

# NSF Office of Inspector General

NSF Grants Conference

November 2022


Laura Slatton  
Criminal Investigator  
LSlatton@nsf.gov

Kelly Stefanko  
Audit Manager  
KStefank@nsf.gov

Laurel Hester  
Investigative Scientist  
LHester@nsf.gov

# An Office of Inspector General (OIG) is an independent office that:

- Promotes economy, efficiency, and effectiveness
- Prevents and detects fraud, waste, and abuse in agency programs and operations
- Has full access to records and subpoena power
- Reports to head of agency (e.g., NSB) and Congress



This presentation describes what our office does and how we interact with NSF-supported institutions during audits and investigations. We conclude with some case study examples. To learn more, visit [https://oig.nsf.gov/!](https://oig.nsf.gov/)

# What does our office do?



Our Office of Audits conducts audits of NSF operations and programs and NSF award recipients. We also conduct financial and IT reviews.



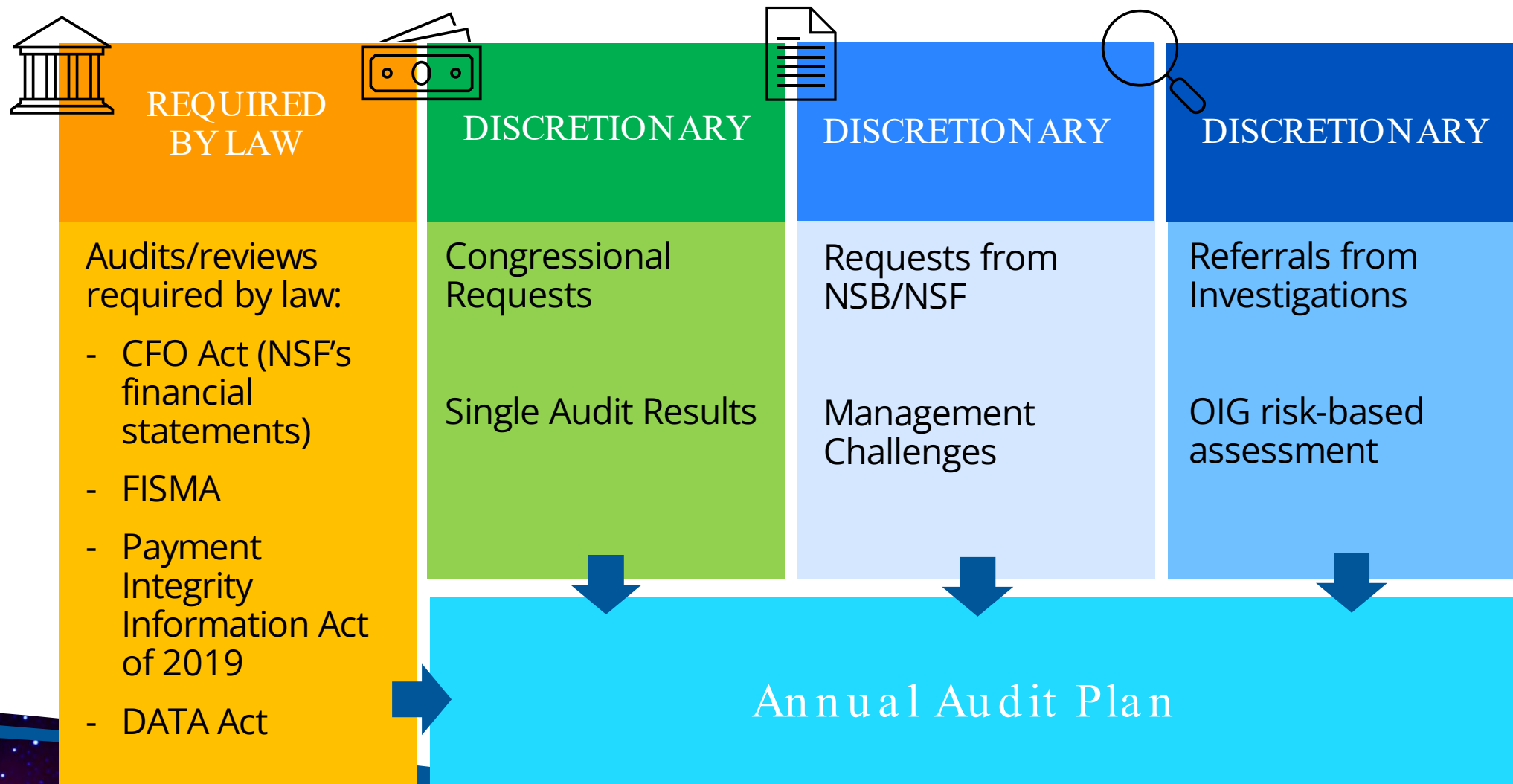
Our Office of Investigations investigates allegations of fraud, waste, and abuse; research misconduct; and violations of law, regulation, directive, or policy.



We also invest in outreach: presentations, briefings, and publications. Learn more: [oig.nsf.gov](https://oig.nsf.gov)!

Head to [Resources & Outreach!](#)

# How do we pick what to audit?



# What kinds of audits might I be involved with?

## Audits of NSF Programs & Operations

We conduct performance audits of NSF programs and operations. The audits cover all facets of NSF's management, including internal business functions and execution of grant activities.

## Financial & IT Audits

We conduct required audits of NSF's annual financial statements, FISMA, and more, and we also audit NSF's internal IT operations.

## External/Incurred Cost Audits

Auditors — both NSF OIG employees and auditors with whom we contract — determine whether costs claimed by awardees are allowable, reasonable, and properly allocated.

These audits may also include reviews of an awardee's accounting system or internal controls.

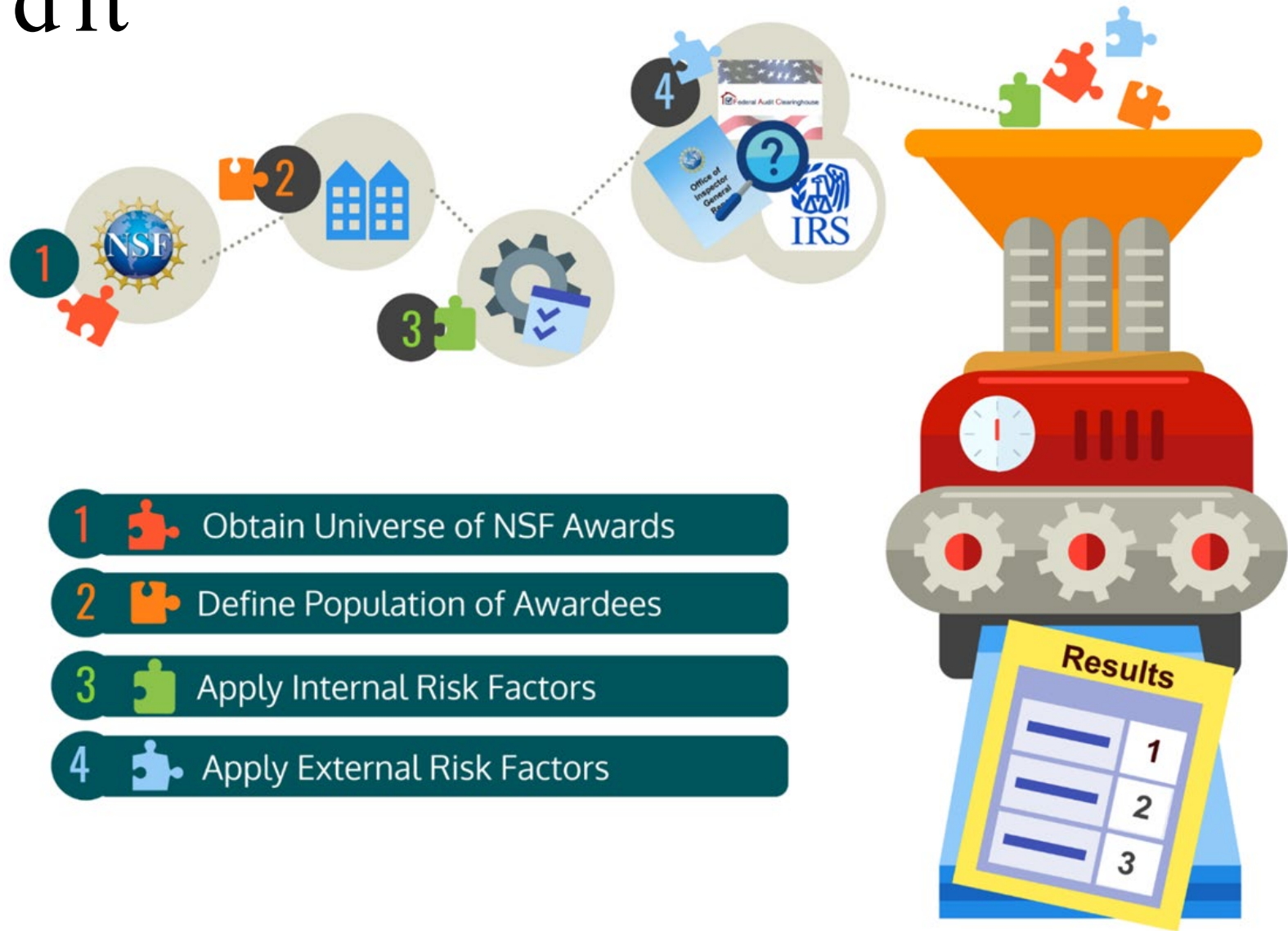
## Single Audit Reviews

We conduct desk reviews on all single audit reporting packages for which NSF is the cognizant or oversight agency.

In Quality Control Reviews, we review the auditors' work. We may request source documents/prior testing. We make recommendations to the audit firm.

MOST TYPICAL SCENARIO

# External Audit Risk Model



- 1 Obtain Universe of NSF Awards
- 2 Define Population of Awardees
- 3 Apply Internal Risk Factors
- 4 Apply External Risk Factors

# Single Audits – Selection Process



More than \$6.2 B in NSF expenditures

Desk Reviews, Previous QCRs



Volume & Exposure



GAQC Member

Select



**NSF OIG CORNER**  
Ensuring the Quality of Single Audits  
By Laura Rainey

**What are single audits?**  
Like a car inspection, a "single audit" is a diagnostic check-up for entities that receive Federal funds. Colleges, universities, and non-profit organizations that expend \$750,000 or more a year in Federal awards must obtain an annual independent financial and compliance audit. These audits are conducted by public accounting firms or state auditors and are designed to ease the burden on awardees that receive funding from multiple Federal agencies and pass-through entities.

**What do you do with the results of desk and quality control reviews?**  
We share results of reviews with the awardee, its auditors, and its other Federal funding agencies and pass-through entities when warranted. When necessary, we refer auditors who do not meet GAGAS or AICPA standards to the AICPA and State Boards of Accountancy for additional review and imposition of required corrective action, up to and including the suspension of an auditor's CPA license.

**Where can I find additional information?**

- The Single Audit Act Amendments of 1996: [www.congress.gov/bills/104th/congress/senate-bill/1579](http://www.congress.gov/bills/104th/congress/senate-bill/1579)
- Federal Audit Clearinghouse: <https://facweb.census.gov>

**Why are single audits important?**  
Federal agencies and pass-through entities use single audit information to track award expenditures, assess awardees' ability to effectively manage audit findings, and to ensure awardees take corrective actions to address results of single audit reports to plan oversight efforts including site visits and other post-award monitoring. OIGs with limited resources often rely on single audits for additional audit coverage of awardees and may use the results to help prioritize other audit and investigatory work.

**How do we ensure single audits are reliable?**  
We evaluate the reliability of single audits through desk reviews and quality control reviews. During a desk review, we examine the audit reporting package, but not the underlying audit documentation. A desk review evaluates whether the audit reporting package contains all required elements in enough detail to enable agencies to make effective management decisions. We conduct desk reviews on all single audit reporting packages for which NSF is the cognizant or oversight agency for audit (generally defined as the awardee's predominant Federal funding agency). Quality control reviews are an important tool for determining whether single audits meet Government auditing and reporting requirements and for helping to improve future audit quality. Quality control reviews expand on desk reviews by evaluating the underlying audit documentation to ensure it complies with Generally Accepted Government Auditing Standards (GAGAS), American Institute of Certified Public Accountants (AICPA) standards, and Federal requirements. The entity that performs the single audit can receive a rating of Pass, Pass with Deficiencies, or Fail.

**How can I report research misconduct or other forms of fraud, waste, abuse, or whistleblower reprisal?**

- Web: <https://nsl.gov/oig/report-fraud>
- Anonymous Hotline: 1.800.428.2189
- Email: [oi@nsl.gov](mailto:oi@nsl.gov)
- Mail: 2415 Eisenhower Avenue, Alexandria, VA 22314  
ATTN: OIG HOTLINE

Whistleblowers play a critical role in keeping our Government honest, efficient, and accountable. Please visit [www.nsl.gov/oig/whistleblower](http://www.nsl.gov/oig/whistleblower) for information about whistleblower protection.

Have a question or an idea for NSF OIG's Corner?  
Please contact us at [OIGPublicAffairs@nsl.gov](mailto:OIGPublicAffairs@nsl.gov)

**Laura Rainey, CIA, CISA**, is the Director of Financial & IT Audits at the National Science Foundation Office of Inspector General. She is responsible for overseeing the annual audits of NSF, financial statements, information security programs, and other financial-related areas. Laura also serves as OIG's National Single Audit Coordinator and oversees quality assurance reviews of single audits. She joined NSF OIG in 2006 and can be reached at [lrailey@nsl.gov](mailto:lrailey@nsl.gov)

NCURA Magazine | August 2020 39

# Audit Communication Process

Step 1



## Engagement Letter

Define audit objective and scope

Step 2



## Entrance Conference

- Discuss audit with auditee management
- Identify key points of contact
- Discuss audit process

Step 3



## Fieldwork/ Discussion Draft

- Discuss potential audit issues & recommendations
- May also use Notices of Preliminary Findings & Recommendations (NPFs)

Step 4



## Exit Conference

Discuss audit results and final recommendations.

Step 5



## Official Draft Report

- Issue official draft report
- Auditee typically has 30 days to provide a formal written response
- We include response in final report.

Step 6



## Final Report

- We issue the report to NSF and Congress
- We post on [oig.nsf.gov](http://oig.nsf.gov) and [oversight.gov](http://oversight.gov)
- We post on Twitter: @NSFOIG



# Highlights of Recent Audit Work

In our January 2022 [capstone report – Promising Practices for NSF Award Management](#), we shared the most common audit findings from 18 audits and suggestions to strengthen award management practices:

- 1 Continually monitor and verify the allowability of high-risk expenses.
- 2 Strengthen controls over applying indirect cost rates.
- 3 Ensure award recipients create and maintain sufficient, appropriate award documentation.
- 4 Document and justify reasonable allocation methodologies.
- 5 Regularly review and update grant management policies and procedures.

In our July 2022 [capstone report – EPSCoR Recipients Need Stronger Oversight and Controls](#), we summarized 3 key issues we identified at multiple EPSCoR recipients:

- 1 Assessing and monitoring subrecipient risk
- 2 Costs charged to Summer Research Programs
- 3 Errors associated with accounting system changes

We also shared associated [suggestions to help the recipient community](#) address them.

# Office of Investigations



Detect and Prevent Fraud



Investigate criminal, civil, administrative matters



Address alleged wrongdoing involving proposals, awards, and those who conduct business with, or work for, NSF



# Types of Allegations



# Sources of Allegations

Principal Investigators/Co-PIs

Contractors

NSF Program Officers & Other Staff

Ex-spouses/Ex-partners/  
Disgruntled Employees

OIG Office of Audits  
or Proactive Reviews

University administrators

Review Panelists

Other government agencies

Colleagues, Students, Post-Docs

Anonymous hotline callers  
or informants

# The Investigative Process



# Administrative Cases — Violations of Regulations

## Research Misconduct:

- 45 CFR Part 689
- NSF regulations tracks OSTP's Federal Policy
- Defines Fabrication, Falsification, Plagiarism (FFP) and defines "research"

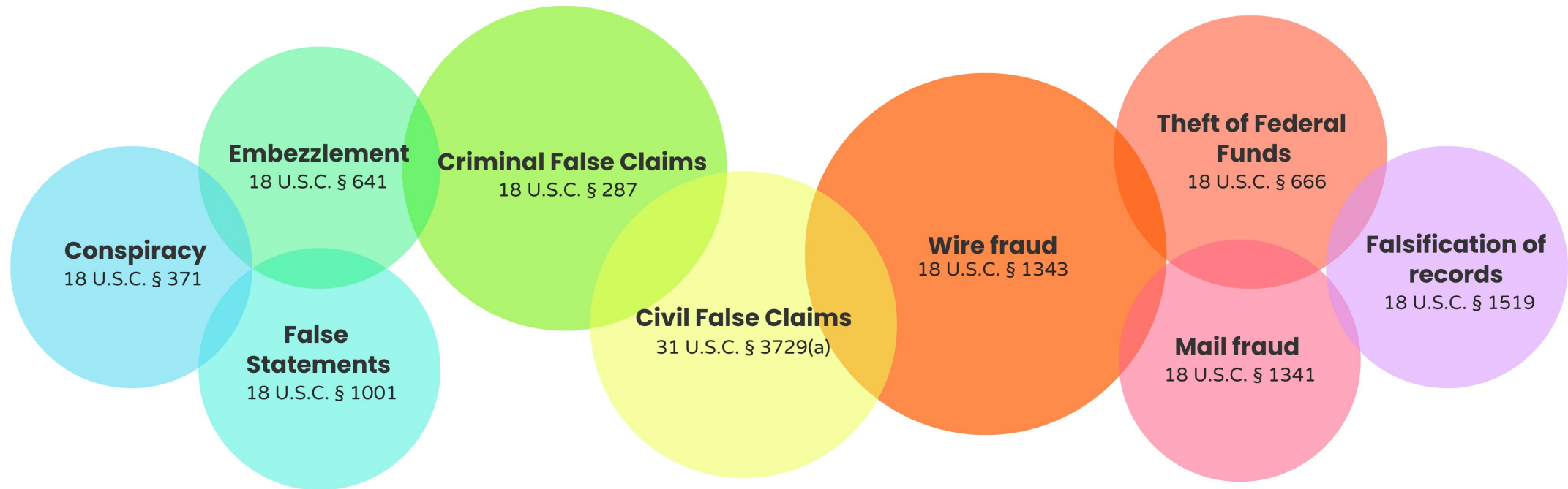
Conflicts of Interest (COIs), violations of confidentiality, etc.

Human  
subjects  
research

Whistleblower  
Retaliation

# Criminal/Civil Cases

## Frequently Violated Criminal and Civil Statutes



# Investigative Outcomes

## Refer to other authorities (e.g., U.S. Dept. of Justice)



Criminal or Civil matters may result in:

- Prosecution
- Settlement agreement/ compliance agreement
- Fines, reimbursements, incarceration

## Refer to NSF



Administrative matters may result in:

- Suspension/ Termination of awards
- Certifications/ assurances
- Suspensions/ debarments
- Reprimands/ retractions



## Refer to the OIG Office of Audits



# INVESTIGATIONS CASE STUDY #1

## *Falsified Documents During Audit Leads to Civil False Claims Act Settlement*

### What Went Wrong

- Inadequate controls to prevent employee from fabricating timesheets
- No culture of compliance; others agreed to backdate timecards

### What Went Right

- Office of Audits caught on, asked questions, referred to Office of Investigations



### Outcomes

- \$1.17 million settlement; 5-year compliance plan
- Compliance coordinator plead guilty; sentenced to 1 year probation

# INVESTIGATIONS CASE STUDY #2

*Unallocable Grad  
Student Teaching  
Costs Improperly  
Charged to Research  
Grants*

## What Went Wrong

- Burdened research grants with unrelated teaching costs

## What Went Right

- Attempted to, and ultimately did, fix the problem



## Outcomes

- \$3.75 million civil settlement

# INVESTIGATIONS CASE STUDY #3

*Former Professor  
Convicted of Grant Fraud*

## What Went Wrong

- Undisclosed foreign funding
- Submitted proposal for research that had already been completed
- Lying to OIG

## What Went Right

- University cooperated with investigation



## Outcomes

- Convicted of conspiracy, false statements, and obstruction
- Sentenced to time served and 2 years' supervised release

# INVESTIGATIONS CASE STUDY #4

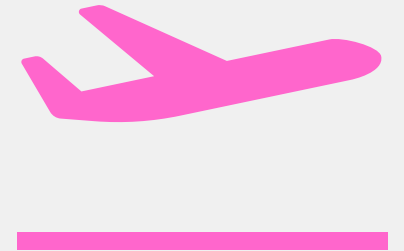
*Lack of Adequate  
Documentation for  
Personal Expenses and  
Advance Expenses*

## What Went Wrong

- Inadequate documentation
- Personal expenses
- Insufficient review of available documentation
- University waited 2 years to notify NSF

## What Went Right

- University ultimately notified NSF of concerns



## Outcomes

- \$2.7 million settlement
- 5-year compliance plan

# INVESTIGATIONS CASE STUDY #5

## *Data Falsification and Plagiarism*

### What Went Wrong

- NSF-supported graduate student: falsified data, plagiarized another researcher's dissertation, and committed ethical violations in preparing and submitting manuscript

### What Went Right

- Accurate and thorough university investigation
- Publications retracted
- Required better student training going forward



### Outcomes

- 3-year debarment
- 6 years' certifications and assurances

# INVESTIGATIONS CASE STUDY #6

## *Plagiarism and Merit Review Violation*

### What Went Wrong

- Faculty member PI and NSF reviewer copied from an NSF proposal he reviewed into his own; and
- Plagiarized from various sources in other proposals

### What Went Right

- PI acknowledged copying the material
- University required the PI to submit plagiarism reports for proposals and papers for 3 years and complete training



### Outcomes

- 2-year debarment of PI
- 5 years' certification and assurances; prohibited from serving as NSF reviewer, advisor, consultant, or rotator

# Best Practices

Read and know the applicable grant conditions, rules and regulations when receiving federal grant funds

- Provide and Document (Mandatory) Training



Maintain adequate documentation to support all expenditures, including cost share (during, not after the fact)

Ensure your financial reporting matches your financial records



Do not expend award funds post-expiration or for purposes unrelated to the award



Do not provide inaccurate information or false certifications to grantee institution or federal agency

- If you notice an issue, timely self-disclose

When in doubt, ask



# WHISTLE BLOWER PROTECTION

Who is protected from Retaliation for making Protected Disclosures?



Current and Former NSF Employees



Applicants for NSF Employment



Employees of a Federal Contractor or Subcontractor



Employees of Grantee or Subgrantee

What are protected disclosures?



Violations of any law, rule, or regulation



Gross waste of funds, gross mismanagement, and abuse of authority

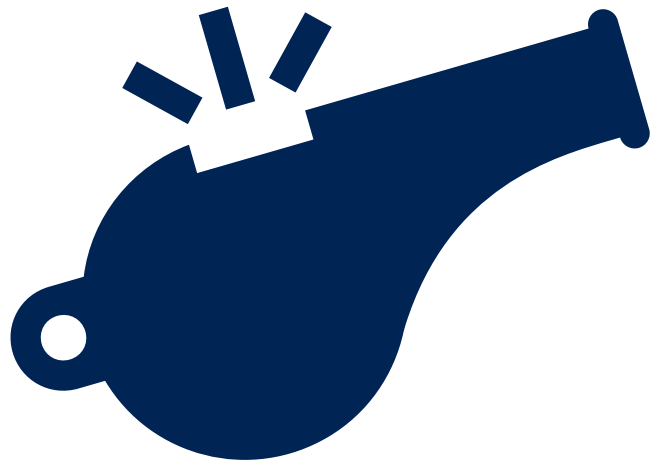


Substantial and specific danger to public health and safety

Protected disclosures can be made to management, OIG, or Congress. Check out [oig.nsf.gov/resources-outreach/whistleblower-information](https://oig.nsf.gov/resources-outreach/whistleblower-information) for more information.



# Whistleblower Ombudsman/ Coordinator



**William J. Kilgallin**

Senior Advisor, Investigations

NSF OIG

[ombudsman@nsf.gov](mailto:ombudsman@nsf.gov)

# Keep in touch!

For more questions/info:

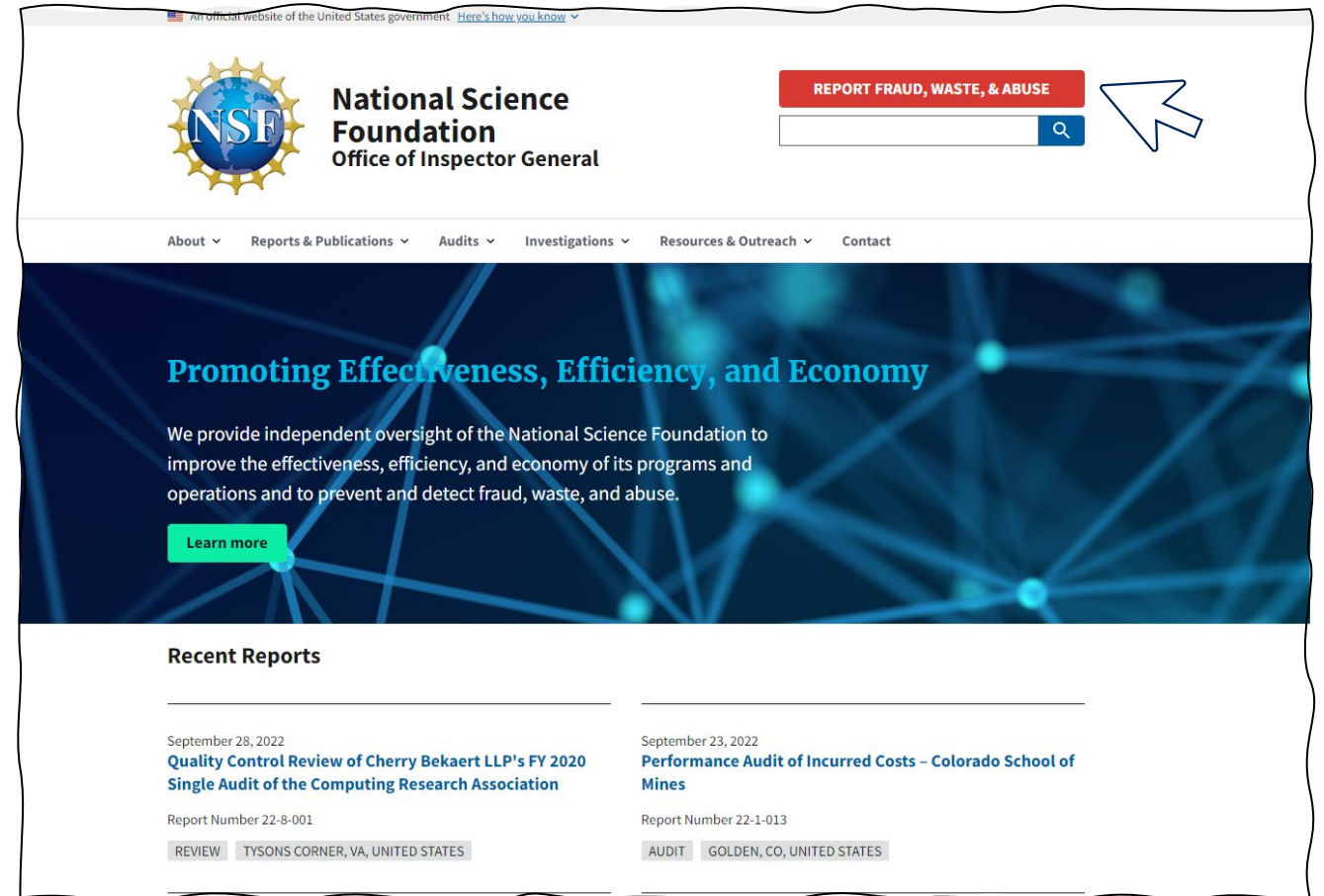
[OIGpublicaffairs@nsf.gov](mailto:OIGpublicaffairs@nsf.gov) // 703.292.7100

Follow us on Twitter at [@nsfoig](https://twitter.com/nsfoig)

Visit our website at [oig.nsf.gov](https://oig.nsf.gov)

**To report fraud, waste, abuse, or whistleblower reprisal:**

- File online report:  
[oig.nsf.gov/contact/hotline](https://oig.nsf.gov/contact/hotline)
- Anonymous Hotline: 1.800.428.2189
- Mail: 2415 Eisenhower Avenue,  
Alexandria, VA 22314  
ATTN: OIG HOTLINE



Official website of the United States government [Here's how you know](#)

**REPORT FRAUD, WASTE, & ABUSE**

**National Science Foundation**  
Office of Inspector General

About ▾ Reports & Publications ▾ Audits ▾ Investigations ▾ Resources & Outreach ▾ Contact

## Promoting Effectiveness, Efficiency, and Economy

We provide independent oversight of the National Science Foundation to improve the effectiveness, efficiency, and economy of its programs and operations and to prevent and detect fraud, waste, and abuse.

[Learn more](#)

### Recent Reports

September 28, 2022 <b>Quality Control Review of Cherry Bekaert LLP's FY 2020 Single Audit of the Computing Research Association</b> Report Number 22-8-001 REVIEW TYSONS CORNER, VA, UNITED STATES	September 23, 2022 <b>Performance Audit of Incurred Costs – Colorado School of Mines</b> Report Number 22-1-013 AUDIT GOLDEN, CO, UNITED STATES
-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	----------------------------------------------------------------------------------------------------------------------------------------------------------

# Questions?

Ask us now, or contact us later!

Laura Slatton  
Criminal Investigator  
LSlatton@nsf.gov

Kelly Stefanko  
Audit Manager  
KStefank@nsf.gov

Laurel Hester  
Investigative Scientist  
LHester@nsf.gov