

**OFFICE OF
INSPECTOR GENERAL**

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The Appropriations Act that funds the National Science Foundation (NSF) provides for a separate appropriation heading for NSF's Office of Inspector General (OIG). Accordingly, the FY 2005 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 2005 Budget Request for OIG is \$10.11 million, which represents an increase of \$170,000 over the FY 2004 Estimate of \$9.94 million.

Office of Inspector General Funding
(Dollars in Millions)

	FY 2003	FY 2004	FY 2005	Change over	
	Actual	Estimate ¹	Request	FY 2004 Amount	FY 2004 Percent
Personnel Compensation and Benefits	6.27	7.48	7.60	0.12	1.6%
Other Operating Expenses	2.43	2.46	2.51	0.05	2.0%
Total	\$8.70	\$9.94	\$10.11	\$0.17	1.7%
Full-Time Equivalent Employment	55	60	60	0	0.0%

¹ - FY 2004 Conference mark of \$10 million, minus .59% rescission.

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, performance 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 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. 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 multidisciplinary 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. OIG refers other cases to the Foundation for administrative resolution and recommends modifications to agency policies and procedures. 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 2003 Actual	FY 2004 Estimate ¹	FY 2005 Request
Personnel Compensation and Benefits	6,270	7,480	7,600
Travel and Transportation of Persons	152	250	275
Advisory and Assistance Services	1,953	1,870	1,875
Communications, Equipment, Other	322	341	360
Total:	\$8,697	\$9,941	\$10,110

¹ - FY 2004 Conference mark of \$10 million, minus .59% rescission

To complement the growth in the NSF budget, OIG has planned a commensurate increase in audits of (1) organizations that receive NSF funding and (2) agency operations to assess the efficiency, effectiveness, and integrity of their programs. The budget requested for FY 2005 will allow OIG to continue to focus on NSF activities that have been identified as priorities, particularly as NSF's financial exposure grows due to its efforts to make larger awards that extend over longer periods of time. Approximately 75 percent of the request is dedicated to OIG personnel costs, with the balance providing funding for continued contract

support for audits and investigations, ongoing outreach activities to the research community, and required upgrades in OIG technological capability.

OIG will maintain its efforts in the areas that the Office has identified as priorities, consistent with the OIG Strategic Plan and the Management Challenges identified by OIG. The Office's primary effort has been to increase audit attention in eight areas that pose the greatest risk to the agency: financial management, acquisition, information technology, human capital, award administration, awardee financial accountability and compliance, the management of agency programs and projects, and OMB Circular A-133 audits. In particular, the Office is focusing on assessments of (1) NSF's multiyear Business Analysis contract and workforce plan, which is scheduled to be completed in FY 2005; (2) NSF's management of large programs and operations, including Math and Science Partnerships and Polar Operations; (3) infrastructure projects funded from the Major Research Equipment and Facilities Construction Appropriation, especially those with international partners; and (4) NSF's efforts to improve its award administration and monitoring, with special attention on post-award oversight. Each of these areas has been identified as a Management Challenge for the agency, and NSF has a number of initiatives under way to address and improve these critical operations.

Within budgetary limits, OIG will continue to devote some staff time to Quality Control Reviews of non-federal CPA firms conducting audits for grantees under the Single Audit Act (OMB Circular A-133). Because NSF relies on these audits as an important element of its post-award monitoring procedures, 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.

In addition, criminal, civil and administrative investigative cases are becoming more complex, resulting in increased interactions with NSF, awardee administrators, and the Department of Justice. These cases require more staff time and a higher degree of skilled analysis. With current resources, the Office is conducting more in-depth analyses of indicators of grant fraud that may be found during audits and other reviews. Also, the NSF OIG has played a leading role in establishing a peer review process for investigative activities within the Inspector General community. This process will enhance the quality of OIG investigations throughout the Government. The NSF OIG also continues its role as the community leader for investigating misconduct in science and research. Resources used in support of these efforts enhance the effectiveness of all IG investigative activities.

If the number of investigative cases remains static, the request level would allow the current level of effort for the OIG's outreach programs. These help NSF staff, awardee institutions, and researchers become more aware of the system and grant management problems that OIG has identified and the preventive or corrective measures that they can take. Both auditors and investigators are needed to participate in outreach activities. As NSF programs expand in complexity and number, the OIG has seen an increase in the number of requests for assistance from universities and research institutions. Our outreach also involves international collaborations and audits. Because international programs are an integral part of NSF's portfolio, the OIG has initiated efforts to better understand the accountability and audit requirements of international partners. These activities are also coordinated with other OIGs to avoid duplication and to ensure consistency in approaches to issues.

