

**OFFICE OF INSPECTOR GENERAL (OIG)**

**\$15,000,000**  
**+1,000,000 / 7.1%**

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 2012 Request level identifies the resources needed to support OIG, including amounts for personnel compensation and benefits, contract services, training, travel, supplies, materials, and equipment.

The FY 2012 Budget Request for OIG is \$15.0 million, which represents an increase of \$1.0 million or 7.1 percent, over the FY 2010 Enacted level of \$14.0 million.

**OIG Funding**

(Dollars in Millions)

	FY 2010	FY 2010	FY 2010	FY 2012 Request	Change over	
	Omnibus	ARRA	Enacted/ Annualized		FY 2010	Enacted
	Actual	Actual	FY 2011 CR <sup>1</sup>		Amount	Percent
Personnel Compensation and Benefits	\$10.95		\$11.02	\$12.14	\$1.12	10.2%
Other Operating Expenses	3.02	0.05	2.98	2.86	-0.12	-4.0%
<b>Total, OIG</b>	<b>\$13.97</b>	<b>\$0.05</b>	<b>\$14.00</b>	<b>\$15.00</b>	<b>\$1.00</b>	<b>7.1%</b>
Full-Time Equivalent Employment	76		73	84	11	15.1%

Totals may not add due to rounding.

<sup>1</sup>A full-year 2011 appropriation for this account was not enacted at the time the budget was prepared; therefore, this account is operating under a continuing resolution (P.L. 111-242, as amended). The amounts included for 2011 reflect the annualized level provided by the continuing resolution.

**Appropriation Language**

For necessary expenses of the Office of Inspector General as authorized by the Inspector General Act of 1978, as amended, ~~\$14,350,000~~, \$15,000,000, to remain available until September 30, 2012/2013.

**Office of Inspector General  
FY 2012 Summary Statement**

(Dollars in Millions)

	Enacted/ Request	Rescission	Carryover/ Recoveries	Expired	Total Resources	Obligations Incurred/Est.	Carryover/ Recoveries
FY 2010 Appropriations	\$14.00	-		-\$0.03	\$13.97	\$13.97	
FY 2010 ARRA <sup>1</sup>	-	-	1.98	-	1.98	0.05	1.93
FY 2010 Enacted/Ann. FY 2011 CR	14.00	-		-	14.00	14.00	
FY 2012 Request	15.00	-		-	15.00	15.00	
\$ Change from FY 2010 Enacted/Annualized FY 2011 CR						\$1.00	
% Change from FY 2010 Enacted/Annualized FY 2011 CR						7.1%	

Totals may not add due to rounding.

<sup>1</sup>\$1.98 million in unobligated FY 2009 ARRA funds were carried over into FY 2010. The remaining unobligated balance was subsequently carried over into FY 2011.

## Explanation of Carryover

### American Recovery and Reinvestment Act of 2009 (ARRA)

Within the **Office of Inspector General** appropriation, \$1.93 million was carried over.

- Reason for Carryover: Five year funds intended explicitly for ARRA use.
- Expected Obligation: Will be obligated over the period of availability, which is until September 30, 2013.

### 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 2012, 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 (ARRA).

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 OIG's role and NSF's rules and expectations.

**Office of Inspector General  
Personnel Compensation and Benefits and General Operating Expenses**

(Dollars in Thousands)

	FY 2010	FY 2010	FY 2010	FY 2012 Request	Change over	
	Omnibus Actual	ARRA Actual	Enacted/ Annualized FY 2011 CR		FY 2010 Enacted Amount	Percent
Personnel Compensation and Benefits	\$10,955		\$11,020	\$12,140	\$1,120	10.2%
Travel & Transportation of Persons	275	54	230	375	145	63.0%
Advisory & Assistance Services <sup>1</sup>	2,479		2,471	2,125	-346	-14.0%
Communications, Supplies and Equipment, and Other Services <sup>2</sup>	263		279	360	81	29.0%
<i>Training</i>	168		110	160	50	45.5%
<i>Council of Inspectors General     for Integrity and Efficiency Assessment</i>	14		-	-	-	N/A
<i>Other</i>	81		169	200	31	18.3%
<b>Total, OIG</b>	<b>\$13,972</b>	<b>\$54</b>	<b>\$14,000</b>	<b>\$15,000</b>	<b>\$1,000</b>	<b>7.1%</b>
Full-Time Equivalent	76		73	84	11	15.1%

Totals may not add due to rounding.

<sup>1</sup> Includes the costs of the annual financial statements audit and the outsourcing of contracting services.

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

The increase of 7.1 percent and 11 FTEs requested in the FY 2012 budget will enable OIG to improve the quality and lower the cost of audits by performing more audits using OIG staff and fewer with contractors, resulting in an increase of 8 auditor FTEs funded by a commensurate reduction in the contracting services account. The 3 remaining FTEs would be assigned to investigations to handle an overall caseload that over the past decade is increasing at an average annual rate of 14 percent. The requested funds will also allow us to continue outreach and other proactive efforts, particularly with regard to research misconduct and financial fraud; and make modest systems and equipment upgrades including the acquisition of investigative case management software.

OIG's operational expenditures continued to increase during the past year driven by higher contracting costs, employee health insurance and benefit expenses, and the increasing cost of travel necessary to conduct nationwide audits and investigations. In FY 2012 we expect that travel and training expenses will grow as new staff are hired, receive in-service training, and are assigned to audit awardees around the

country. In the coming year, OIG will also need additional funds to procure new office space in Denver to house staff responsible for audit coverage of NSF's awards in the western U.S. An arrangement to share office space in Denver with the Commerce Department OIG was recently terminated by the host agency.

*Audits.* Due to the declining quality and economy of contractor-performed audits, OIG is planning to conduct more contract and grant audits with its own staff and fewer that utilize contractors. The average cost of a contracted audit has risen from approximately \$100,000 in FY 2004 to about \$130,000 in FY 2009, while the need for staff oversight of contractors and the rework associated with their audits further adds to their cost. OIG plans to redirect funds from its Advisory and Assistance Services category in order to hire 8 additional auditors at no net cost to the government, and to add an in-house information technology audit capability that was formerly lacking. This change should enable us to achieve greater control over the audit process, resulting in better quality audits at a lower price. OIG also expects to gain greater institutional knowledge and familiarity by sending its staff out into the field to personally observe and report on awardee financial issues, resulting in better program oversight and integrity.

The funds requested will allow OIG to perform additional critically needed contract and financial assistance audits and thereby keep pace with NSF's increased financial exposure in awarding billions of dollars in grants and contracts each year. In the last two years, the agency has obligated \$3.0 billion in ARRA funds in addition to its regular annual appropriation of approximately \$7 billion. Though NSF OIG received a \$2 million appropriation to oversee ARRA, much of our past and current Recovery Act work is being funded from our regular appropriation. The bulk of our ARRA funds are being marshaled in expectation of a heightened need for audits and investigations as more ARRA funds are expended. 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, and to actively monitor NSF's regular portfolio of projects including ARRA.

The requested funding level would also support additional performance and information technology 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) oversight of NSF's workforce to meet its increasing programmatic and financial accountability and oversight responsibilities. Funds will also be used to complete an audit of the adequacy of NSF's cooperative agreements to manage and oversee its large facility awards, and improve our oversight of IT security at NSF. Additional funds will also allow the OIG to provide oversight of NSF's planning and relocation of its headquarters to ensure there is no interruption of its critical mission. 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.

*Investigations.* The requested funds will enable OIG to hire 3 additional staff to keep pace with an expanding investigative workload driven by: NSF's increase in number of awards and ARRA expenditures, a vigorous proactive review and investigative program, the increasing complexity of the fraud and internal cases being investigated, and significant concerns about Small Business Innovation Research (SBIR) program fraud.

Over a 10 year period, OIG's total caseload has increased by approximately 280 percent, resulting in five times the number of significant outcomes (convictions, suspensions, etc.) as before. Our investigations unit has achieved these results with a minimal increase in staff. It has increased productivity by refining investigative skills, initiating targeted proactive reviews to identify potential new cases, and utilizing

student interns to assist on investigations. However, in recent years OIG's output has begun to plateau and further increases in productivity will be difficult to attain without changes to the number and composition of current staff. OIG requests 3 new FTEs in order to provide enhanced oversight of research funding and respond to the calls for zero tolerance of fraud. Additional staff combined with the knowledge acquired over the years will enable OIG to vigorously pursue new fraud and research misconduct investigations, and develop targeted proactive initiatives that have been critical to developing new cases.

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 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. Increasing concerns about research integrity led NSF to recently implement a responsible conduct of research requirement for NSF awards. OIG will oversee the plans to ensure that they effectively address risk while respecting the many sensitive issues that arise within international collaborations, a new and challenging effort. Addressing research integrity and misconduct issues requires highly-skilled staff with resources to determine their scope and complexity, to perform more intricate investigations, and to develop meaningful recommendations.

The requested level of funding will make it possible to maintain and expand on 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. It will enable OIG to continue to perform proactive reviews including an analysis of fraud and duplicative funding within the SBIR program, and oversight of research integrity programs. It would also permit us to: expand our use of commercial investigative software and research tools; further develop our forensic accounting program, which has proven to be effective in helping to solve complex financial fraud cases; and fund case-related travel necessary to support investigations that occur nationwide.

OIG has a vigorous outreach program consistent with our mission to prevent fraud, waste, and abuse. OIG's outreach program draws on its extensive experience in dealing with occurrences of grant fraud and research misconduct to play a key role within the federal and research communities to educate colleagues from other OIGs as well as NSF awardees about these issues. OIG's proactive efforts are consistent with the emphasis on transparency and accountability mandated by the administration and Congress, and helps to assure the scientific integrity of federally funded research, and the oversight of ARRA funds.

From an investigative perspective, the requested funds will enable OIG to address: 1) growing concerns regarding the erosion of research integrity as evidenced by a threefold increase in allegations in the past decade and studies indicating that 25 to 30 percent of scientists engage in questionable research practices; 2) 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; 3) lack of transparency by grantees receiving ARRA funds; and 4) SBIR program fraud. Universities continue to request our attendance at conferences and other events to help educate faculty, students, and principal investigators regarding compliance plans, oversight, responsible conduct of research, 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.

In accordance with the Inspector General Act of 1978, as amended (5 U.S.C. App.), the Inspector General of the National Science Foundation has presented its FY 2012 Congressional Budget Request for \$15.0 million, \$430,000 less than the \$15.43 million initially submitted to, and approved by, the National Science Board (NSB). Since OMB specified that costs for operating the Council of the Inspectors General on Integrity and Efficiency (CIGIE) assessment will be paid entirely by the OIGs for the 15 cabinet level agencies, this item has been removed from the FY 2012 Budget Request. Finally, in response to the Administration's proposal to freeze pay for civilian personnel in FY 2011 and FY 2012, the amount for personnel costs and benefits has been reduced accordingly.