

COMMITTEE ON
**SCIENCE, SPACE, AND
TECHNOLOGY**
CHAIRMAN LAMAR SMITH



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Statement of Oversight Subcommittee Chairman Barry Loudermilk (R-Ga.)
NSF's Oversight of the NEON Project and Other Major Research Facilities
Developed Under Cooperative Agreements

Chairman Loudermilk: Good morning. First I want to thank our witnesses for being here today. I am looking forward to hearing from each of you on this very important matter.

We are here today to discuss the National Science Foundation's (NSF) oversight of the National Ecological Observatory Network, also known as the NEON Project, and other major research facilities developed under cooperative agreements.

The NSF funds a variety of large research projects, including multi-user research facilities, tools for research and education, and distributed instrumentation networks. In December, the House Science, Space, and Technology Committee held a hearing regarding one of these large research projects, the NEON Project, after learning about the mismanagement of appropriated funds. Specifically, the hearing discussed the findings of two financial audits of NEON conducted by the National Science Foundation's (NSF) Office of Inspector General (OIG) and the Defense Contract Audit Agency (DCAA). One of those audits discovered that NEON was allowed to use federal money for explicitly unallowable costs, including liquor, lobbying, and a lavish holiday party.

Both audits of the NEON Project were initiated by the NSF Office of the Inspector General due to concerns about the lack of NSF's review of costs and accounting financial controls of major research facilities prior to entering into cooperative agreements. In fact, during its first audit in 2011, DCAA had to suspend its audit temporarily as the information supplied by NEON was inadequate to complete the necessary financial analyses.

Of the proposed \$433.72 million project cost, DCAA identified approximately \$102 million of these costs as "questionable" and identified an additional \$52 million of proposed costs as "unsupportable." The final version of the first DCAA audit was transmitted to NSF in 2012, accompanied by an NSF OIG written alert about excessive costs and accounting deficiencies for major research facilities.

A second audit of the NEON Project, which was completed in October of 2014, revealed that NSF approved management fees, which included paying \$375,000 for lobbying, \$25,000 for a holiday party, and \$11,000 a year for coffee services. In addition, according to an October 2014 NSF letter to Senators Grassley and Paul, NEON isn't the only cooperative agreement receiving such fees. If one project can get away with this, how do we know they aren't all frivolously spending hard-earned taxpayer dollars? As a small business owner and former director of a non-profit, I wholeheartedly understand the importance of accountability. The fact that a non-profit can treat American taxpayer dollars as profit without any kind of consequences is absolutely inexcusable. What is even more inexcusable is that NSF

has received warnings about this kind of irresponsible spending over the past four years, and it has not taken adequate measures to resolve the matter.

I am not only interested in learning about how the federal government can -- and needs to -- do a better job with transparency and accountability, but also how we can ensure that this kind of negligence is not occurring with other cooperative agreements. Taxpayer money should be spent in a responsible way with the help of efficient management and oversight. If there are loopholes out there allowing this type of unethical spending to occur, then we need to get down to the bottom of it and make sure that it can no longer happen.

I look forward to today's hearing, which I anticipate will inform us on how these types of questionable expenses were charged to the American people. In the end, though, I hope that this hearing will inform us on how to provide better oversight and management of federally-funded research projects to ensure that taxpayers can trust us with their money and know that it will be spent in the manner intended.

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