



National Science Foundation • Office of Inspector General
4201 Wilson Boulevard, Suite I-1135, Arlington, Virginia 22230

MEMORANDUM

DATE: January 29, 2016

TO: Joanne S. Tornow
Office Head, Office of Information & Resources Management and
Chief Human Capital Officer

FROM: Dr. Brett M. Baker 
Assistant Inspector General for Audit

SUBJECT: *Follow-Up Review of Cost Associated with NSF's Use of Executive Level
Intergovernmental Personnel Act Assignees, Report # 16-6-001*

To advance the agency's mission of supporting science and engineering research and education, NSF draws on scientists, engineers, and educators on rotational assignment from academia, industry, or other eligible organizations. All of the non-permanent appointments are federal employees, except for individuals under the Intergovernmental Personnel Act (IPA), who are paid through grants and remain employees of their home institutions.

NSF matches the salaries IPAs receive at their home institutions and provides them with temporary living expenses, time and travel expenses to continue research activities at their home institutions under NSF's established Independent Research and Development (IR/D) program, compensation for consulting income lost while the assignee is at NSF, and reimbursement for state taxes in certain circumstances. Because NSF pays IPA costs out of program funds, reducing these costs could make more money available for other research grants.

We conducted a follow-up review to assess NSF's progress toward reducing IPA costs since our 2013 audit¹, which recommended that NSF evaluate ways to reduce costs of its IPA program. As part of this review², we examined the cost of executive IPAs as of September 2015 and compared them to the cost of executive IPAs³ in August 2012, the time period reviewed in the 2013 audit.

¹ OIG Report No. 13-2-008, *Audit of Cost Associated with NSF's Use of Intergovernmental Personnel Act Assignees*, issued March 20, 2013, identified the cost of NSF's IPAs as of August 2012. This audit examined the cost of all IPAs, not just executive IPAs. For the comparative purpose of this review, we extracted the cost of executive IPAs.

² This memorandum communicates the results of our follow-up review, which is a routine activity as defined by *Generally Accepted Government Auditing Standards*.

³ Executive level IPAs hold positions at NSF equivalent to the Senior Executive Service, such as Assistant Directors and Division Directors who lead NSF's science directorates and divisions.

Results of Follow-up Review

We found that NSF has not reduced the cost of its executive level IPAs. In fact, as shown in the table below, both the number of such IPAs and their cost have increased since 2012. NSF has 29 percent more executive level IPAs in 2015 than in 2012, costing nearly \$2.4 million more. NSF paid nearly \$8.9 million for salary, fringe benefits, lost consulting, and per diem for 27 executive level IPAs in 2015 and \$6.5 million for the same expenses for 21 executive level IPAs in 2012.⁴ We note progress in that there is an increased number of institutions sharing in the cost of IPAs. However, as explained in the details that follow, additional opportunities to reduce the cost of executive IPAs exist.

Comparison of NSF Executive Level IPAs in 2015 vs 2012

	2012	2015	Difference	% of change
Number of IPAs in executive positions (SES level)	21	27	6	29%
Highest paid annual IPA salary	\$301,247	\$440,165	\$138,918	46%
Average executive IPA salary	\$223,632	\$243,571	\$19,939	9%
Average executive IPA salary paid by NSF (net of cost share)	\$217,823	\$234,473	\$16,650	8%
Number of executive IPAs NSF paid over the federal max (SES) (net of cost share)	16	22	6	38%
Average executive IPA fringe paid by NSF (net of cost share)	\$65,991	\$70,386	\$4,395	7%
Average executive IPA fringe rate paid by NSF (net of cost share)	30%	30%	0	0%
Number of executive IPAs with cost sharing	4	10	6	150%
Number of executive IPAs with 9 month home salary	7	16*	9	129%
Modified formula used for executive IPAs with 9 month salary	0 (of 7)	0 (of 16)	0	0%
Number of executive IPAs receiving lost consulting	8	8	0	n/a
Total amount paid for executive IPA lost consulting	\$62,197	\$61,450	-\$747	-1%
Number of executive IPAs receiving per diem	21	25	4	19%

*All but one of these are titled "professor" by their home institution

In our 2013 audit report, we recommended that NSF take appropriate action to evaluate ways the cost of both executive and non-executive level IPAs could be reduced and suggested the following four actions:

- Studying expanded use of telework,
- Seeking increased cost sharing from IPAs' home institutions,
- Limiting annualization of IPA salaries to the federal pay rate for the position, and
- Reviewing fringe benefit rates that exceed an amount determined by NSF.

Following is a summary of NSF's progress in each of these areas since 2013.

Expanding Use of Telework for IPAs

Our 2013 audit found that two of the largest incremental costs of using IPAs instead of permanent employees were temporary living expenses and travel for Independent Research and Development (IR/D). In response, NSF said that it would develop new guidelines on

⁴ See Attachment A for the Executive IPA salaries NSF paid, net of cost share, for both years examined.

IR/D travel and telework. NSF gave us a status report on this effort in September 2015, which stated that it had not completed the guidance. NSF also informed us that it planned to pilot remote duty assignments, but it had not started this program at the time of our review.

Limiting Annualization of IPA Salaries to the Federal Pay Rate

NSF policy requires that unless the Deputy Director grants a waiver, the IPA salary for a 9-month university employee should be annualized by limiting the additional 3 months to the maximum federal pay rate for that position. In 2012, NSF did not use this modified formula to calculate the salary of any of the seven executive IPAs with 9-month home institution salaries. By annualizing the 9-month salary on a straight basis, NSF makes the IPA's salary equal to what he or she would earn if the IPA received a 12-month, rather than a 9-month, salary from their home institution. Under this process, an IPA earning \$20,000 per month at his home institution for 9 months, receives an annual salary of \$240,000 (12 x \$20,000) at NSF.

In 2015, we found that NSF had 16 executive IPAs with 9-month home salaries. NSF did not use the modified formula to calculate the salary for any of these IPAs. While NSF paid the home salary for one of these IPAs for 11 months, the other 15 IPAs received a straight annualization of their home salary. The financial impact of such waivers is significant given the number of IPAs that earn over the maximum federal amount. In 2015, 13 of the 16 executive IPAs with 9-month home salaries that were annualized earned salaries over the federal maximum. Using the modified formula, NSF would have saved over \$222,000.

Seeking Increased Cost Sharing

NSF's policy is to request IPAs' home institutions to voluntarily share at least 15 percent of salary and fringe benefit costs. Our 2013 audit found that NSF received cost share for 4 of 21 (19 percent) executive IPAs in 2012, with the rate at 15 percent for 3 IPAs and 7.5 percent for 1 IPA. During this review, we found that NSF received cost sharing for 10 of 27 (37 percent) executive IPAs in 2015, with the cost share rate at 15 percent for 5 IPAs and between 4 and 11 percent for 5 IPAs. Institutions provided \$306,585 in cost sharing for IPAs in 2015, double the \$150,714 that was provided in 2012. It is encouraging to see an increase in the number of institutions providing cost sharing, but given the fact that NSF did not receive any cost sharing for 17 executive IPAs, there is room for improvement.

Reviewing High Fringe Benefit Rates

Our 2013 audit found that the average fringe benefit rate for permanent employees was 26 percent, while the average IPA fringe benefit rate was 30 percent. We also found that NSF generally did not know what individual components comprised an IPA's fringe benefit amount. In response, NSF stated that its existing process is sufficient to ensure that the agency is paying only for benefits comparable to those paid to federal employees and stated that, because of the variety of approaches used by IPA home institutions, it is not efficient for NSF to review and question benefit computations.

During this review, we found that although the average executive IPA fringe benefit rate was 30 percent, NSF paid an average of \$4,395 (7 percent) more in 2015 than 2012 per executive IPA in fringe benefits due to higher salaries.

Conclusion

All three parties – NSF, IPAs and their home institutions – benefit from IPA assignments. NSF gains new ideas and expertise from the research community, IPA assignees learn about NSF programs and the merit review process, and the IPAs’ home institutions benefit from the knowledge of, and experience with, NSF and its processes that IPAs bring back when they return.

Our follow-up review noted that the number of institutions cost sharing for executive IPAs and the dollar amount provided had increased, which is a step in the right direction toward reducing IPA cost. Nevertheless, we found that additional opportunities exist to reduce executive IPA cost. As IPA costs are paid from program funds, it is essential for NSF to examine the cost associated with its reliance on IPAs to ensure that federal funds entrusted to NSF are being spent effectively and efficiently.

Recommendation

Particularly in light of both the number and costs of IPAs increasing since our 2013 recommendation, we reiterate our previous recommendation, which remains open, that the NSF take appropriate action to evaluate ways the cost of using IPAs can be reduced.

Agency Response and OIG Comments

NSF agreed that it should continue to fully respond to our recommendation from the 2013 audit report and affirmed that it continues to explore alternatives to reduce IPA costs.

In its response, NSF noted that while our draft memorandum correctly stated that NSF paid one executive level IPA a salary less than a full annualization of the home salary, NSF did not use the modified formula to compute that salary. We confirmed that while NSF paid that IPA nearly \$28,000 less than a full accrual of the IPA’s home salary, the salary was also \$10,000 more than if NSF had used the modified formula. This final memorandum reflects this information.

We have included NSF’s response to the draft memorandum in its entirety as Attachment B.

Because the recommendation in this memorandum reiterates the recommendation from our 2013 audit report, we are not requesting an additional corrective action plan. In accordance with Office of Management and Budget Circular A-50, *Audit Follow-up*, we will continue to monitor implementation of NSF’s existing corrective action plan.

If you have any questions please contact me at 703-292-2985, or email at bmbaker@nsf.gov.

cc:	France A. Córdoba	Richard O. Buckius
	Judy Sunley	Michael Van Woert
	Ruth David	Fae Korsmo
	Christina Sarris	Allison Lerner
	Susan Carnohan	Marie Maguire

Attachments

ATTACHMENT A

IPA Executive Salaries Paid by NSF
(Net of Cost Share)

2012	2015
	\$440,165
	\$314,989
	\$306,667
\$301,247	\$305,281
\$291,093	\$290,747
\$284,295	\$288,405
\$263,315	\$274,444
\$255,947	\$269,853
\$254,380	\$255,270
\$252,000	\$254,700
\$244,606	\$240,420
\$236,112	\$233,612
\$229,589	\$225,828
\$214,209	\$218,579
\$207,787	\$216,563
\$203,840	\$212,674
\$195,653	\$210,294
\$190,000	\$202,973
\$183,901	\$202,972
\$174,451	\$200,640
\$165,733	\$193,900
\$178,933	\$184,013
\$140,128	\$172,412
\$107,066	\$160,500
	\$156,967
	\$155,956
	\$141,950
\$4,574,285	\$6,330,773

The median executive IPA salary paid by NSF for each year is highlighted in yellow.

Agency Response

**NATIONAL SCIENCE FOUNDATION
OFFICE OF INFORMATION AND RESOURCE MANAGEMENT
ARLINGTON, VA 22230**

January 11, 2016

MEMORANDUM

TO: Dr. Brett Baker, Assistant Inspector General for Audit, OIG

FROM: Dr. Joanne Tornow, Office Head and CHCO, OIRM

SUBJECT: NSF Response to the OIG's Official Draft, *Follow-Up Review of Cost Associated with NSF's Use of Executive Level Intergovernmental Personnel Act Assignees, Report No. 16-6-001*

Thank you for the opportunity to respond to the OIG's Official Draft of its *Follow-Up Review of Cost Associated with NSF's Use of Executive Level Intergovernmental Personnel Act Assignees, Report No. 16-6-001*. We also acknowledge the earlier OIG report, *Audit of Cost Associated with NSF's Use of Intergovernmental Personnel Act Assignees, Report No. 13-2-008* ("Cost of IPA Audit"). We agree with the OIG that NSF should continue to fully respond to the OIG's earlier recommendation arising from the Cost of the IPA Audit.

More specifically, NSF appreciates the OIG's recognition of the increased number of institutions providing cost-sharing for IPAs. Indeed, under the Corrective Action Plan for the Cost of IPA Audit, NSF has engaged in outreach to institutions on the benefits of IPA program through the Federal Demonstration Partnership.

We respectfully note that, while the Official Draft's table comparing costs of Executive Level IPAs in 2015 vs. 2012 includes many entries reporting the differences in numbers, amounts, and percentages, there is no normalization for the number of IPAs in 2015 vs. 2012. We believe that normalization would provide additional context to the data, thereby better informing NSF's understanding of any changes in the cost of Executive Level IPAs and our efforts to reduce costs.¹

We affirm that NSF continues to explore alternatives to reduce IPA costs. We believe that such efforts should be consistent with promoting robust, active scientific leadership at the agency.

We appreciate the OIG's focus on the issue of the Cost of IPAs. We look forward to completing our Corrective Action Plan under the Cost of IPA Audit.

Joanne S. Tornow/s/

Chief Human Capital Officer and Office Head

¹ NSF has identified at least one potential inaccuracy in the Official Draft. While the OIG correctly reported that NSF is not paying the full annualized salary for one Executive Level IPA, NSF did not use the modified formula. We will further confer with the OIG on how the computation was done.