



NATIONAL SCIENCE FOUNDATION
OFFICE OF INSPECTOR GENERAL
OFFICE OF INVESTIGATIONS

CLOSEOUT MEMORANDUM

Case Number: I01060011/

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The National Science Foundation, Office of Inspector General (NSF/OIG) received an allegation from a former employee alleging that a company¹ had over billed on hotel and meal expenses.

The National Science Foundation (NSF) conducted a survey, which revealed that the company's accounting procedures, accounting system and supporting documentation did not provide detailed financial information as required for the grant. The survey also revealed that the company was unable to distinguish costs that were indirect to the NSF grant from direct costs belonging to other programs. Estimated salaries and benefits charged to the grant failed to have supervisory signatures. Finally, travel expenditures revealed that the grant was charged for both per diem meal expenses and restaurant receipts for the same travel event.

The company was directed to reestablish its accounting management system and reconstruct all accounting records to comply with grant management. The initial report contained errors therefore, a second request for information was sent to the company. The second report revealed numerous discrepancies with the numbers they provided.

Members of our office traveled to the company to review records related to the NSF grants and interviewed employees. The company's employees stated that the errors must have been typos or miscalculations.

A review of the Federal Cash Transaction Reports (FCTRs) revealed that one of the award had been closed and the money was deobligated. However, further review revealed that an adjustment had been made. The company advised NSF that the cash disbursements were incorrectly reported on five FCTRs due to clerical errors.

Based on the company's lack of reliable accounting records and poor management of its NSF award funds, NSF/OIG recommended that the company be suspended or placed on a reimbursement agreement for all active awards to ensure the protection of federal funds. NSF/OIG strongly encouraged that the company hire a licensed and reputable CPA firm to evaluate all policies, procedures and internal controls to ensure compliance with relevant federal financial management guidelines, terms and agreements of NSF awards. NSF/OIG also requested that the company provide written documentation identifying specific corrective actions.

¹ Footnote Redacted

	Investigator	Attorney	Supervisor	AIGI
Sign / date				



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As of 11 June 2003, the company was placed on a cost reimbursement plan. NSF/OIG plans to monitor this plan for one year and at the conclusion will determine whether conditions continue to exist that indicate an NSF audit should be recommended.

On 12 September 2003, the company advised that they had retained a new Certified Public Accounting firm with expertise in government grant conditions and compliance with financial regulations. The company further advised that an A-133 single audit would be conducted in October 2003.

In response to our request for corrective action, the company provided a current completed Financial Management System Questionnaire, a copy of the company's travel expense policy and a revised time and effort template, which was modified to include recommendations made by the forensic auditor.

²The Branch Chief, Division of Grants and Agreements advised that to date, Inc. has been complying with the term and conditions of the reimbursement agreement.

Accordingly, this case is closed.

² Footnote Redacted