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Before the
COMMITTEE ON SCIENCE AND TECHNOLOGY
SUBCOMMITTEE ON INVESTIGATIONS AND OVERSIGHT
UNITED STATES HOUSE OF REPRESENTATIVES

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Good morning Chairman Miller, Ranking Member Broun, and Members of the Subcommittee. Thank you for the opportunity to testify today about how the National Science Foundation (NSF) Office of Inspector General (OIG) intends to perform its oversight responsibilities under the Recovery Act for the $3 billion in Recovery Act funds allocated to NSF. Discussions regarding how best to ensure the accountability of Recovery Act funds have been ongoing within the IG community, between our office and NSF, and within our own office for several weeks. Like the hearing today, these discussions are helping us to better prepare for the many challenges ahead.

To introduce myself, my name is Tim Cross and I was appointed Interim Inspector General last January after serving as the NSF Deputy Inspector General for the past eight years. Our office is unusual among the Designated Federal Entity OIGs in that we report to the National Science Board, a policy and oversight body, rather than to agency management. Over the years, this arms-length relationship from management has allowed OIG the freedom to pursue a vigorous audit agenda and provide the Congress and the Foundation with fully independent analyses and recommendations. NSF's mission to support education and basic research has also required that my office develop a strong investigative effort to ensure research integrity and to address instances of misconduct in research.

I would like to discuss three subjects with you today. First will be the OIG's plan for monitoring NSF's recovery spending. Second, I will describe some of the important challenges facing NSF with regard to the Recovery Act. Finally, I will discuss how my office will be addressing our current staffing needs.

Planning. Ensuring compliance with the many requirements of the Act poses a challenge for all the IG offices involved, and we have appointed a special team within our office to coordinate our planning of Recovery Act activities. The NSF OIG will pursue a strategy aimed not only at safeguarding Recovery Act funds against waste, fraud and abuse, but also at helping assess whether those funds produce the results sought in the Act. NSF has submitted its Recovery Act plan to OMB for approval, and once the agency provides this plan to our office, we will develop an implementation plan for our Recovery Act oversight that includes:

- Preparing a risk assessment based on the agency's spending plan and its own risk management plan;
- Assessing past OIG audit and investigative findings that are relevant to NSF's management of Recovery Act funds;
- Contracting for audits and other reviews of the capacity of the agency's financial accounting systems to track separately and report accurately on Recovery Act funds;
- Conducting focused reviews of the agency's actions to implement its spending and risk management plans at the earliest possible point, when corrective actions will be most beneficial; and
- Initiating detailed audits and proactive investigation reviews to identify and evaluate issues flagged in our risk assessments.

We have also launched an outreach effort aimed at educating both agency program managers and the public about OIG's role under the Recovery Act. This effort also helps us gather information and insights that are useful in determining the issues on which we need to focus. OIG staff members are attending NSF planning sessions at all levels to improve our understanding of agency activities and to make our concerns known at an

early stage. Given our independent oversight role, we cannot participate in agency decision-making, but our input at this juncture may help NSF avoid problems down the road. We have also been meeting with the IGs in other agencies that received Recovery Act funding to brainstorm approaches to oversight. As you know, the Act requires that OIGs examine issues raised by the public about the funds and post the results of their inquiries on the OIG websites, with a link to the Recovery Accountability and Transparency Board's website. Our office will ensure that Recovery Act-related investigations, audits, reviews, and information received from the public are handled in a manner that is both expeditious and thorough. We are also developing new procedures to address the Act's broad requirements for investigating whistleblower allegations. In general, we are able to respond to a question or tip from the public within hours of an e-mail or hotline call, and we will be giving Recovery Act inquiries priority attention.

Challenges. Like other IG offices, we prepare a list each year of what we consider the most significant challenges facing agency management. With regard to funding areas that deserve special consideration, there are several challenges that have particular relevance to the administration of the Recovery Act. Previous NSF OIG reviews have identified Major Research Equipment and Facilities Construction (MREFC) expenditures and NSF's monitoring of previously-made awards as high-risk activities. Actions that NSF has taken in recent years in response to past OIG recommendations have mitigated some of the problems that we identified. However, we still consider both as high-risk areas for purposes of the Recovery Act because of the large amounts of money at stake and the fact that a number of our recommendations remain unimplemented. We will watch both areas closely to ensure that Recovery Act funds are spent promptly and prudently, and that:

- The agency keeps track of the awards and their associated funding;
- The award outputs and outcomes are clearly identified and consistent with the intended economic stimulus goals of the Recovery Act; and
- Subawardees can accurately account for and report their spending activities to the prime awardee.

In addition, we understand that NSF intends to use Recovery Act funds largely to support proposals that have already been submitted. It will be a challenge for NSF to implement the new requirements on awards that are based on earlier proposals, which most likely did not envision or address the economic stimulus purposes or additional reporting requirements of the Act.

Another management challenge that raises concern is the adequacy of NSF's workforce. Despite an increase in workload driven by an increasing number of research proposals received over the past ten years, agency staffing levels have remained relatively flat. Consequently, the NSF workforce has at times struggled to keep pace with the incoming workflow. The administration of Recovery Act funds represents a significant increase in NSF's workload over at least the next year-and-a-half, with no provision for funding additional staff or overhead. The agency is hoping that the infusion of new funds will allow the rate of approved proposals to increase from the current 20 percent to as much as 30 percent in the short term, and we anticipate a concomitant increase in workload throughout the life of the 2-5 year standard awards. We are concerned that the work involved in distributing and monitoring the results of Recovery Act funding will severely strain NSF's grant-processing operations, staff, and information systems across the agency. Absent an increase in staffing resources, the additional workload will make compliance with the Act's transparency and accountability requirements considerably more difficult. This is an issue that we are discussing with NSF staff, as they seek ways to manage the workload strain.

Further, a fundamental responsibility of my office is the promotion of research integrity, and we are encouraged by recent presidential statements about its importance to the advancement of science and technology in this country. In concert with NSF's mission to support basic research, we devote significant investigative resources to both preventing and investigating research misconduct, which includes plagiarism in proposals or reports, falsifying research data, and fabricating data. We are concerned that the large inflow of research dollars into an already highly competitive arena, where issues of questionable

research practices and inadequate training in the responsible conduct of research remain unresolved, can only increase the opportunities for abuse.

Finally; we will also be watchful of award recipients whose financial systems may have difficulty handling a sizable influx of funds. Institutions already under financial strain, for example, may be tempted to use the new funds for purposes other than those designated in the awards. We have identified a number of specific grant characteristics as "fraud indicators" that, based on our experience, may reflect a higher potential for abuse. These include indications of questionable cost-sharing claims by institutions receiving NSF awards, abuse of funds intended only for student support under a grant, duplicate submissions of proposals, and the diversion of grant funds to unrelated purposes. In addition to participating in NSF's planning and implementation teams, our investigators are sharing these indicators with NSF, along with practical guidance on combating fraud. Through these efforts, we have developed a rigorous approach within our office for handling cases of grant fraud, while also keeping the agency well-informed on how to identify the warning signs and reduce or prevent its occurrence.

Staffing. I was also asked by the Subcommittee to comment on our own staffing resources, specifically whether we planned to add staff and what professional skills might be needed to perform our Recovery Act oversight responsibilities. The expected increase in workload over the next five years creates a critical need for additional audit and investigations capability. Because the funding we received in the Act is temporary, we probably will not be able to use stimulus funding to hire additional permanent employees.

Instead, we are looking into options for the temporary hiring of auditors and investigators, and we expect to use the bulk of our Recovery Act funding to retain contractors to conduct audits and provide forensic support to investigations. We also plan to contract with IT auditors to conduct technical reviews of specific NSF systems. However, with so many government organizations -- IG offices and federal agencies alike -- seeking contractor support as a result of the Act's requirements, we are concerned that it will be difficult to procure the professional assistance we need. In our FY 2010

budget request, we are seeking approval to add auditors and investigators, some of whom could conceivably be hired before the start of FY 2010 with Recovery Act funds. With an appropriation to back up such hires, we would not risk running out of staff funding when the Recovery Act money is gone. In any case, it seems clear that we will also be diverting some of our existing staff from audits and investigations they would normally handle to instead perform work that is necessary to ensure proper oversight of NSF's management of its stimulus funds.

Due to the intense public interest and enhanced accountability requirements associated with the Recovery Act, and because our work inherently focuses primarily on assessing completed projects and expenditures, we expect that the additional workload generated by the stimulus funds in the form of audits, investigations, outreach, and administration will be significant and extend beyond the funding period. We are considering some adjustments to our work methods, such as developing reviews that are shorter and more focused than traditional audits tend to be, in order to provide more timely results. We have to be mindful, however, that cutting corners poses intrinsic risks, and we must avoid any actions that could compromise the quality, credibility, or usefulness of our work. Our challenge will be to continue to provide the robust audits and investigations necessary to address fraud, waste, and abuse issues occurring in NSF's programs and activities, while also giving top priority to the special oversight requirements of the Recovery Act. We look forward to meeting that challenge.

Chairman Miller, this concludes my testimony. I again want to thank you for the opportunity to share my views. I will be happy to answer any questions.