

NATIONAL SCIENCE FOUNDATION
OFFICE OF INSPECTOR GENERAL
OFFICE OF INVESTIGATIONS

CLOSEOUT MEMORANDUM

TO: AIGI

File Number: I95100038

Date: 17 March 2002

Subject: Closeout Memo

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There was no closeout written at the time this case was closed. The following information was extracted from the file in conformance with standard closeout documents.

Our office was informed that the subject¹ was alleged to have stolen shipments of DRMO property for NSF grants. Subject was the property screener for his university.² Much of the equipment showed up for sale at university auctions shortly after the subject reviewed the property lists. Our subsequent investigation determined that the equipment made it to the university but that \$ [REDACTED] in auction proceeds were not properly credited for research and education.

Accordingly this case is closed.

[REDACTED]

Name:	Prepared by:	Cleared by:		
	Agent:	Attorney:	Supervisor:	AIGI
Signature & date:				



NATIONAL SCIENCE FOUNDATION
4201 WILSON BOULEVARD
ARLINGTON, VIRGINIA 22230



OFFICE OF
INSPECTOR GENERAL

MEMORANDUM

DATE: October 3, 1996

TO: Case File No. I95100038

FROM: [REDACTED] Investigations Section
[REDACTED] Investigations Section

VIA: [REDACTED] Special Agent-in-Charge

RE: Case Resolution

On October 2, 1995 we received an allegation that an NSF screener and two shop managers at [REDACTED] were diverting federal excess property obtained under NSF grants for personal use and profit.

We conducted a site visit at [REDACTED] and were able to account for most of the property acquired by the screener and shop managers. Though we found no evidence of personal diversion of property, we found that the screener was certifying documents that were supposed to be signed by NSF Principle Investigators (PI). The screener was obtaining property not related to the NSF grants, such as lawnmowers and tires, and distributing it throughout the university instead of using it for the grants.

The screener disposed of excess property through university sales and auctions. We found that the university was not remitting proceeds (approximately \$[REDACTED]) from these sales to the NSF grants for which the property was originally obtained. The screener placed these funds into a general university account. The screener intended to use these funds as salary by working as a part-time screener after retiring from [REDACTED].

Based on our recommendation, [REDACTED] Internal Audit Office conducted an internal review of its participation in the federal excess property program and its inventory controls. IU Internal Audit provided the results of this review to us, and revoked the screener's authorization card. In addition, the university has remitted \$[REDACTED] to the chemistry department where the funds will be used for scientific research and education.

Finally, we provided NSF's Division of Administrative Services (DAS) with a systemic review and recommendations concerning our findings.

This case is closed.

~~CONFIDENTIAL~~

**NATIONAL SCIENCE FOUNDATION
4201 WILSON BOULEVARD
ARLINGTON, VIRGINIA 22230**



OFFICE OF
INSPECTOR GENERAL

MEMORANDUM

DATE: September 26, 1996

TO: Director, Division of Administrative Services (DAS)

FROM: [Signature], Special Agent in Charge, Investigations Section

RE: Systemic Review of the Federal Excess Property Program

Over the past year, NSF-OIG has received three separate allegations regarding university employees diverting federal excess property obtained under NSF grants.¹ This program provides NSF grantees, mainly universities, with free property to be used for scientific education and research. We have found, however, that participants have used a large portion of acquired property for non-scientific purposes, and have not used the funds generated by the sale of this property for scientific research or education. We have also identified systemic deficiencies that increase the opportunity for fraud, waste, and abuse in this program. This review discusses these deficiencies and problems and recommends methods to ensure that participants use this program for its defined purposes.

BACKGROUND TO THE FEDERAL EXCESS PROPERTY PROGRAM

Federal excess property includes all types of personal equipment and property, new or used, that is owned by the Federal Government but no longer needed by a holding agency, but still has additional useful life. At the Department of Defense (DoD), property not in use is relocated to the Defense Reutilization and Marketing Offices (DRMO) for redistribution by the holding agency.² This property is initially redistributed among DoD components. If no DoD component claims it, it becomes excess property³ and is released to the General Services Administration (GSA).

¹ We are currently working with FBI and DoD agents to resolve two of these cases, and have completed one investigation.

² DRMOs are located at various U.S. military bases.

³ 41 C.F.R. § 101-43.001-6.

GSA, working out of the DRMO, uses a hierarchical order to redistribute this property. Non-DoD federal agencies have the first right to obtain equipment. If not selected by these agencies, the property can then be obtained by non-profit institutions receiving federal research funding, such as NSF grantees. Following these institutions, in order of right to first choice of surplus property, are state governments, local governments, and, finally, private companies and citizens.

NSF is authorized to transfer federal excess property without reimbursement to GSA or the former holding agency.⁴ NSF grantees can enter the program by submitting a written request to NSF's Property Section in the Division of Administrative Services (DAS). A participating institution then designates an employee, called a screener, to physically inspect property at the DRMO, tag it (thereby reserving it for the institution), and eventually ship it to the institution. Both DAS and GSA must approve employees to be screeners. Screeners reserve the property while at the DRMO or by submitting a justification letter and an SF-122, "Standard Form - Transfer Order Excess Personal Property."⁵ The DAS property officer must approve the SF-122. The grantee must send a receipt copy of the SF-122 to DAS, certifying that the university has received the property listed on the form.

Grantees can acquire excess property (at no cost) that has a combined value that is less than or equal to the amount of funding they receive under their grant(s).⁶ Any requests made above this amount require additional justification. Although excess property is secured without cost, the participant is responsible for shipping costs. In addition, receipt of property is to be grant specific, and participants may not stockpile equipment.

NSF retains title to the equipment until it is delivered. Upon receipt of the SF-122 at DAS, title to the property transfers to the university, subject to the understanding that the participant will use the property for the scientific research or education purposes of the NSF grant. When the property becomes useless, the participant may dispose of it at its discretion. However, participants are to use the proceeds from the disposal of the equipment solely for scientific research or education purposes.⁷

Since 1990, the federal excess property program has increased its volume from \$5 million to \$50 million dollars worth of property transfers to NSF grantees. This increase is largely due to DAS's promotion of the program as a way to alleviate grantee expenses and increase the quality of graduate and undergraduate education (e.g. by providing equipment for student laboratories and shops).

⁴ NSF grantees are limited in the types of federal excess property they can obtain through the program. For example, grantees are not authorized to obtain "general purpose property" for common use. 41 C.F.R. § 101-43.314(b)(2)(iv).

⁵ NSF Grant Policy Manual, 95-26, 546.3.

⁶ NSF Grant Policy Manual, 95-26, 546.5.

⁷ NSF Grant Policy Manual, 95-26, 546.8.

MISUSE OF SCIENTIFIC RESOURCES

Our investigations have found that universities used NSF grants to acquire federal excess property but that much of this property was not used to support those specific NSF projects. In addition, excess property acquired during the terms of these NSF grants was regularly sold by these universities but the proceeds from these sales were not used for scientific research or education. For example, in one of our cases, we found that a university submitted repeated requests for large amounts of excess property to DAS. We estimate that approximately 50% of this acquired property was non-scientific in nature or used for purposes not related to the NSF grants. However, the NSF program officer and the DAS property manager approved many of these requests, which included property such as truck tires, lumber, and mailboxes. Furthermore, we found that this university's property manager disposed of large amounts of unused excess property at auctions, and placed the funds from these sales (in excess of [REDACTED]) in a separate university account which would pay him for screening property after he retired from full-time university employment. The funds should have been used for scientific research and education.

Recommendation:

We recommend that DAS require the authorized organizational representatives from participating institutions to agree in writing to the following before being allowed to designate a screener: Participating institutions must agree to use all excess property for the purposes of the grant during the period of the award, and if the property is sold during that period, the proceeds from the sale of the excess property will be treated as program income and "added to the funds committed to the project by NSF and used to further project objectives."⁹ Thereafter, proceeds from the sale of the property should be used solely for scientific research and education.¹⁰ In addition, we recommend that all current participants in this program be contacted and agree to these conditions, in writing, in order to continue participating in this program.

INADEQUATE OR LACK OF INVENTORY CONTROLS BY PARTICIPANTS

In two of our cases, the universities were unable to provide us with current and complete inventories. Both universities lacked policies and guidelines regarding the inventory process for federal excess property. Although we were eventually able to verify (through witness interviews) that the universities received the property, neither university had a tracking

⁸ As a result of our investigation, the university agreed to return [REDACTED] to the projects funded by the NSF grants.

⁹ GC-1 (10/95), Art. 19(b).

¹⁰ NSF Grant Policy Manual, 95-26, 546.8.

system in place to process the newly acquired property. In one case, for example, we were unable to quantify the amount of federal excess property that the university disposed of, or the amount of proceeds that the university received through the disposal of that property.

Recommendation:

DAS should require that screeners annually certify a) the amount of excess property that they have acquired for NSF grants in the preceding year; b) that they have exercised careful stewardship over the excess property;¹¹ and c) that during the periods of the grants all excess property and proceeds from the property were used for the purposes of the NSF grants, and thereafter for scientific research and education. Within this document, screeners should also certify that all of the statements they have made are accurate, true, complete, and to the best of their knowledge.¹²

LACK OF SEGREGATION OF SCREENER DUTIES

In two of the cases, the university screeners were employed full-time as property managers and were, consequently, solely responsible for the screening, ordering, acquisition, delivery, distribution, inventory, sale and/or disposal of all excess property. In one case this led to abuse of the system and possible diversion of excess property while in the other case (where we found no diversion of property) it led to the appearance of abuse.

Recommendation:

DAS should insist on a segregation of duties for its screeners. DAS should not allow participants to designate property managers as screeners. In addition, DAS should mandate that screeners have the appropriate technical expertise to screen for property required by NSF PIs.

IMPROPER CERTIFICATIONS AND AUTHORIZATIONS ON FORMS

In some instances, PIs authorized screeners to sign their names on certifications on the SF-122 forms and on justification letters in order to acquire property. In one case, the screener and other employees indiscriminately chose NSF grants to charge for the acquisition of property. As a result, PIs were not aware of the type or amount of equipment being procured under

¹¹ NSF Grant Policy Manual, 95-26, 546.9 states: "While no particular type of classification of accounts or inventory system is required, NSF expects responsible officials of the grantee organization will exercise careful stewardship of excess government personal property acquired in support of projects undertaken with NSF's financial assistance."

¹² If requested, we will be glad to provide sample certification language to DAS.

their grants. In addition, participants procured large amounts of property not directly related to NSF grants.

Recommendation:

Per NSF's GPM, PIs are required to sign their justification letters and SF-122 forms.¹³ DAS should enforce this rule by requiring that PIs, not screeners, be solely responsible for signing the justification letters and receipt copies of the SF-122.

LACK OF FAMILIARITY WITH PROGRAM RULES AND REGULATIONS

During our interviews with employees of participating institutions, we determined that they were not knowledgeable about the rules and regulations of the federal excess property program. In addition, none of these employees had any guides, booklets, or other documents describing these relevant rules and regulations.

Recommendation:

DAS should mandate that all screeners read the program rules and certify that they understand these rules. In addition, DAS should brief all pertinent NSF personnel and participants about the program rules and regulations. DAS or the participating institutions should distribute existing program rules (found in NSF's GPM) to all screeners.

CONCLUSION

The federal excess property program is a valuable resource to NSF grantees. As a result of our investigations we identified several program deficiencies which have contributed to the misuse and abuse of this resource. Consequently, we have made recommendations which, if implemented, will help ensure that excess property is being used for science and that participants are using the proceeds from the sale of excess property for the purposes of the grant or for other scientific research and education.

Please advise us of the steps taken by your office in response to this review and its recommendations.

¹³ NSF Grant Policy Manual, 95-26, 546.3 (f).