Office of Inspector General

NSF Grants Conference
Fall 2021
Office of Audits
We conduct audits of:
- NSF operations and programs
- NSF award recipients (grantees and contractors)
- Financial / IT Reviews

Office of Investigations
We investigate allegations of:
- Fraud, waste, and abuse
- Research misconduct
- Violations of law, regulation, directive, or policy

Outreach
We invest in outreach:
- Presentations
- Briefings
- Publications and Brochures
- www.nsf.gov/oig/outreach
Audit Work Plan

- Audits Required by Law:
  - CFO Act
  - FISMA
  - IPERA

- Suggestions from NSB/NSF
  - NSF Management Challenges

- Referrals from Investigations
  - OIG Risk Based Assessment
  - Annual Audit Plan
**Objective**

determine if costs claimed on NSF awards were allowable, allocable, reasonable, and in compliance with NSF award terms and conditions and Federal financial assistance requirements

**Data Analysis**

- systemic risks across the institution
- anomalies, outliers, and aberrant transactions

**Desk Review**

check for required elements in Single Audits

**Quality Control Review**

- review of the auditors’ work
- May request copies of source documentation of prior testing
- Recommendations directed at audit firm
1. Obtain Universe of NSF Awards
2. Define Population of Awardees
3. Apply Internal Risk Factors
4. Apply External Risk Factors

External Audit Risk Model

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Single Audit Review Selection

PROCESS

Over $7 B in annual expenditures

Desk Reviews and Previous QCRs

Volume and exposure

GAQC Member

SELECT
Audit Communication Process

**Step 1**  
Engagement Letter  
Define audit objective and scope

**Step 2**  
Entrance Conference  
- Discuss audit with Auditee management  
- Identify key points of contact  
- Discuss audit process

**Step 3**  
Fieldwork Discussion Draft  
- Discuss potential audit issues and recommendations with NSF management  
- May also use NPFRs during audit

**Step 4**  
Exit Conference  
Discuss audit results and final recommendations with management

**Step 5**  
Official Draft Report  
- Provide Auditee official Draft Report of audit  
- Auditee typically has 30 days to for official response  
- OIG includes response in final report in its entirety

**Step 6**  
Final Report  
- Award Recipient, NSF, & Congressional Committees  
- https://www.nsf.gov/oig/reports/reviews.jsp  
- www.oversight.gov  
- Twitter feed @NSFOIG
Detect and Prevent Fraud

Investigate criminal, civil, and administrative matters

Address alleged wrongdoing involving proposals, awards, and those who conduct business with, or work for, NSF
Types of Allegations

- Plagiarism or intellectual theft + Falsification/Fabrication of Data
- Theft or Abuse of Government Funds
- Duplicative Funding
- Conflict of Interest Issues
- Employee Misconduct
- False Statements

Fraud

NATIONAL SCIENCE FOUNDATION
OFFICE OF INSPECTOR GENERAL

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## Sources of Allegations

<table>
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<th>Sources</th>
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<tbody>
<tr>
<td>Principal Investigators/Co-PIs</td>
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<tr>
<td>NSF Program Officers &amp; Other Staff</td>
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<td>OIG Office of Audits</td>
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<tr>
<td>Review Panelists</td>
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<tr>
<td>Colleagues, Students, Post-Docs</td>
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<tr>
<td>Contractors</td>
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<tr>
<td>Ex-spouses/Ex-partners/Disgruntled Employees</td>
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<tr>
<td>University administrators</td>
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<tr>
<td>Other Government agencies</td>
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<tr>
<td>Anonymous hotline callers or informants*</td>
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The Investigative Process

1. **Step 1**
   - **The Allegation**: Analyze allegation, determine jurisdiction; identify issues

2. **Step 2**
   - **Evidence**: Objectively gather evidence

3. **Step 3**
   - **Referrals**: As appropriate, refer to audit, NSF, Office of Special Counsel, or other OIG

4. **Step 4**
   - **Report**: Prepare written Report of Investigation

5. **Step 5**
   - **Resolve**: Work with DOJ, state prosecutors, NSF, and awardees to develop appropriate resolutions that protect the interests of the Federal Government and the U.S. taxpayer
Administrative Cases

Violations of Regulations

Research Misconduct
- 45 CFR Part 689
- NSF regulation tracks OSTP’s Federal Policy
- Defines Fabrication, Falsification, Plagiarism (FFP) and defines "research"

COIs, violations of confidentiality, etc.

Human subjects research

Whistleblower Retaliation
Criminal/Civil Cases

Frequently Violated Criminal and Civil Statutes

- Embezzlement
  18 U.S.C. § 641
- Conspiracy
  18 U.S.C. § 371
- False Statements
  18 U.S.C. § 1001
- Criminal False Claims
  18 U.S.C. § 287
- Civil False Claims
  31 U.S.C. § 3729(a)
- Wire fraud
  18 U.S.C. § 1343
- Theft of Federal Funds
  18 U.S.C. § 666
- Falsification of records
  18 U.S.C. § 1519
- Mail fraud
  18 U.S.C. § 1341
Investigative Outcomes

Refer to other authorities (e.g., U.S. Dept. of Justice)

Criminal or Civil matters may result in:
- Prosecution
- Settlement agreement/compliance agreement
- Fines, reimbursements, incarceration

Refer to NSF

Administrative matters may result in:
- Suspension/Termination of awards
- Certifications/assurances
- Suspensions/debarments
- Reprimands/retractions

Refer to the OIG Office of Audits
INVESTIGATIONS
CASE STUDY #1

Falsified Documents During Audit Leads to Civil False Claims Act Settlement

What Went Wrong:
- Inadequate controls to prevent employee from fabricating timesheets
- No culture of compliance; others agreed to backdate timecards

What Went Right:
- Audit caught on, asked questions, referred to investigations

Outcomes
- $1.17 million settlement, 5-year compliance plan
- Compliance coordinator plead guilty, sentenced to one year probation
INVESTIGATIONS
CASE STUDY #2

Un allocable Grad Student Teaching Costs Improperly Charged to Research Grants

What Went Wrong:
• Burdened research grants with unrelated teaching costs

What Went Right:
• Attempted to, and ultimately did, fix the problem

Outcomes
• $3.75 million civil settlement
INVESTIGATIONS
CASE STUDY #3

Former Professor
Convicted of Grant Fraud

What Went Wrong:
- Undisclosed foreign funding
- Submitted proposal for research that had already been completed
- Lying to OIG

What Went Right:
- University cooperated with investigation

Outcomes
- Convicted of conspiracy, false statements and obstruction
- Sentenced to time served and 2 years supervised release
INVESTIGATIONS CASE STUDY #4

Lack of Adequate Documentation for Personal Expenses and Advance Payments

**What Went Wrong:**
- Inadequate documentation
- Personal expenses
- Insufficient review of available documentation
- University waited 2 years to notify NSF

**What Went Right:**
- University ultimately notified NSF of concerns

**Outcomes**
- $2.7 million settlement
- 5 year compliance plan
INVESTIGATIONS
CASE STUDY #5

Data Falsification and Plagiarism

What Went Wrong:

- NSF-supported graduate student:
  - Falsified data
  - Plagiarized another researcher’s dissertation
  - Committed ethical violations in preparing and submitting manuscript

What Went Right:

- Accurate and complete university investigation
- Publications retracted
- Required better student training going forward

Outcomes

- 3 year debarment
- 6 years certifications and assurances
Best Practices

Read and know the applicable grant conditions, rules and regulations when receiving federal grant funds
- Provide and Document (Mandatory) Training

Maintain adequate documentation to support all expenditures, including cost share (during, not after the fact)

Ensure your financial reporting matches your financial records

Do not expend award funds post-expiration or for purposes unrelated to the award

Do not provide inaccurate information or false certifications to grantee institution or federal agency
- If you notice an issue, timely self-disclose

When in doubt, ask
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, or Congress.

Additional Information: www.nsf.gov/oig/whistleblower.jsp

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whistleblower

OMBUDSMAN/COORDINATOR

William J. Kilgallin
Senior Advisor, Investigations
NSF OIG
ombudsman@nsf.gov
Questions?

General
703-292-7100
oigpublicaffairs@nsf.gov

Semiannual reports
http://www.nsf.gov/oig/reports