

OFFICE OF INSPECTOR GENERAL (OIG)**\$14,350,000**
+350,000 / 2.5%

The Appropriations Act that funds the National Science Foundation provides for a separate appropriation for NSF's Office of Inspector General (OIG). Accordingly, the FY 2011 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 2011 Budget Request for OIG is \$14.35 million, which represents an increase of \$350,000 over the FY 2010 estimate of \$14.0 million.

OIG Funding
(Dollars in Millions)

	FY 2009 Omnibus Actual	FY 2009 ARRA Actual	FY 2010 Estimate	FY 2011 Request	Change over FY 2010 Estimate Amount	Percent
Personnel Compensation and Benefits	\$9.65	\$0.01	\$11.02	\$11.30	\$0.28	2.5%
Other Operating Expenses ¹	2.35	0.00	2.98	3.05	0.07	2.3%
Total, OIG	\$12.00	\$0.02	\$14.00	\$14.35	\$0.35	2.5%
Full-Time Equivalent Employment	69		73	74	1	1.4%

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, ~~\$14,000,000~~, *\$14,350,000 to remain available until September 30, 2012.*

Office of Inspector General
FY 2011 Summary Statement

(Dollars in Millions)

	Enacted/ Request	Rescission	Expired	Total Resources	Obligations Incurred/Est.	Carryover/ Recoveries
FY 2009 Omnibus	\$12.00	-	-\$0.01	\$11.99	\$11.99	
FY 2009 ARRA	2.00	-	-	2.00	0.02	1.98
FY 2010 Estimate	14.00	-	-	14.00	14.00	
FY 2011 Request	14.35	-	-	14.35	14.35	
\$ Change from FY 2010 Estimate					\$0.35	
% Change from FY 2010 Estimate					2.5%	

Totals may not add due to rounding.

Explanation of Carryover**American Recovery and Reinvestment Act of 2009 (ARRA)**

Note: The ARRA Chapter contains an obligation plan for all ARRA appropriated funds carried forward into FY 2010.

Within the **Office of Inspector General** appropriation, \$1.98 million was carried forward.

- Reason for Carryover: Five year funds intended explicitly for ARRA use.
- Expected Obligation: Will be obligated over the 5 year availability of the funds.

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 to perform audits, reviews, and investigations. Because diverse skills, training, and experience are necessary to oversee NSF's varied programs, the OIG staff includes scientists, attorneys, certified public accountants, investigators, evaluators, and information technology specialists. The subjects of investigations, audits, and other reviews are varied, and may include: an individual grant recipient or institution; a broad program or functional area of NSF; or a project involving multiple disciplines or entities. In FY 2011, the office will continue to be significantly involved in audits and investigations of NSF programs, grants, contracts and other activities associated with funding provided by the American Recovery and Reinvestment Act of 2009.

OIG performs audits of grants, contracts, and cooperative agreements funded by NSF'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 NSF'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. 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 seek or receive NSF funds such as those who submit proposals to, receive awards from, conduct business with, or work for NSF. 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 NSF for administrative resolution and when needed will recommend modifications to agency policies and procedures to ensure the integrity of NSF's business 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 2009 Actual	FY 2010 Estimate	FY 2011 Request	Change over FY 2010 Estimate	
				Amount	Percent
Personnel Compensation and Benefits	9,655	11,020	11,295	\$250	2.3%
Travel & Transportation of Persons	210	230	240	20	8.0%
Advisory & Assistance Services ¹	1,901	2,471	2,526	70	2.4%
Communications, Supplies and Equipment, and Other Services ²	234	279	289	10	6.9%
- Training	98	110	115	5	4.3%
- Council of Inspectors General for Integrity and Efficiency Assessment	29	34	34	-	N/A
- Other	107	135	140	5	3.6%
Total	12,000	14,000	14,350	\$350	2.4%

Totals may not add due to rounding.

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

² The amounts spent on Training and CIGIE Assessment are presented separately as required by the IG Reform Act of 2008 but also in the total for Communications, Supplies and Equipment, and Other Services.

The increase of 2.4 percent requested in the FY 2011 budget level will enable OIG to add one staff person to support its audit and investigative programs, continue its outreach efforts, particularly with regard to research misconduct and financial fraud, and make modest systems and equipment upgrades. In recent years, OIG's operational costs have risen faster than our funding. Personnel costs, which consume approximately 80 percent of the annual OIG appropriation, continue to rise. Travel, which is essential to conducting nationwide audits and investigations, has become more expensive due to the increased cost of gasoline. Meanwhile the average cost of a contracted audit has risen from approximately \$100,000 in FY 2004 to \$130,000 in FY 2009.

Therefore, OIG has steadily reduced discretionary expenditures to stay within its budget. In particular, OIG spending for audit contracts (excluding the escalating cost of the annual financial statement audit) declined by 47 percent, from \$1.55 million in FY 2006 to \$825,000 in FY 2009, resulting in decreased

oversight of institutions receiving NSF funding. We have also had to postpone the replacement of obsolete equipment and defer the acquisition of electronic-workpaper and other software vital for conducting audits and investigations efficiently. Finally, we have also suspended the filling of critical vacancies and postponed important audit and investigative work that we have not been able to conduct due to workload imbalances.

The increase requested for FY 2011, combined with the increase in our FY 2010 appropriation, will enable us to address these shortcomings and significantly improve the efficiency and impact of OIG in performing its oversight role. The additional funds requested will primarily cover increased personnel costs, including the addition of one FTE; the rising costs of audits conducted by Certified Public Accounting firms under contract to OIG; essential technology upgrades to replace aging personal computers and other business equipment; and if funds allow, the need for software and training that will provide more effective support for our investigations and audits. The additional funding will cover the contribution, equaling 0.24 percent of OIG's appropriations, that is assessed government-wide to fund the new Council of Inspectors General for Integrity and Efficiency (CIGIE).

Finally, the requested funding will allow OIG to perform more contracted audits and thereby keep pace with NSF's increased financial exposure in awarding billions of dollars in grants and contracts each year. As the agency's funding grows, so does this risk -- and the concomitant need for increased OIG oversight. The additional audit and contract resources will enable OIG to strengthen its oversight of NSF awards categorized as high-risk. As recently as 2007, the OIG had resources to audit only four percent of the total \$9.6 billion of NSF funds in this category. The requested increase would enable us to reverse these trends and expand our audit coverage.

The requested funding level would also support performance audits that reflect important federal and OIG priorities, including reviews of: 1) NSF's management of its rotating program officer workforce (i.e. temporary employees who typically return to their home institution after a few years), 2) NSF's handling of conflicts of interest involving its grantee institutions and principal investigators, 3) the effectiveness of NSF's acquisition program and its ability to meet existing and newly implemented federal requirements, and 4) the adequacy of NSF's workforce to meet its increasing programmatic and financial accountability and oversight responsibilities. Funds will also be used to complete two ongoing series of audits: labor effort charged to NSF awards by large universities; and the adequacy of NSF's cooperative agreements to manage and oversee its large facility awards. Finally, funds are needed to perform audits that are mandated by law, including the annual Financial Statement Audit, the related Federal Information Security Management Act independent evaluation report, and the triennial audit of the National Science Board's compliance with the Government in the Sunshine Act.

Additional funds are also necessary for OIG to keep pace with an expanding investigative workload driven by: NSF's increased budget, expectations that OIGs become more proactive, and the increasing complexity of the fraud and internal cases being investigated. In the past 10 years, OIG has experienced almost a 300 percent increase in caseload across the spectrum of civil/criminal/administrative and research misconduct matters for which we are responsible. Over the same period, OIG has registered a 10-fold increase in financial recoveries and agency and/or law enforcement actions based on its investigative work and a 20-fold increase in referrals to the Department of Justice.

Our civil and criminal cases frequently produce both financial settlements for institutional fraud and compliance agreements for correcting the underlying systemic problems, thus providing greater protection for future federal funding. Monitoring institutions' efforts to meet the terms of their five-year compliance plans is vital to preventing fraud from recurring, but it is also very time consuming. The systemic

problems that have allowed fraud to occur take time to correct, and ongoing oversight is required to ensure that the flaws in the systems are not further exploited. Our investigative workload is growing rapidly in other areas as well. Over the past few years, there has been an increase in serious data fabrication and falsification cases, and in the incidence of fraud in international collaborations. The latter, in particular, require substantial resources to determine their scope and complexity and to perform more intricate investigations.

The requested level of funding will make it possible to consolidate and extend the gains we have made by acquiring needed electronic case management software to increase productivity and streamline the process of preparing for prosecutions and public information requests. We will be able to continue the development of proactive reviews including an analysis of fraud and duplicative funding within the Small Business Innovation Research program. It would also permit us to increase our forensic accounting program to more effectively pursue complex financial fraud cases, and to fund case-related travel necessary to support investigations that occur nationwide.

As the administration and Congress emphasize the importance of assuring the scientific integrity of federally funded research, studies consistently indicate that between 25 to 30 percent of scientists engage in questionable research practices. Drawing on our extensive experience in dealing with occurrences of grant fraud and research misconduct, OIG's outreach program continues to play a key role within the federal and research communities in attempting to prevent these problems.

This budget increase will enable OIG to address the issues underlying the increasing number of egregious allegations that we are investigating, many of which are related to the employment of scientists from other countries. Universities continue to request our attendance at conferences and other events to help educate faculty, students, and principal investigators regarding the indications and consequences of research misconduct and financial fraud. OIG's audit staff is also involved in outreach activities aimed at informing NSF and its awardee community of the recurring issues we are finding in our audit work. However, our ability to accommodate these requests and accomplish our outreach mission is limited and must depend on whether our staffing and travel budget is sufficient to support our urgent investigative and audit priorities.

While the OIG received a separate \$2.0 million appropriation to handle its Recovery Act responsibilities through 2013, we estimate that this amount will not be adequate to fund all of the audit and investigative work we anticipate. In fact, the FY 2010 Annual Audit Plan is largely focused on the Recovery Act activities at NSF and its awardees, and we expect to allocate at least 50 percent of our current audit staff and contract audit resources to Recovery Act reviews. While it is difficult to project the level of audit and investigative work associated with the Recovery Act in FY 2011 and beyond, it is very likely that the additional workload over the four year period will exceed the special appropriation OIG received. Therefore, we consider the additional \$350,000 in funds requested to be essential to continuing our oversight of NSF's regular appropriation, while also meeting our additional responsibilities for Recovery Act funds. The initial budget request presented to the agency for \$14.98 million was revised to \$14.35 million after further review of the work planned for FY 2011.

