



NATIONAL SCIENCE FOUNDATION  
OFFICE OF INSPECTOR GENERAL  
OFFICE OF INVESTIGATIONS

## CLOSEOUT MEMORANDUM

Case Number: I01060013

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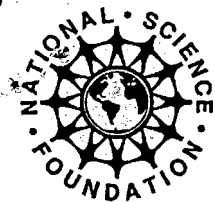
In June 2001, we received allegations that NSF grant funds at the [REDACTED] [REDACTED] had been misappropriated to cover expenses unrelated to the grant. Former officials from the [REDACTED] made allegations of fraud but were unable to provide exact details of how grant funds were misused. Three [REDACTED] grants to [REDACTED] were identified and the office contracted with [REDACTED] to conduct an audit of the NSF grants.

We referred the issue to the Office of Audit in August 2001. In January 2002, [REDACTED] conducted a two-week site visit in an attempt to audit claimed cost on the three grants. Between September 1997 and August 2000, [REDACTED] claimed cost totaling \$1.1 million on the three NSF grants. During the audit, [REDACTED] found that [REDACTED] used 4 different accounting systems between 1997-2000 and there were many gaps in the accounting records. [REDACTED] questioned \$221,757 of the \$232,396 tested cost because of a lack of internal controls and procedures to account for grant related expenses.

In November 2002, we reviewed [REDACTED] audit working papers and determined that while there are indications that fraud could exist at [REDACTED], we found no evidence of a specific scheme to embezzle NSF grant funds. However, the auditors did not review expenditures from June 1999 to July 2000 because the electronic accounting system failed and expenditures were tracked on Excel spreadsheets. The [REDACTED] working papers identified that [REDACTED] claimed \$43,000 more for Salaries/Wages than was budgeted for grant [REDACTED]. The allegations originally received by this office claimed that administrators at the [REDACTED] were diverting funds away from NSF grants.

We conducted a site-visit at [REDACTED] in February 2003 and reviewed selected expenditures charged to grant [REDACTED] from July 1999 to July 2000. We reviewed \$170,000 in salary and consulting payments charged to the NSF grant and found only three payments totaling \$439.98 that [REDACTED] was unable to find documentation or testimony to support the payments. These payments were made to two students who were later identified as employees at [REDACTED], but were not participants in the project supported by the grant.

The current President of the [REDACTED] stated that she arrived in September 2002 and found that the [REDACTED] staff lacked accounting and management experience. She also found the [REDACTED] was behind on the A-133 audits by 2 years and that past management had taken no corrective action on previous audit reports that detailed management and accounting deficiencies. The President has hired a new business and management team that are building an infrastructure to track and account for all expenditures. While the business and administrative practices previously in place



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at the [REDACTED] were questionable, the NSF Program Officer was pleased with the results obtained by the [REDACTED] under the grant and current [REDACTED] management is addressing the accounting deficiencies. Overall, we did not find a pattern of diversion or misuse of grant funds to support the allegations that NSF funds were diverted from their intended purpose or that NSF funds were fraudulently expended.

Accordingly, this case is closed.