

NATIONAL SCIENCE FOUNDATION
OFFICE OF INSPECTOR GENERAL
OFFICE OF INVESTIGATIONS

ACTION MEMORANDUM

TO: AIGI

File Number: I-98120034

Date: 08 January 02

Subject: Improper Charging of NSF Grant Funds

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In October 1998, we received an allegation that a professor improperly administered NSF grant funds.

Based on the evidence gathered during this investigation, we determined that the professor improperly charged the NSF Research Improvement in Minority Institutions grant for the payment of student stipends, supplies and equipment purchased for purposes unrelated to the NSF grant.

On 02 January 02, the University entered into a settlement agreement with the National Science Foundation and the United States Department of Justice by and through United States Attorney's Office for the Middle District of Tennessee to provide additional cash cost sharing for one of the University's current NSF grants (not involving the professor) in the amount of \$10,250 for calendar year 2002 and \$10,250 for calendar year 2003.

... Accordingly, this case is closed

Name:	Prepared by:	Cleared by:	
	Agent: Investigative Analyst	Attorney: Senior Counsel	AIGI
Signature & date:			



Confidential



**National Science Foundation
Office of Inspector General**

**Report of Investigation #I98120034
Subj**

August 3, 1999

**National Science Foundation
4201 Wilson Blvd., Suite 1135
Arlington, VA 22230
(703) 306-2001**

I. Introduction

Based on the evidence gathered during this investigation, we have determined that _____ professor in the Department of Biology at _____

A. Improperly charged the National Science Foundation (NSF) Research Improvement in Minority Institutions (RIMI)¹ grant for the payment of student stipends.

B. Improperly charged the NSF/RIMI grant for supplies and equipment used for purposes unrelated to the grant, including general use and for projects funded by the _____ and the _____

This Report of Investigation reflects _____ improprieties in administering NSF funds.

II. Basis for Investigation

In October of 1998, we received an allegation that _____ improperly administered NSF grant funds.

III. Background

A. National Science Foundation

NSF is an independent federal agency created in 1950 to support research and education activities in science and engineering. Annually, NSF provides nearly \$4 billion to support more than 20,000 awards. It has programs directed toward specifically encouraging the development of research infrastructure and potential at undergraduate institutions and encouraging the participation of minorities in science.

¹ In October 1997, _____ was awarded a \$397,172 NSF grant _____ for research on a project entitled "RIMI: Thiol-Mediated Regulation of Yeast-to-Mycelial Dimorphism in *Candida Albicans*." During the course of this grant _____ obtained two no-cost extensions: one expired on September 30, 1997, and the other expired on May 31, 1998. The grant funds were totally expended at its close. See Attachment (1).

² In September 1993, _____ was awarded a \$550,000 grant from _____ through its Undergraduate Biological Sciences Education Program for development of science education programs. As part of this award, an 18-foot by 36-foot greenhouse was built to carry out botanical research. The greenhouse, which was funded entirely with _____ grant funds, is also used for classroom instruction. This grant was scheduled to expire on September 30, 1997, but is currently operating under a no-cost extension through September 1999. _____ requested the no-cost extension which was approved by _____. See Attachment (2).

³ In April 1997 _____ was awarded a \$165,961 grant from _____ (97-271) for research on a project entitled "Training Under-Represented Students in Biological Research : _____." This grant is scheduled to run through April 1999. See Attachment (3).

B. _____

_____ was founded by the _____ in 1866 and is a historically black college. The Biology Department at _____ offers programs leading to the degrees of Bachelor of Arts, Bachelor of Science, and Masters of Arts. This department is directed toward meeting the needs of minority students in preparation for graduate studies in the natural sciences, health sciences and careers in government or industry. NSF has awarded 11 grants _____ totaling more than \$2 million. The awards in this case were made under NSF's RIMI and Research in Undergraduate Institution (RUI) programs.

C. _____

Prior Improperities in Administering NSF Funds

In 1995, we found that _____ 1) paid graduate-level student stipends from an RUI⁴ grant; and 2) he charged the RUI grant for the purchase of supplies and equipment for use unrelated to the RUI grant.

_____ paid \$7,000 to three students in the form of graduate-level stipends from the RUI grant, which was stipulated to support only undergraduate research. In addition, the students did not perform research on the RUI project for which they were paid, but were actually working for _____ on the RIMI project. In addition, a total of \$1,695 of RUI grant funds were used to pay stipends to undergraduate students who worked on the RIMI project, not the RUI project.

Furthermore, _____ used \$1,433 of RUI grant funds to purchase general biology supplies and equipment to be used by all _____ biology students performing work whether or not it was related to the RUI grant. _____ estimated that only 15% of the supplies purchased with RUI grant funds were used to conduct research for the RUI grant, and all the other supplies purchased were used in a manner unrelated to the grant.

_____ admitted to OIG agents that he paid three students graduate-level stipends from grant funds reserved for undergraduate students. _____ further admitted that these students did not perform research on the RUI grant for which they were paid, but were instead working on the RIMI grant. _____ stated that: 1) he charged the RIMI project expenses to the RUI grant because the RUI grant was soon to expire; and 2) he charged the RUI grant for the purchase of general biology supplies and equipment for use by all students performing work unrelated to the RUI grant.

⁴ In 1990 _____ was awarded an NSF RUI grant in the amount of \$66,000 to conduct research on a marine biology project. _____ 1993, NSF awarded an additional \$9,879 for this project. The award expired in July 1993.

As a result of our 1995 investigation, [redacted] was required to refund \$10,128 to NSF. [redacted] also instructed [redacted] of his improprieties and agreed to institute adequate controls to supervise [redacted] administration of NSF funds. In a letter to OIG, [redacted] agreed with our findings and agreed to observe improved controls by the University.

IV. Present Investigative Findings

A. n Improperly Charged the RIMI Grant for the Payment of Student Stipends

To circumvent the May 1998 expiration of the RIMI grant, increased the student stipends from \$750/month to \$1200/month in order to improperly spend all of the grant funds before the expiration.⁵

_____ paid five students a monthly stipend of \$1200 for five months (January through May 1998).⁶ For each month, this sum represented a \$750 stipend and a \$450 pre-payment for work to be completed after the expiration of the grant. In total, the five students were paid \$11,250 for work to be conducted after the grant expired. Only one of the students worked on the project after the expiration of the grant.

The \$1200/month stipend for 5 months is equal to the stipend amount of \$750/month for 8 months. Specifically:

\$1200/month x 5 months (January through May 1998) = \$6000/student.
\$ 750/month x 8 months (January through August 1998) = \$6000/student.

A total of \$11,250 was improperly charged to the RIMI grant for work which was not completed during the three summer months (June, July and August) after the expiration of the award. See attachment (9).

$$\text{\$750/month} \times 5 \text{ students} = \text{\$3750 (x 3 months)} = \text{\$11,250.}$$

During April 1999, we interviewed four of the five graduate students who received stipends from [redacted] from January through August 1998.⁷ Three

⁵ In December 1997, [redacted] asked NSF in an attempt to get a third no-cost extension to continue the grant beyond the May 31, 1998, expiration date. The first and second no-cost extensions were approved, but the third was not.

⁶A further review of account summaries revealed that, of the five students who received the \$1200 stipends, two of them had previously been paid \$750/month for five months and one had received \$750/month for four months.

7. _____ provided written statements to SA _____
_____ did not provide a statement. _____ confirmed that
the fifth student _____ did not work on the NSF/RIMI grant during the summer of 1998. See
Attachments (4), (5) and (6).

students stated that the work they did was unrelated to the RIMI grant during May, June, July and August. The fourth student did not work on the grant in August, but did some work from May through July.

In these interviews, the students stated that _____ told them the RIMI grant was due to expire and he had to spend all the grant money. _____ explained to the students that the stipend increase in January 1998 was a pre-payment for June, July and August, so he could spend the remaining grant money before the expiration.

On April 21, 1998, _____ admitted to OIG agents in a statement that the \$1200 monthly stipend contained a pre-payment to cover the student stipends for three months (June, July and August) after the expiration of the grant.

B. Improperly Charged the NSF/RIMI Grant for Supplies and Equipment Used for Purposes Unrelated to the Grant, Including General Use and for Projects Funded by

_____ purchased supplies and equipment from the NSF/RIMI grant for purposes unrelated to the grant. He purchased general use chemicals with NSF/RIMI grant funds on six occasions between January 30, 1996, and November 7, 1997, totaling \$7500. He also purchased general use chemicals once with _____ grant funds on February 4, 1997, for \$643 and once with _____ grant funds on May 15, 1998, for \$1,000. We determined that some of these charges for general use chemicals may be appropriate, and some may not. Since we are unable to separate appropriate from inappropriate charges, we tentatively consider all the charges inappropriate.⁸

_____ also purchased laboratory and greenhouse supplies from the RIMI grant for purposes unrelated to the grant. He purchased laboratory and greenhouse supplies in the amount of \$1,654 on November 14, 1996, and a greenhouse motor and pump in the amount of \$93 on August 19, 1997. The laboratory and greenhouse supplies are expenses covered under the HHMI award, and not the RIMI award.

As a result, _____ caused a total of up to \$9,247 to be improperly charged to the RIMI grant for purchases unrelated to the purpose of the grant.⁹ As such, _____ breached Article 5, Expenditures for Related Projects, of NSF's *Grant General Conditions*.¹⁰

⁸ In our 1995 investigation _____ he refused to estimate an amount.

_____ estimated that only 15% were appropriate. In this investigation,

⁹ See Attachments (7) and (8).

¹⁰ Article 5, para (a) states that award funds may be expended for related projects and charges to this or another NSF award, provided the awards are scientifically or technically related. Article 5, para (b) states

In our interview _____ stated that he made purchases from the NSF/RIMI grant unrelated to the purpose of the grant. He stated that many of the supplies purchased could be used in the research being conducted on the _____ grants. He also stated that:

Usually I try to spend the money on every grant so that everything will be spent on time.

V. Alleged Violations of Civil and Criminal Law

_____ improperly charged the RIMI grant \$11,250 in student stipends and up to \$9,247 for supplies and equipment unrelated to the grant. These actions may be in violation of the civil False Claims Act, 31 U.S.C. § 3729 et seq., and 18 U.S.C. § 287, False, Fictitious or Fraudulent Claims.

A. Mitigating Circumstances

1. We found no evidence that _____ personally benefited from his misuse of grant funds. A tour of the biology labs and interviews of university students and officials indicate that _____ is conducting research.
2. _____ charged the NSF/RIMI grant \$1,747 for greenhouse supplies, which included a greenhouse motor and pump. The greenhouse was funded entirely by the HHMI grant. However, _____ stated that those greenhouse supplies were used to grow plants which were later used in the research project funded by the RIMI grant.
3. In 1995 _____ promised to take measures to ensure that the misuse of NSF grant funds would not occur again. This has not taken place. However, in March 1999, _____ began instituting new grant control procedures. According to the new Chief Financial Officer, the Office of Sponsored Programs (OSP) has already taken a more active role in grants management. In the future, OSP will also be responsible for the post-award final expenditure reports to ensure that federal funds are spent appropriately.

B. Aggravating Circumstances

In our 1995 investigation, _____ was officially notified and subsequently acknowledged that the misuse of student stipends and expending NSF grant funds on unrelated projects was inappropriate. Due to his practices, the institution was required to repay \$10,128 to the NSF.

that relatedness must be established and documented by the grantee on the basis of scientific or technical commonality of the work being supported.

VI. Recommendations

1. NSF, in conjunction with the Department of Justice, should consider taking appropriate action against _____ his repeated misuse of federal grant funds
2. NSF should request that _____ refund to NSF stipends in the amount of \$11,250 and a substantial portion of the \$9,247 in supplies, which were improperly charged to NSF/RIMI.
3. NSF should require _____ to ensure the proper disbursement of NSF funds. _____ should establish adequate internal controls to maintain the integrity of the grant and to further guarantee that all expenditures are appropriate and relevant to the scope of the grant. OSP would be the most likely department to accomplish this task. OSP should provide a follow-up report to NSF detailing their actions.