

Statement of Thomas A. Coburn, M.D., U.S. Senator, Oklahoma

House Subcommittee on Technology, Information Policy, Intergovernmental Relations and  
Procurement Reform

“Improving Oversight and Accountability in Federal Grant Programs”

Thursday, June 23, 2011

Thank you Chairman Lankford, Ranking Member Connolly and distinguished members of the Committee for inviting me to testify about oversight of our federal grant programs, especially as relates to the grant-making process at the National Science Foundation (NSF).

Every year, hundreds of billions of taxpayer dollars are lost to waste, fraud, abuse and mismanagement. As an elected official, I take seriously my duty to safeguard taxpayers’ investments in federal programs by ensuring their money is used effectively, efficiently and for sound purposes. This is for an important reason: when the government recklessly wastes taxpayer money, the public trust is undermined.

As part of my oversight efforts, I have released a series of reports examining various federal programs and agencies. The most recent in this series – [National Science Foundation: Under the Microscope](#) – identified more than \$1.2 billion at NSF that has been lost to waste, fraud, duplication and mismanagement and an additional \$1.7 billion in funds that have gone unused.

As a practicing physician and a two-time cancer survivor, I have a very personal appreciation for the benefits of scientific research. Investing in innovation and discovery can transform and improve our lives, advance our understanding of the world, and create meaningful new jobs.

While I am committed to targeted investments in transformative research, I believe the core mission of NSF is undermined when taxpayer dollars are wasted on frivolous and low-priority efforts. I believe taxpayers share my skepticism regarding the priority of recent NSF studies such as: How long can shrimp run on a treadmill; How to ride a bike; When did dogs become man’s best friend; Why some college basketball teams dominate March Madness; If political views are genetically pre-determined; How to improve the quality of wine; Do boys like to play with trucks and girls like to play with dolls; How rumors get started; How much housework does a husband create for a wife; and When is the best time to buy a ticket to a sold out sporting event.

While many of the examples highlighted in my recent report are entertaining, they are also symptoms of a broken grant-making process in need of reform:

**Poor Grant Administration Leaves \$1.7 Billion in Limbo.**

According to NSF’s 2010 financial statements, the agency currently has \$1.733 billion in “undisbursed balances in expired grant accounts.”<sup>i</sup> The over \$1.7 billion of NSF funds that remain in limbo means, in practical terms, less money for research.

Agency policy is to close out grant awards on the award expiration date. One quarter later, any un-liquidated funds are to be de-obligated.<sup>ii</sup> NSF then identifies funding to be returned to the Treasury from any cancelled appropriations. In 2010, NSF returned \$33.68 million to the United States Treasury while sitting on \$1.7 billion in undisbursed, expired funding. The account has steadily grown from \$1.53 billion in 2008 and 1.66 billion in 2009.<sup>iii</sup>

The Government Accountability Office (GAO), which conducted a government-wide review of unexpended grants, concluded that closeout procedures ensure grantees have met all financial requirements, provided final reports, and that unused funds are de-obligated. The audits generally attributed problems to inadequacies in awarding agencies' grant management processes, including closeouts as a low management priority, inconsistent closeout procedures, poorly timed communications with grantees, or insufficient compliance or enforcement.<sup>iv</sup>

“The existence of unspent funds can hinder the achievement of national objectives in various ways, such as leaving projects incomplete, preventing the reallocation of scarce resources to address other needs, or making federal funds more susceptible to improper spending or accounting as monitoring diminishes over time,” GAO found.<sup>v</sup>

#### **Poor Contracting Practices.**

Serious concerns have also been raised regarding the agency's contracting practices, categorizing them as “high-risk.”<sup>vi</sup> In 2010, the NSF spent \$422 million for contracts, \$283 million of which went to contracts known as “cost reimbursement contracts.” These contracts are paid “regardless of whether the work is completed.”<sup>vii</sup>

Over 70 percent of these funds—\$204 million—were for contracts permitting advance payments to three specific recipients.<sup>viii</sup> NSF found that none of these three contractors had an approved disclosure statement—precluding the agency from being able to identify and document actual costs. The IG concluded that, “[g]iven the amount of money it expends on these contracts, the risk of fraud, waste, and abuse by NSF contractors will continue to be high until NSF implements fully adequate cost surveillance procedures.”<sup>ix</sup>

NSF also requires what are called “contingency estimates” in the budgets of large Major Research Equipment and Facilities Construction projects to protect against cost overruns. A recent audit of two projects revealed more than \$169 million of unallowable contingency costs, comprising 25 percent of the combined award amounts, which totaled \$684 million. The IG explained that this occurred because “no barriers existed to prevent the funds from being drawn down in advance.”<sup>x</sup>

#### **Lack of Accountability.**

The Office of Inspector General (IG) reports semiannually on the top management challenges confronting the agency. Managing and administering grants remains a top challenge in 2011.<sup>xi</sup>

Specifically, the IG found that “Ensuring effective oversight throughout the life cycle of an award continues to be an accountability challenge. Prior IG audits of NSF’s operations have indicated that NSF needs to continue to improve its grant management activities including the oversight of awardees’ financial accountability, programmatic performance, and compliance with applicable federal and NSF requirements.” The IG also found that the agency performed 20 percent fewer site visits for its Award Monitoring and Business Assistance Program site visits than it had planned.<sup>xii</sup>

Past audits indicate that significant numbers of NSF-supported researchers fail to submit final and annual reports on the progress of their projects. A 2005 audit found that “[a]pproximately 47 percent of the 151,000 final and annual project reports required in the past 5 years were submitted late or not at all.”<sup>xiii</sup> The end result could be that the agency and the scientific community, “may not be fully informed about the results of the research funded.”<sup>xiv</sup>

The report continues, “[o]f the 43,000 *final* project reports, 8 percent were never submitted, and 53 percent were submitted, on average, 5 months late. Of 108,000 annual project reports required, 42 percent were never submitted.”<sup>xv</sup>

The same report found that although NSF has a policy that prohibits researchers who have not submitted final project reports in the past from receiving new awards, there were 74 instances out of 571 over the five year period in which delinquent researchers received new funding.<sup>xvi</sup>

The report sums up the key issue: “because of missing or late project reports, NSF management, the National Science Board, NSF’s advisory committees, and the scientific community may not be fully informed about the results of the research funded by NSF. Tracking the results of NSF’s research is essential to setting future research policy and strategic direction, and ensuring that the research funded contributes to that direction.”<sup>xvii</sup>

When asked if things have gotten better, the agency responded that “NSF reengineered business processes and implemented system changes as part of final action”<sup>xviii</sup> which allowed the agency to close the IG’s recommendations out as completed. The IG, however, believes that grant oversight remains as an ongoing management challenge at NSF.<sup>xix</sup>

**NSF’s work faces extensive duplication challenges, both within the agency and across the federal government.**

NSF is one of at least 15 federal departments, 72 sub-agencies, and 12 independent agencies engaged in federal research and development.<sup>xx</sup> An NSF-led analysis of the federal research budget explains that the federal government has, “17 science agencies [that] have 17 different data silos, with different identifiers, different reporting structures, and different sets of metrics.”<sup>xxi</sup>

NSF also duplicates the work of the U.S. Department of Education and other government departments and agencies in the area of Science, Technology, Engineering, and

Mathematics (STEM) education. In Fiscal Year 2010, there were 28 STEM education programs at NSF totaling \$1.2 billion (Appendix 1).<sup>xxii</sup> According to a May 2007 report of the Academic Competitiveness Council (ACC), there are 105 federal programs supporting STEM education, with aggregate funding of \$3.2 billion in FY 2006.<sup>xxiii</sup>

In conclusion, at a time when the U.S. is being both challenged as the world's scientific and technological leader and threatened by a nearly insurmountable \$14 trillion debt, we must learn to do more with less, and to do so efficiently and effectively.

I have recently communicated with NSF Director Dr. Subra Suresh and I know he shares a commitment to better prioritizing our nation's limited financial resources to advance science and reduce wasteful spending. I plan to support his efforts in this regard, and encourage members of this Subcommittee to do the same.

Thank you again for inviting me to take part in this important conversation. I look forward to any questions you may have for me.

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- <sup>i</sup> National Science Foundation 2011 Financial Statements, “Chapter 3: Appendices, [http://www.nsf.gov/pubs/2011/nsf11003/pdf/chapter\\_3\\_appendices.pdf](http://www.nsf.gov/pubs/2011/nsf11003/pdf/chapter_3_appendices.pdf) (March 16,2011).
- <sup>ii</sup> National Science Foundation 2011 Financial Statements, “Chapter 3: Appendices, [http://www.nsf.gov/pubs/2011/nsf11003/pdf/chapter\\_3\\_appendices.pdf](http://www.nsf.gov/pubs/2011/nsf11003/pdf/chapter_3_appendices.pdf) (March 16,2011).
- <sup>iii</sup> National Science Foundation 2011 Financial Statements, “Chapter 3: Appendices, page III-24, [http://www.nsf.gov/pubs/2011/nsf11003/pdf/chapter\\_3\\_appendices.pdf](http://www.nsf.gov/pubs/2011/nsf11003/pdf/chapter_3_appendices.pdf) (March 16,2011).
- <sup>iv</sup> Government Accountability Office, “GRANTS MANAGEMENT; Attention Needed to Address Undisbursed Balances in Expired Grant Accounts,” August 2008, Page 2; <http://www.gao.gov/new.items/d08432.pdf>
- <sup>v</sup> Government Accountability Office, “GRANTS MANAGEMENT; Attention Needed to Address Undisbursed Balances in Expired Grant Accounts,” August 2008, Page 5; <http://www.gao.gov/new.items/d08432.pdf>
- <sup>vi</sup> Statement Of Allison C. Lerner, Inspector General, National Science Foundation, Before The House Commerce, Justice, Science Appropriations Subcommittee, February 2011, <http://www.nsf.gov/oig/testimonyfeb2011.pdf> (March 11, 2011).
- <sup>vii</sup> Statement Of Allison C. Lerner, Inspector General, National Science Foundation, Before The House Commerce, Justice, Science Appropriations Subcommittee, February 2011, <http://www.nsf.gov/oig/testimonyfeb2011.pdf> (March 11, 2011).
- <sup>viii</sup> Statement Of Allison C. Lerner, Inspector General, National Science Foundation, Before The House Commerce, Justice, Science Appropriations Subcommittee, February 2011, <http://www.nsf.gov/oig/testimonyfeb2011.pdf> (March 11, 2011).
- <sup>ix</sup> Statement Of Allison C. Lerner, Inspector General, National Science Foundation, Before The House Commerce, Justice, Science Appropriations Subcommittee, February 2011, <http://www.nsf.gov/oig/testimonyfeb2011.pdf> (March 11, 2011).
- <sup>x</sup> Statement Of Allison C. Lerner, Inspector General, National Science Foundation, Before The House Commerce, Justice, Science Appropriations Subcommittee, February 2011, <http://www.nsf.gov/oig/testimonyfeb2011.pdf> (March 11, 2011).
- <sup>xi</sup> NSF/OIG Semiannual Report to Congress, “FY 2011 Top Management Challenges & Back Matter,” September 2010, [http://www.nsf.gov/pubs/2011/oig11001/oig11001\\_7.pdf](http://www.nsf.gov/pubs/2011/oig11001/oig11001_7.pdf) (January 26, 2011).
- <sup>xii</sup> NSF/OIG Semiannual Report to Congress, “FY 2011 Top Management Challenges & Back Matter,” September 2010, [http://www.nsf.gov/pubs/2011/oig11001/oig11001\\_7.pdf](http://www.nsf.gov/pubs/2011/oig11001/oig11001_7.pdf) (January 26, 2011).
- <sup>xiii</sup> Office of Inspector General, “Audit of Project Reporting for NSF Awards ,” National Science Foundation December 13, 2004, OIG 05-2-006, [http://www.nsf.gov/oig/newsletter/03\\_2005.htm#one](http://www.nsf.gov/oig/newsletter/03_2005.htm#one) (January 26, 2011).
- <sup>xiv</sup> Office of Inspector General, “Audit of Project Reporting for NSF Awards ,” National Science Foundation December 13, 2004, OIG 05-2-006, <http://www.nsf.gov/oig/05-2-006Final.pdf> (January 26, 2011).
- <sup>xv</sup> Office of Inspector General, “Audit of Project Reporting for NSF Awards ,” National Science Foundation December 13, 2004, OIG 05-2-006, <http://www.nsf.gov/oig/05-2-006Final.pdf> (January 26, 2011).
- <sup>xvi</sup> Office of Inspector General, “Audit of Project Reporting for NSF Awards ,” National Science Foundation December 13, 2004, OIG 05-2-006, [http://www.nsf.gov/oig/newsletter/03\\_2005.htm#one](http://www.nsf.gov/oig/newsletter/03_2005.htm#one) (January 26, 2011).
- <sup>xvii</sup> Office of Inspector General, “Audit of Project Reporting for NSF Awards ,” National Science Foundation December 13, 2004, OIG 05-2-006, [http://www.nsf.gov/oig/newsletter/03\\_2005.htm#one](http://www.nsf.gov/oig/newsletter/03_2005.htm#one) (January 26, 2011).
- <sup>xviii</sup> Email Correspondence between the National Science Foundation Congressional Affairs Office and the staff of Senator Tom Coburn, March 16, 2011.
- <sup>xix</sup> NSF/OIG Semiannual Report to Congress, “FY 2011 Top Management Challenges & Back Matter,” September 2010, <http://www.nsf.gov/pubs/2011/oig11001/index.jsp> (January 26, 2011).
- <sup>xx</sup> National Science Foundation, “Survey of Federal Funds for Research and Development,” Last updated June 2009, <http://www.nsf.gov/statistics/srvyfedfunds/> (April 4, 2011).
- <sup>xxi</sup> Julia Lane and Stefano Bertuzzi, “The STAR METRICS Project: Current and Future Uses for S&E Workforce Data,” The National Science Foundation and the National Institutes of Health, June 2010, <http://www.nsf.gov/sbe/sosp/workforce/lane.pdf>.
- <sup>xxii</sup> To gather the STEM program funding numbers for Fiscal Year 2010, staff used the Academic Competitiveness Council (ACC) report on STEM programs from 2007 as a guide. To find the current numbers, staff used each of the agencies FY 2010 budget documents and recorded the funding levels for each program specified by the ACC study. While updating the numbers from the 2007 report, staff searched for any new agency programs pertaining to STEM, or a specific science, technology, mathematics, or engineering initiative. All programs and their funding levels are detailed in Appendix 1.
- <sup>xxiii</sup> U.S. Department of Education, “Report of the Academic Competitiveness Council, May 2007.