

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



For Immediate Release
December 3, 2014

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Statement of Chairman Lamar Smith (R-Texas)
Review of the Results of Two Audits of the National Ecological Observatory Network

Chairman Smith: Today's hearing will focus on one of the National Science Foundation's (NSF's) most ambitious major research facility projects, the National Ecological Observatory Network, or NEON.

We're fortunate to have with us the heads of two government organizations that are responsible for assuring that taxpayers get their money's worth from federal contracts with private entities, like NEON. Our witnesses will discuss two audits of the NEON project conducted by the Defense Contract Audit Agency (DCAA) under contract with the NSF Office of the Inspector General.

The NSF entered into a long-term agreement with NEON to develop and operate the project's network of more than one hundred fixed and mobile sensors. This audit identified more than \$150 million in unsupported or questionable costs in the NEON proposal. It concluded that there was not a "fair and reasonable basis" for NSF to enter into a contract. Nevertheless, NSF did not wait for the audit results. It instead finalized an agreement based on NEON's original cost proposal.

Audits have raised questions about cost proposals that were accepted by NSF for several major projects. These include the Ocean Observatories Initiative, the Advanced Technology Solar Telescope, NEON and, currently, the Large Synoptic Survey Telescope.

In response to these audits, NSF has made a number of adjustments to how the agency evaluates costs of major projects. But \$150 million in unsupported and questionable costs in the NEON proposal demonstrates that major problems at NSF continue.

Auditors discovered several highly questionable expenditures of taxpayer funds by NEON, including hundreds of thousands of dollars spent on lobbying, lavish parties, liquor for office happy hours, over \$1,000 per month for premium coffee service, and trips to a high-end resort in France.

These suspicious taxpayer-financed activities were not detailed in the audit submitted to the NSF Inspector General, which was limited in scope. But to his credit, the principal auditor, J. Kirk McGill, invoked the Whistleblower Protection Act to make sure that the Inspector General, Congress and ultimately the public was aware of hundreds of thousands of taxpayers' dollars being spent on improper activities.

I hope to hear from our witnesses on what basis NEON concluded, for example, that spending \$25,000 for a holiday party last year was an appropriate use of federal funds? And why did NSF allow this to happen?

Our Committee may want to hear directly from the NSF and NEON about these audits at a hearing next year.

Federal agencies must be held accountable for their waste and misuse of taxpayer funds. And the NSF needs to be held accountable for how they spend taxpayers' hard-earned dollars. The basic responsibility of any government agency is to act in the national interest. The NSF needs to meet that standard.

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