Foundation's programs. The Office also conducts audits and reviews of both internal agency programs and external organizations that receive NSF funding to ensure that financial, administrative, and programmatic activities are conducted economically, effectively, and in compliance with agency and federal requirements. OIG is also responsible for overseeing the audit of the Foundation's annual financial statements, which are required for all NSF accounts and activities by the Government Management Reform Act of 1994. The Office contracts with a public accounting firm to conduct the financial statements audit, and in the past the cost was allocated proportionately to the accounts audited. Since FY 2006, funds to cover the complete cost of the financial audit have been requested in this appropriation. OIG also audits financial, budgetary, and data processing systems used by NSF to develop the financial statements. In addition, the Office performs multi-disciplinary reviews – involving auditors, attorneys, management analysts, investigators, and others as needed – of financial, management, and program operations to 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 all the allegations it receives 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, civil litigation, or resolution via settlement agreements and institutional compliance plans. OIG refers other cases to the Foundation for

administrative resolution and, when appropriate, recommends modifications to agency policies and procedures to ensure the integrity in NSF's systems. The Office works closely with institutions on the conduct of their internal investigations and performs outreach activities aimed at preventing and detecting fraud, waste, and abuse and at raising the awareness of funded researchers, institutional administrators, and agency employees about the OIG's role and NSF's rules and expectations.

Personnel Compensation and Benefits and General Operating Expenses

(Dollars in Thousands)

	FY 2006 Actual	FY 2007 Request	FY 2008 Request	Change over FY 2007 Request	
				Amount	Percent
Personnel Compensation and Benefits	\$8,143	\$8,200	\$8,510	\$310	3.8%
Travel & Transportation of Persons	212	270	280	10	3.7%
Advisory & Assistance Services ¹	2,814	3,060	3,220	160	5.2%
Communications, Supplies and Equipment, and Other Services	301	330	340	10	3.0%
Total	\$11,470	\$11,860	\$12,350	\$490	4.1%

Totals may not add due to rounding.

¹ Includes the costs of the annual financial statements audit and the outsourcing of contracting services.

The OIG request for FY 2008 includes funding for the annual audit of NSF's financial statements. The cost of this audit, which is conducted by an independent contract auditor under OIG oversight, is reflected in the table as part of Advisory and Assistance Services.

The increase requested for FY 2008 will be applied primarily to higher personnel costs and to the escalating costs of audits conducted by CPA firms under contract to OIG. With the additional contracting resources, our primary audit focus will address five areas that we believe pose the greatest challenge to the agency: (1) award oversight and monitoring, including the management of large infrastructure projects and NSF's execution and refinement of a risk-based program for monitoring its 35,000 active awards; (2) NSF processes for safeguarding information assets, particularly personally identifiable information, as directed by OMB; (3) planning and implementation of the new administrative requirements to identify, test, and report on financial reporting controls under the Federal Managers Financial Integrity Act; (4) NSF processes to oversee the scientific performance of its research and to assess the results of its long-term investments in major research programs; and (5) specific program issues, such as the management of the U.S. Antarctic Program and the transparency of NSF's merit review process.

To avoid potential conflicts of interest with NSF and to expedite the processing of our contracts, we will enter into an interagency agreement with the Department of the Treasury to administer all OIG audit, investigation, and other contracting services in FY 2008. The office has tested this approach over the past year by splitting OIG contract servicing between NSF and the Treasury agency. We found that using the third-party contracting office eliminated the possibility of conflict, e.g., in the event of an OIG audit or investigation of NSF contracting operations, and provided efficient and timely servicing of our contracting requirements. For FY 2008, therefore, we are requesting additional funding to cover the estimated \$250,000 cost of outsourcing contract administration services that have previously been funded under the NSF appropriation.

As NSF's budget experiences substantial growth under the American Competitiveness Initiative (ACI) in the coming years, OIG will maintain effective oversight of the greater risks posed by expanding NSF programs and awards. OIG will continue to improve its ability to target risky awardees by refining its automated trend analysis techniques for scanning prior OIG and A-133 audit findings and by achieving a better understanding of the potential vulnerabilities of NSF's funded programs. For example, past studies have shown high risks in awards involving cost sharing and awards made to large school districts under NSF's urban systemic initiative program. OIG will also continue to focus attention on audits of international institutions, which are becoming an increasing part of NSF's research portfolio but often are not subject to the terms and conditions of NSF's other awardees. Our efforts will be coordinated with other OIGs and international audit organizations to evaluate the need for developing standardized financial, accounting, and audit requirements for accountability of funds provided by all sources.

In support of the ACI, OIG will help ensure that each additional dollar NSF invests in basic research is subject to appropriate oversight and sound management controls. With their emphasis on efficiency and effectiveness, OIG program audits support efforts to increase NSF's operational capacity at a reasonable cost to the taxpayer. In the past our audits have focused on many of the priorities identified in the ACI. For example, we have issued a number of audit reports over the past few years that focus on NSF's investment in "tools of science," i.e., large-scale facilities and instruments that enable discovery and development. Following our recommendations, NSF is in the process of reengineering its approach to planning, building, and managing these projects. A series of recent audit reports have also recommended improvements in the way NSF disseminates research results. These changes should facilitate technology transfer, enhance researcher access to information useful for their own work, and accelerate the process by which basic research enables the introduction of successful new products. As NSF attempts to leverage its investments by entering into a growing number of international partnerships, OIG has played a leadership role in establishing a dialogue among international organizations responsible for science research funding to discuss strategies for addressing mutual accountability challenges.

Additional resources are also needed to continue the expansion of OIG's Quality Control Reviews of non-federal CPA firms conducting audits for grantees under the Single Audit Act (OMB Circular A-133). Because NSF relies extensively on these audits for post-award monitoring and financial statement reporting, it is critical that the quality of the audits be assured. Over the past few years, Quality Control Reviews of the CPA firms conducting A-133 audits have raised significant concerns about their quality and reliability. More resources would allow the Office to continue to improve its Quality Control Review program and, in turn, the quality of the A-133 audits.

Our criminal, civil, administrative, and research misconduct investigative cases continue to become more complex, requiring increased interaction with NSF, awardee administrators, international organizations, and the Department of Justice in order to obtain the appropriate resolutions. Prosecutions of our civil and criminal cases are increasingly resulting in financial settlements for institutional fraud and compliance programs to protect the federal interest in the future. Based largely on our recent investigative experience, we have initiated proactive reviews that have successfully detected fraud and mismanagement. These efforts require increasing use of forensic financial services to develop persuasive investigative evidence. We have also successfully investigated a growing number of research misconduct and international collaboration cases. The latter cases, in particular, require substantial resources to determine their scope and complexity and to perform the more-intricate international investigations, and this request provides the funding required to meet that need. We anticipate that cases handled in FY 2008, like our current cases, will offer the potential for greater recoveries and significant systemic changes in institutions, with a concomitant improvement in institutional detection of fraud and greater assurance that federal funds will be put to proper use. Under our monitoring, the systemic changes will also promote

higher ethical conduct in the application for and execution of federal awards. These cases require significantly more staff time, as well as specialized knowledge, and strong forensic, computer, and analytical skills. This request will provide additional resources to ensure diligent investigations of the growing number of substantive complaints and to enable us to respond to emerging situations, such as the post-Katrina efforts, cybercrimes, and challenges to NSF's cybersecurity at NSF, its funded institutions, and remote locations like Antarctica.

OIG will continue its commitment to a strong outreach effort to educate NSF staff and the national and international research communities to help them avoid the kinds of problems that lead to investigations, unfavorable audit findings, or administrative corrective actions. This initiative is aimed at making NSF staff, awardee institutions, international collaborators, and other researchers more aware of system and grant management issues and the preventive or corrective measures that may need to be taken. Auditors, investigators, and other staff regularly participate in outreach activities, and as NSF programs increase in funding, complexity, and number, OIG has seen a commensurate increase in requests for information from universities and research institutions. The NSF OIG will continue to play a leadership role in organizing and participating in international conferences and workshops that are well attended by NSF's counterparts in other countries, including their auditing and investigative components, to discuss common concerns. We will also continue to work closely with other IG offices on issues that are of concern across the IG community.

