



From the Inspector General

This report highlights the activities of the National Science Foundation (NSF) Office of Inspector General (OIG) for the six-month period ending September 30, 2001. The time period is one I am certain we will never forget because of the horrendous events that occurred on September 11th. Traveling in China during the attack, I experienced an outpouring of support for this country at a very personal level. The National Natural Science Foundation of China telephoned to convey official sympathy to me and to all Americans. More spontaneously, many people stopped me on the street to express, in any way that they could, their sorrow and sympathy. Some spoke a few words of English expressing sadness and sorrow; some gestured by touching their hearts and caressing hands. From time to time I also ran into tour groups from other countries, such as Australia, New Zealand, France, Spain, and Japan. All of the expressions of concern and grief were poignant reminders that people care about people.

As we continue to recover from the attacks, I am proud to report that our office successfully carried on its responsibilities during these trying times, including contributing to the recovery efforts of the Pentagon. The following is a summary of some of the more significant issues described in this semiannual report:

- Seven audits of awardee institutions' cost-sharing practices reveal that problems in accounting for cost sharing are prevalent even among some of NSF's largest grant awardees. These weaknesses continue to undermine NSF's ability to oversee an award, and to the extent they cause NSF to pay more than its fair share, reduce opportunities to fund other awards. **(p. 21)**
- The Inspector General testified before the House Subcommittee on Research in September about NSF's Large Facility Projects Management & Oversight Plan. NSF's plan addresses weaknesses associated with large project management that were identified in a previously reported OIG audit (see March 2001 Semiannual Report, p. 6). I advised the Subcommittee that although the draft plan was an important first step, NSF needed to strengthen it to improve accountability, authority, and post-award project management. **(p. 3)**
- An audit of an international research institute that received approximately \$2.2 million annually from NSF indicated that the director invested NSF award funds in the stock market. The money, intended to support scientific research, was invested in volatile stocks and mutual funds through a margined investment account over which he had sole authority. Although there was no evidence of fraud, the actions of the director subjected U.S. Government funds to an unacceptable level of risk and reflected weak internal controls and oversight on the part of the institute and its governing council. **(p. 7)**
- Audits of education awards and NSF contracts indicate increased risks of non-compliance with award conditions. Averaging \$500,000 each, the education grants tend to be much larger and inherently riskier than the typical NSF grant. We conducted five audits of education awards with claimed amounts of \$18.7 million and questioned costs totaling over \$3.9 million. Audits of NSF contracts worth \$25.7 million resulted in our questioning \$1.2 million, with instances of material non-compliance with federal regulations and internal control weaknesses cited for three of the five contractors. **(p. 8, 14)**

- Our FY 2000 Management Letter Report to NSF recommends improved financial reporting and award administration. We suggested that NSF develop performance measures and goals that can be linked to the budget, actual costs, and management challenges. The report also proposes a risk-based approach to monitoring and overseeing grants and awards. **(p. 6)**
- An investigation of a Small Business Innovative Research (SBIR) grant determined the recipient had grossly misrepresented the accomplishments of his Phase I SBIR grant. The text of the final report was essentially copied verbatim from a Masters thesis written, by one of the subject's graduate students, before the grant was awarded. We found that, in fact, no work at all had been performed by the subject under the Phase I grant. On our recommendation, NSF suspended the grant. The subject subsequently repaid \$198,975 to NSF and made an unrestricted donation to NSF of an additional \$27,500. Other aspects of this case are still being reviewed. **(p. 41)**
- An investigation of an SBIR grant proposal determined that the principal investigator (PI) had plagiarized a significant portion of the material contained in the proposal. The PI copied materials verbatim from six different source documents. We also determined that the PI had submitted proposals to two other federal agencies with plagiarized material. We recommended that NSF find that the scientist committed misconduct in science, send a letter of reprimand, and require oversight by this OIG for a period of two years to assure that any documents he submits to NSF contain no plagiarized material. **(p. 34)**
- As part of our ongoing effort to reach out to the research community, we developed an Education and Outreach Plan during this semiannual period. Our goals, which are based on the OIG Strategic Plan, are to ensure the integrity of financial administrative and research systems; prevent and detect fraud, waste, abuse, and research misconduct; maintain current knowledge about the communities we serve to enable us to focus on matters of substantive concern; and make it easy for the communities we serve to contact and interact with us. **(p. 49)**

As we move into fiscal year 2002, we are committed to assisting the National Science Foundation in addressing the challenges it faces in the rapidly changing world of science and technology. As the Congress, the National Science Board and the NSF adjust the agency's priorities to meet new national priorities, the OIG will be flexible so that we can continue to add value to these efforts. We appreciate the past cooperation and responsiveness of the National Science Board, the Director and others in NSF and look forward to continuing our productive working relationship.



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Inspector General
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