



Office of Inspector General Issues:
**Accountability & Compliance
Challenges**

National EPSCoR Meeting

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Welcome to the OIG! Behind Close Doors

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OIG Myths

- ◆ IGs are omnipotent
- ◆ IGs have unlimited resources
- ◆ IGs can fix any problem
- ◆ IGs know all
- ◆ IGs are not watched
- ◆ IGs are not human



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ACCESS to the OIG

- ◆ Responsibilities
- ◆ Powers
- ◆ Resources
- ◆ Independence & Limitations
- ◆ Accountability



Inspector General Responsibilities

- ◆ Flow from Statutory Authority
 - Inspector General Act of 1978, as amended
 - 5USC App.3
- ◆ The IG Act charges the Office of Inspector General to:
 - Detect and prevent fraud, waste, and abuse in its agency's programs
 - Examine the efficiency and effectiveness of agency operations



Inspector General Powers

- ◆ Flow from Statutory Authority
 - Inspector General Act of 1978, as amended
- ◆ Authorizes Audits & Investigations
 - Receive complaints
 - Have access to records
- ◆ Requires independence & objectivity
 - Protect confidentiality
 - Reports to Congress & Agency



Inspector General Powers

- ◆ Conduct Audits
 - Financial
 - Compliance
 - Program
- ◆ Conduct Investigations
 - Criminal
 - Civil
 - Administrative
- ◆ Conduct Inspections & Evaluations
- ◆ Conduct educational activities

Audit Operations

Focus on Institution/University

- ◆ Audits the agency's financial statements
- ◆ Identifies fraud, waste, and abuse in agency programs
- ◆ Determines whether agency funds have been paid properly and used properly
- ◆ Identifies payments that should be recovered
- ◆ Identifies ways that agency funds can be put to better use



Audit Operations (Continued)

- ◆ Identifies ways the economy & efficiency of programs can be improved
- ◆ Determines whether grant recipients and contractors have met their responsibilities to the government
- ◆ Determines whether agency programs are being administered in accordance with law, regulation, and policy





Investigation Operations

Focus on Person

- ◆ Conducts administrative misconduct by agency personnel, contractors, grantees, including scientific misconduct
- ◆ Conducts criminal and civil investigations
- ◆ Uses law enforcement authorities

Special Circumstances at NSF OIG:

Search warrants

Make arrests

Carry firearms



Sources of Information

AUDITS

Regular planning

OIG Risk Assessment

Special requests

NSF management

Congressional Interest

OIG Investigations

INVESTIGATIONS

Complaints

Anonymous

Referrals by NSF,
Congress, other agencies

OIG & A-133 Audits

OIG Investigations



Audit Planning Process

- Targets the most significant risks
- Makes efficient use of OIG's limited audit resources
- Develops a prioritized list of audit candidates based on risk and impact
- Selects audit candidates based on a match of available resources to high risk/high impact
- Find NSF OIG 2008 Audit Plan at
<http://www.nsf.gov/oig/pubs.jsp>



Audit Risk Areas

- ◆ Financial Management
- ◆ Acquisition
- ◆ Information Technology
- ◆ Human Capital
- ◆ Award Administration
- ◆ Awardee Financial Accountability & Compliance



Audit & Investigation Follow-Up

Who does what at NSF?

- ◆ External Audit : Resolution by NSF Management
- ◆ Internal Audits (within NSF): Resolution by OIG
- ◆ Administrative Investigations: Resolution by NSF Management
- ◆ Criminal/Civil Investigations: Resolution by Judicial System
- ◆ Debarment: NSF Management



Which – Audit or Investigation? FOCUS is on?

Institution

Individual

Internal Controls

Wrong doing

Systemic Problems

Fraud

Misspent funds

Misspent funds

◆ AUDIT

◆ INVESTIGATION



Audit or Investigation ?

Both processes establish FACT
Situation Specific Circumstances

Who decides?



The Inspector General



Special Investigations: Misconduct in Research

◆ Definitions

- Fabrication: making up results and recording them
- Falsification: manipulating research materials, equipment, or processes OR changing or omitting data or results such that the research is not accurately reported
- Plagiarism: the appropriation of another's ideas, processes, results or words *without giving credit*

Misconduct in Research Investigations

- ◆ At NSF handled by the OIG
- ◆ Usually referred to institution for factual investigation
- ◆ Reviewed to assure Government's interest are addressed
- ◆ Recommend sanctions to the agency for action







OIG Resources

- ◆ Appropriation\$ separate from the agency
- ◆ Staffing
 - Auditors
 - Criminal/civil investigators
 - Attorneys
 - Scientific Investigators
 - IT specialists

OIG

Independence & Limitations

- 
- ◆ IG has full operational independence to select, plan, and conduct its work
 - ◆ Statute defines organizational structure of the OIG
 - ◆ IG conducts, coordinates, or oversees all audits and criminal investigations of agency' programs
 - ◆ IG may not manage programs or make agency policy
 - ◆ IG has dual reporting responsibilities
 - Congress
 - Agency Head (NSF: National Science Board)



OIG Accountability

- ◆ IG works under the “general supervision” of the National Science Board, but is not subject to supervision from any Board member or NSF official
- ◆ Complaints handled by the Integrity Committee (staffed by FBI).
- ◆ Regular Peer Reviews – Every 3 years
 - Office of Audit
 - Office of Investigation



Myths Revisited

- ◆ IGs are omnipotent
 - Powers defined by statute
- ◆ IGs have unlimited resources
 - Funds appropriated by Congress
- ◆ IGs can fix any problem
 - Recommend & Refer
- ◆ IGs know all
 - Resource Limitations

Biggest Myths

- ◆ IGs are not watched
 - Formal & informal mechanisms
- ◆ IGs are not human
 - Here I am!!!!
 - Real blood, real sweat, and real tears!





Awardee Financial Accountability & Compliance
Case I
'Time & Effort Reporting'

Nationwide Audit of Major Universities' Effort
Reporting Systems

- ◆ To assess adequacy of internal controls to ensure salary & wages are allowable, allocable and reasonable
- ◆ To identify weak internal controls and to strengthen them so future funding will be better managed



Scope and Methodology

Review each University's internal controls for ensuring that labor costs charged to NSF:

- ◆ Actually incurred
- ◆ Benefited the appropriate NSF award
- ◆ Were recorded accurately and timely
- ◆ Were allowable for activities as specified by Federal and NSF requirements




Primary Issues

- ◆ Business managers approved and signed (about 50%) effort reports without verifying
- ◆ Significant numbers of effort reports were not submitted in a timely manner
- ◆ Planned effort was not corrected when significant changes occurred



Findings Impact & Observations

- ◆ A university cannot ensure that labor costs charged to NSF represents actual work on NSF projects
- ◆ Internal control weaknesses raise concerns about whether labor charges on all Federal awards are reasonable and allowable
- ◆ Principal investigators are not documenting any level of effort to sponsored projects
- ◆ Effort reporting is not capturing cost-sharing



Awardee Financial Accountability & Compliance
Case II
Data Falsification

- ◆ The research of an NSF-funded Post Doc could not be reproduced and irregularities were found
- ◆ University initiated inquiry resulting in an investigation, notifying NSF OIG & ORI
- ◆ Subject's attorney convinced the university not to investigate. University avoided litigation




NSF-OIG Investigation

- ◆ Interviewed 6 people in 2 states and Puerto Rico
- ◆ Reconstructed research record from raw data printouts
- ◆ No one on the project kept a lab notebook
- ◆ Analysis of raw data to publication data revealed false data



Next Steps

- ◆ University wanted to know the results of our investigation: OIG did not share
- ◆ NSF made a finding of knowing research misconduct
- ◆ Subject is debarred for 2 years with a requirement for certifications and assurances for another 3 years. Cannot serve as an NSF reviewer for 3 years. Must complete an ethics course before receiving future NSF funds



**Awardee Financial Accountability & Compliance
Case III
Embezzlement at SFSU**

- ◆ **NSF advised that a former university employee embezzled about \$487,000 (\$415,000 NSF) funds**
- ◆ **Employee requested stipend checks for individual later identified as his wife**
- ◆ **Subject pleads guilty to State charges**
 - **Sentenced to 4 years in prison**
 - **Restitution of \$480,383.56**
 - **3-year debarment from federal funding**



Tracking the \$\$\$\$

- ◆ SFSU determined that *\$211,500* had been embezzled from a closed NSF award
- ◆ Initial repayment from other NSF grant awards
- ◆ Later rectified
- ◆ SFSU determined that *\$204,000* had been embezzled from an award that was still open and returned those funds by reducing their Federal Cash Transaction Report (FRTC) claim
- ◆ **Case Closed – Right?????**



WRONG!!!!



The Rest of the Story:

- ◆ SFSU identified *\$656,181* it had overdrawn on the FCTRs and credited this amount back to the award in September 2003
- ◆ October 2003-SFSU transfers award and all remaining funds to California State University-Sacramento
- ◆ November 2005-SFSU “finds” *\$1,486,098* in un-obligated funds from the closed award and requests transfer to current award
- ◆ NSF de-obligated those funds at OIG request

Just the facts:

◆ False certifications-

- Year 1- SFSU submitted 4 different cost sharing certifications-all inaccurate.
- Year 2- SFSU submitted 3 different cost sharing certifications-all inaccurate.
- Year 3- SFSU submitted 2 different cost sharing certifications-all inaccurate.
- Year 4- SFSU submitted 2 different cost sharing certifications-all inaccurate.





More Information

www.oig.nsf.gov

- Semiannual reports to Congress

 - Issued twice each year

- Audit Reports

 - Issued when completed

www.ignet.gov

- IGNet is the IG website

- Links and references to each IG's own website and related sites



OIG Newsletter

- ◆ Highlights significant activities/findings prior to release in a semiannual report
- ◆ Issued twice a year
- ◆ Sign up to receive at:

nsf-oig-newsletter@nsf.gov

Questions ???



Mahalo

