FY 2013- 2014 Performance Report

The *FY 2013-2014 Performance Report* covers the period from September 1, 2013 through September 30, 2014. This section describes OIG's accomplishments towards the three goals set forth in the *OIG Performance Plan for FY 2013-2014*.

Goal 1: Promote NSF Efficiency and Effectiveness

1. Identify and implement approaches to improve product quality and timeliness.

- *Utilize computer-assisted data analytics on at least 80 percent of OIG- or IPA-performed incurred cost audits and 50 percent of internal performance audits issued during this performance year.*
- *Complete 50% of all OIG audit products within 1 year of the engagement letter.*
- *Ensure work remains on schedule through weekly tracking and monitoring of the status of the teams' audits and other reviews.*
- *Issue at least two internal quality control review reports during the performance year.*
- *Issue the annual internal control and quality assurance report, as required by Government Auditing Standards.*
- *As appropriate based on identified risks, issue quality control review reports on high-risk CPA firms that perform A-133 audits of institutions receiving NSF funds.*
- *Deploy e-Loc, a new Investigations case management system, in a transitional capacity.*
- *Review OI operations for compliance with professional standards of performance.*
- *Obtain final approval and issue to investigative staff a revised Investigations Manual.*
- *Implement improved methodology for management analysis and oversight of incoming allegations.*
- *Review MLE's Inspections and Evaluations Policy and update it as needed.*
- *Complete legal assignments within established timeframes.*
- *Utilize SharePoint to track congressional and media requests, thereby ensuring timely responses.*

Audits. During this performance period, the Office of Audit (OA) surpassed its goals of utilizing computer-assisted data analytics on 80 percent of OIG (or IPA) performed incurred cost audits. It used data analytics on 100 percent of its OIG or IPA-performed incurred cost audits. However, only 33 percent of internal performance audits required data analytics. The Office exceeded its goal of completing 50 percent of all OIG audit products within one year of the engagement letter, as it completed 68 percent within that timeframe. To help ensure that work remained on schedule, OA tracked the status of each on-going audit project through weekly status reports that all Audit Directors submitted to the Assistant Inspector General of Audit (AIGA).

OA continued to utilize additional strategic goals to improve audit quality. To help assess the quality of work within OA, the office issued three internal quality control reviews in FY 2014, the first in January 2014, the second in June 2014, and the third in August 2014. OA also kept its commitment to issue an annual analysis and summary of the results of monitoring internal control and quality assurance, as required by *Government Auditing Standards*. This report was issued in August 2014. OA also achieved its third audit quality strategy – to issue quality control review reports (QCRs) on high-risk CPA firms that perform A-133 audits of institutions receiving NSF funds. OA issued a QCR in September 2013.

Investigations. The Office of Investigations (OI) accomplished all planned substantive improvements to our processes and procedures to ensure that our investigative activities are high quality, timely and accurate, and of value to the National Science Foundation. OI completed modifications of our investigation manual to incorporate matters relating to Statutory Law Enforcement (SLE) authority and implemented it with management approval. We successfully completed an external peer review, ensuring the efficacy of our SLE processes and procedures and confirming that they fully meet the more stringent standards set for SLE OIGs. OI also completed all mandatory training for special agents working under SLE authority.

OI continued to carry a very high case load and, as a result of the departure of investigative staff members that have not been backfilled, the workload carried by each investigator (Special Agents, Investigative Scientists, and Investigative Attorneys) has continued to climb. In an effort to cope with workload imbalances, we continued to refine our allegation intake and review process whereby senior managers meet weekly to triage new incoming information to better prioritize cases opened for investigation. This process ensured that cases involving the most significant wrongdoing are vigorously pursued, while necessary progress is maintained on all other assigned cases. We greatly improved the process of separating those matters more appropriate for agency action and referring them to the appropriate NSF management official at an early stage. Our efforts have resulted in increased efficiency in the dedication of scarce investigative resources to those matters most appropriate for investigative activities. We have deployed a beta version of our new investigations case management system (e-Loc) for purposes of testing and refinement. We will move to full deployment and staff training during the FY 2015 reporting period.

Management, Legal, External (MLE). Despite a shortage of legal staff within the division, the AIG managed to complete all legal assignments within established timeframes 97% of the time. Given the staff shortage (no subordinate legal staff during this period), SharePoint was not needed to track delegated assignments. We are currently evaluating this site for possible enhancements with the addition of an Assistant Counsel during the 2014-15 reporting period.

2. Strengthen our focus by refining approaches for selecting work and setting priorities.

- *Develop the annual audit plan.*
- *Develop an ongoing list of potential inspections and evaluations projects for MLE staff.*

Audits. OA issued its annual Audit Plan for FY 2014 on November 22, 2013, and posted it on the OIG website. The Plan explains the two major issue areas for FY 2014 audits and reviews: NSF management of funds it awarded under the American Recovery and Reinvestment Act

(ARRA); and Financial and/or Program Accountability. The Plan also provides descriptions of some of the projects OA intended to initiate in FY 2014, although certain projects were superseded by higher risk issues that developed in the course of the year.

MLE. As staff departures and budget constraints continued this past year, it was determined that LLE is unlikely to engage directly in inspections and evaluations for the foreseeable future. Preparations are underway to shift this capability to Audit.

Goal 2: Safeguard the Integrity of NSF Programs and Resources

1. Detect and address improper, inappropriate, or illegal activities.

- *Integrate use of investigative data mining techniques into investigations.*
- *Evaluate use of Program Fraud Civil Remedies Act (PFCRA) authorities in appropriate cases.*
- *Evaluate use of suspension and debarment for all cases as appropriate.*
- *Ensure that Government Auditing Standards are followed regarding non-compliance with laws and regulations, and that the Office of Audits notifies the Office of Investigations as appropriate when evidence of potential fraudulent activity appears.*

Investigations. OI has participated in a government-wide initiative to increase familiarity with PFCRA authorities. We have carefully considered each case investigated to determine if the facts and circumstances of the case and its resolution are such that the case should be resolved through a PFCRA action. We also evaluated potential administrative actions, including suspension and debarment, in the resolution of each investigation. During this performance period we made 58 recommendations to NSF management for administrative actions.

Our investigative and proactive efforts included increased use of data mining techniques to acquire a more thorough understanding of the nature and full extent of issues under examination or investigation. We ensured that a broad range of investigative methods and resolution options were considered for every case, including use of forensic financial analysis, suspension and debarment recommendations, other administrative actions, and referrals to audit as deemed appropriate in any particular case.

Audit. As required by *Government Auditing Standards*, OA has a peer review by another OIG Office of Audit every three years to assess compliance. OA successfully passed its peer review in 2012. Its next peer review is scheduled for early 2015.

2. Strengthen OIG proactive and outreach activities.

- *Track investigations initiated through Proactive Review (PR) efforts to determine adequacy of PR planning and development.*
- *Improve availability of whistleblower protection information through outreach and education initiatives.*
- *Utilize PR group brainstorming sessions to generate new proactive ideas.*
- *Review Responsible Conduct of Research (RCR) training plans at selected universities.*
- *Utilize research-related blogs for identifying potential research misconduct cases.*
- *Update OIG staff on relevant legal, policy, and legislative issues.*

Investigations. OI regularly tracked the number and nature of investigations and management information reports (MIRs) generated through Proactive Reviews to ensure investigations and reviews are planned and executed to address evolving priorities. We continued to utilize brainstorming sessions to generate ideas for new proactive reviews as needed to maintain an effective pipeline of cases.

Our office has incorporated information on whistleblower protection into numerous outreach presentations and has enhanced our webpage to include a wide array of whistleblower resources, including a link to the OIG Whistleblower Protection Ombudsman. Our planned review of Responsible Conduct of Research (RCR) training plans at universities was again deferred due to personnel and budgetary issues. We plan to launch this initiative during the next semi-annual period. Our monitoring of retraction watch blogs proved effective in identification of individuals and institutions that warranted examination by our office.

MLE. We worked to educate all staff on various legal, legislative, and policy issues. These included telework-related policies, information practices (Freedom of Information Act and Privacy Act requirements), among others.

3. Refine financial investigative capabilities.

- *Leverage existing audit and investigative information.*
- *Ensure timely and effective use of external forensic financial analysis.*

Information from OI and OA was effectively leveraged within OIG. OI and OA referred appropriate matters between their offices and coordinated in order to both enhance particular audits and investigations and to avoid overlap with new or ongoing activities. Because of the large workloads carried by our investigative staff, OI developed a method of prioritizing cases to ensure that those involving the most significant wrongdoing are vigorously pursued, while necessary progress is maintained on all other assigned cases. The Office continues its efforts to improve this process, including streamlining the resolution of investigations and identifying those allegations, which are better suited for agency management action.

We have also implemented a process by which incoming allegations are triaged by appropriate senior OI management in order to prioritize them at an early stage and to create a more uniform approach to responding to allegations. As noted above, this practice has ensured that a broad range of investigative methods and resolution options are considered, including use of forensic financial analysis, suspension and debarment recommendations, and referrals to audit as deemed appropriate in any particular case.

Goal 3: Utilize OIG Resources Effectively and Efficiently

1. Strengthen and utilize the professional expertise of all OIG staff.

- *Analyze the 2014 employee survey results and FEVS and develop and implement corrective actions for any problems identified.*
- *Identify residual functionality of KMS after e-Loc and Teammate deployment is complete.*

- *Conduct IT training, as necessary.*
- *Provide prompt, effective responses to requests for IT support.*
- *Identify and replace outdated computers, servers, printers, copiers, and related equipment as needed.*
- *Develop and deploy an in-house digital forensics capability to support the acquisition, identification, and analysis of evidence relating to OIG investigations subject to budget availability.*
- *Develop and implement an annual audit training plan.*
- *Have 50 percent of OA staff professionally certified (CPA, CIA, CISA, CFE) as of August 31, 2014.*
- *Have 10 percent of OA staff who do not have a professional certification working toward a professional certification as of August 31, 2014.*
- *Have 40 percent of OA staff with advanced degrees as of August 31, 2014.*
- *Conduct exit surveys with all departing staff to obtain feedback on any issues and areas for office improvement.*
- *Conduct all-hands Office of Audit meetings at least quarterly.*
- *Complete Investigations-training identified in Individual Development Plans.*
- *Maintain and verify investigative training records for compliance with investigative core competency requirements.*
- *Conduct I-Group meetings at least quarterly.*
- *Conduct training for all staff on government information practices, such as Freedom of Information and Privacy Acts.*
- *Coordinate training on human resources matters.*
- *Complete a review of key administrative policies and procedures to serve as Standard Operating Procedures.*

Information Technology. The CIO and OIG IT Specialist identified residual functionality for KMS after e-Loc (investigations) and Teammate (audits) development is complete. This will include training, inventory, staff directory, management of FOIA requests, and outreach. We conducted numerous IT training sessions in the use of NSF, OIG and other systems and applications. Although many routine IT support activities were migrated to the NSF Help Desk this past year, we continued to provide internal IT support to OIG staff for urgent needs. We upgraded and replaced a significant percentage of personal workstation computers, and migrated the OIG server to a virtual environment. Most of our printers, copier, and other equipment remain serviceable and should not need replacement for at least another year or longer.

Audit. The Office of Audit (OA) continued to work toward improving the professional development and skills of its staff, and to comply with a requirement in *Government Auditing Standards* that all government auditors complete 80 hours of continuing professional education every two years. OA staff entered their training plans into KMS, where supervisors reviewed the plans. The Office then tracked completed training hours to ensure that the requisite hours were met.

As of August 2014, 52 percent of OA staff was professionally certified as one of the following: Certified Public Accountant, Certified Internal Auditor, Certified Information Systems Auditor, and Certified Fraud Examiner. Two other OA staff members were Certified Government Financial Managers. Another 27 percent of OA staff was working toward earning professional certification. In addition, 52 percent of OA staff had advanced degrees, such as a Ph.D., J.D., MBA, or MS.

The Office of Audit conducted exit interviews with all departing staff members in the last year to obtain input on ways to improve office functions and operations. OA also had five all-hands meetings during the reporting period, fulfilling its commitment to meet at least quarterly.

Investigations. The Office of Investigations (OI) has effectively and efficiently utilized resources in order to improve the performance of the office in the area of investigative activity, internal communications, and external communications. Our diverse and talented professional staff of Investigative Scientists, Special Agents, and Investigative Attorneys has demonstrated the value of teamwork and synergy.

During this reporting period all approved IDP training was completed. I-Group meetings were conducted on a greater than quarterly basis. Addressing our office-wide core competencies, OI completed all OI-wide investigative training requirements and all OIG-wide training requirements. Further, all training required by Attorney General Guidelines for OIG offices with SLE authority was completed. Training was also featured at each of the 20 OI staff meetings which exceeded our commitment to meet at least quarterly. Though funds were not available to add a forensic specialist to our office to advance our digital forensic capability, we procured software tools and training for a member of staff to perform basic computer forensic tasks.

MLE. MLE senior managers analyzed the results of the Federal Employee Viewpoint Survey (FEVS) and briefed the Inspector General. The results were made available to all staff. As a result, training in "Crucial Conversations" for all staff was undertaken to facilitate more open and productive discussions between managers and their subordinates. The IG invited OIG staff to meet privately with her if they wished to discuss the survey results in greater depth.

MLE circulated training materials to all staff giving an overview of FOIA and the Privacy Act in September. OIG's Administrative Officer effectively coordinated with senior managers on office training needs and submitted vendor training requests. Along with maintaining training records for all staff, she worked with Audit to develop a report to more closely montior their training expenses. A manual of standard operation procedures for office admnistration was drafted in September.

2. Improve communication and collaboration within OIG.

- *Ensure information exchange and referrals between the audit, investigation, MLE and administrative units.*
- *Maintain investigations/audit/administrative liaison teams and monitor the overall effectiveness of the program.*
- *Use office-wide committees for completion of various OIG projects and activities.*
- *Provide briefings on significant cases/issues at OI meetings.*
- *Review all OIG policies and update as needed.*
- *Train all staff to engage in "Crucial Conversations" communications.*

Audit, Investigation, and MLE staff continued to work together to improve communication and collaboration with their colleagues, accomplish office-wide initiatives, and achieve common goals. Regarding referrals, Audit included an awardee referred to it by OI in 2013, in its FY 2015 Audit Plan. In total, during the performance period Audit made one referral to Investigations. Also, in the last year, OA updated the OIG Counsel on a possible suspension and debarment case arising out of a prior

audit. OIG staff members participated in many office-wide activities, such as developing the 2013-2014 OIG Performance Plan, Semiannual Reports, and Management Challenges. Meetings were conducted as needed between staff from Investigations, Audit, and Administration to inform colleagues of emerging cross-cutting issues that are relevant to their work. In addition, the Assistant IGs for Audit and Investigations met weekly to discuss issues of mutual interest.

As indicated above, OI worked collegially and effectively with other components of OIG. That collegiality was demonstrated in the composition of our liaison teams to directorates and offices within NSF, which almost without exception are made up of one investigator and one auditor. These teams successfully represented the Inspector General within NSF. During this performance period OIG conducted 33 outreach events to NSF. At each of the 20 OI staff meetings, significant criminal and scientific investigations, relevant judicial decisions, and other matters of interest were shared with all staff.

MLE staff reviewed all OIG policies were reviewed to determine whether or not they remained current and relevant. Four were identified as needing revisions. During the reporting period, two policies were cancelled, two new policies were created, and one was substantially re-written. All staff received training in "Crucial Conversations," a method of improving communications between co-workers. The AIG-MLE briefed all OIG staff on the operations of new/revised policies.

3. Ensure effective external communications and consultation with our stakeholders.

- *Produce timely external reports on OIG activities and results.*
- *Provide testimony and other requested information to congressional committees.*
- *Provide briefings to the National Science Board (NSB), Congress, Office of Management and Budget (OMB), NSF, and others regarding OIG plans, priorities, and progress.*
- *Prepare timely OIG budget requests.*
- *Update NSF leadership regularly on OIG activities and concerns.*
- *Collaborate with federal and international agencies to advance common audit, investigative, and management goals.*
- *Provide leadership and active participation in the IG community.*
- *Conduct active, effective outreach to NSF and the research community, including professional associations of higher learning and scientific research, to the degree possible under tight fiscal restraints.*
- *Post audit reports, which have been redacted as necessary, to the OIG website within the required timeframe after issuance.*
- *Promptly process FOIA/PA requests.*
- *Provide briefings to new employee orientations, program manager seminars, and NSF Grants Conferences.*
- *Participate in the development of a national fraud awareness conference.*
- *Review OIG website for necessary modifications and enhancements.*

During the past year, OIG kept stakeholders apprised of its work by submitting all reports for which it was responsible, including the issuance of two Semiannual Reports to Congress, NSF's Financial Statement Audit Report, the Federal Information Security Management Act (FISMA) evaluation, the annual OIG Performance Report, and Management Challenges Letter. These reports were issued within the timelines prescribed either by law or by specified due dates. OIG

also submitted the FY 2014 and 2015 budget request information in accordance with OMB and Congressional requirements.

The IG and her senior staff met with Congressional staff engaged in oversight of NSF on multiple occasions during the course of the year to brief them about the OIG's significant audit and investigative priorities. She testified to Congress on June 12, 2014 before the House Committee on Science, Space and Technology/Subcommittee on Oversight about how to maintain accountability while alleviating the administrative burden on researchers. OIG provided timely and complete information in response to all congressional inquiries and ensured that written testimony for a congressional hearing was accurate, complete and submitted within the required timeframe.

The IG also briefed the NSF Director and Deputy Director at regularly scheduled monthly meetings to inform them of OIG activities and to discuss opportunities to improve agency operations. The IG presented at each National Science Board Audit and Oversight (A&O) Committee meeting about significant work performed by OIG, and met separately with individual Board members on twelve occasions. The CPA firm retained by OIG to audit NSF's financial statements briefed the A&O Committee about the results of the audit. The AIGA also presented the annual audit plan to the Committee.

OIG staff at all levels coordinated with other agencies in the federal community to share information and to formulate more effective policies that reduce waste, fraud and abuse. The IG and her staff actively led and participated in events and committees sponsored by the Council of Inspectors General on Integrity and Efficiency (CIGIE). The Inspector General continues to lead the CIGIE Grant Reform Initiatives Working Group to ensure accountability for financial assistance funds. She also leads the SBIR Working Group, which has worked toward establishing strong, uniform certifications, modeled on those at NSF that can be used as a means to improve the government's ability to prosecute fraud. Another area of activity for this group has involved a sub-committee of Investigations Special Agents from SBIR/STTR funding agencies who meet periodically to share information about ongoing cases, lessons learned and best practices in order to enhance efforts to combat fraud in these programs. The AIG MLE (in his capacity as OIG's Counsel) served as Vice Chair of the Council of Counsels to the Inspectors General.

Along with the Department of State Inspector General, the IG leads a Suspension and Debarment (S&D) Working Group under the auspices of the CIGIE Investigations Committee. This group works to increase understanding and effective use of S&D throughout the community in order to better protect government funds against fraud, waste, and abuse. On March 28, 2014, the Working Group co-hosted an S&D workshop attended by over 250 federal law enforcement officials. The IG is a member of the Government Accountability and Transparency Board, charged with improving transparency throughout government and helping to fight fraud, waste and abuse. The IG also continued to play a leading role in coordinating efforts towards developing a common understanding of the risks and challenges facing countries that fund scientific research around the globe.

The AIGA served as chair of the Federal Audit Executive Council (FAEC); and senior audit staff participated in the Council's subcommittees on professional development and contracting. The Council discusses and coordinates issues that impact the federal audit community and focuses particularly on audit policy and operations of interest to its members. Another audit manager serves on the Association of Government Accountants (AGA) National Executive Committee. Audit staff also continue to track and coordinate Government Accountability Office (GAO) audits of NSF.

OI participated in numerous joint initiatives to develop policy for government-wide application. These included the DOJ Financial Fraud Task Force and its Grant Fraud subcommittee, the Interagency Suspension and Debarment Committee, the CIGIE Suspension and Debarment Working Group, the CIGIE PFCRA Working Group, and the CIGIE SBIR Working Group. We also participated in joint investigations with OIGs from across the government and have been a leader in the SBIR Agent-Level Working Group. We have provided joint training to the federal community at workshops and at the Federal Law Enforcement Training Center. As previously noted, staff participated in a number of initiatives to counter fraud, including multi-agency working groups on Program Fraud Civil Remedies Act (PFCRA) training, and the initial planning for a grant fraud conference targeted broadly across the federal law enforcement community.

Other OIG staff remained actively engaged with NSF committees and organizations during the performance period. The Director of Budget and Administrative Support serves as executive secretary to the National Science Board's A&O Committee. Audit staff continue to meet biweekly with staff from NSF's Office of Budget, Finance and Award Management as part of a Stewardship Collaborative that focuses on cross-cutting issues.

OIG also continued its successful liaison program, in which staff members from different units in OIG are paired together to maintain relationships with their designated NSF directorates and offices for the purpose of promoting better communication and information about OIG's mission. Together with staff performing New Employee Orientation briefings and presenting at NSF Grant Conferences and Program Management Seminars, our staff have ensured productive communications continue between NSF and the OIG. The OIG/NSF Liaison Program, in which teams of OIG staff members serve as primary contacts with directorates and offices within NSF, continued to demonstrate success. Numerous allegations were received through these channels. Further, relationships between OIG and NSF were enhanced. Together, OIG initiated approximately 35 official events with NSF, in addition to numerous informal meetings and communications with NSF staff.

With regard to its outreach to the research community, OIG was once again forced to reduce the number of direct contacts with national education associations, universities, professional associations, and groups of NSF grant recipients compared to prior years due to budgetary constraints.

OIG staff reviewed all audit reports for redaction of non-public information prior to their posting on OIG's website, finding and striking the appropriate balance between transparency and legal

protections from disclosure (such as those pertaining to personal privacy). OIG IT staff posted reports within the 3-day period required by law.

Our office has effectively communicated with the public through timely release of information through our website and through Freedom of Information Act (FOIA) requests. With the exception of responses unavoidably delayed by the shutdown of the government, all such requests have been addressed within statutory time requirements, and all FOIA appeals were adjudicated within the governing time frames.

Modifications to OIG's website were made throughout the year to improve the ability of the public to access information about OIG audits and investigations.