

Highlights of [GAO-13-292](#), a report to the Chairman, Subcommittee on Commerce, Justice, Science, and Related Agencies, Committee on Appropriations, House of Representatives

Why GAO Did This Study

The NSF spends more than \$400 million of its \$7 billion annual budget acquiring goods and services in support of its mission to promote science and engineering. Much of this spending involves exploration activities in remote locations throughout the world, such as the Arctic and Antarctic. GAO examined the extent to which NSF uses key contracting practices in three phases of the acquisition process: (a) acquisition planning, (b) contract award, and (c) post-award contract monitoring. GAO selected and reviewed a nongeneralizable sample of 11 contracts or orders with at least \$3 million in funding obligations for fiscal year 2011, which accounted for about 70 percent of NSF's total contract obligations for that year. Although all 11 contracts and orders received funding during fiscal year 2011, some were awarded more than 7 years ago. Some were awarded more recently. We reviewed each of the 11 contracts to determine the extent to which they reflected the use of key contracting practices based on the Federal Acquisition Regulation, our prior work, and NSF-OIG findings. GAO also reviewed NSF contracting policies and met with NSF contracting and program officials.

What GAO Recommends

GAO recommends that the Director of NSF (1) supplement existing guidance on acquisition planning to address the time needed for the early stages of the process, and (2) arrange for audits to be performed on major contracts, consistent with the terms of the memorandum of understanding with NSF-OIG. NSF agreed with the recommendations.

View [GAO-13-292](#). For more information, contact William T. Woods at (202) 512-8214 or woodsw@gao.gov.

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NATIONAL SCIENCE FOUNDATION

Steps Taken to Improve Contracting Practices, but Opportunities Exist to Do More

What GAO Found

For the contracts GAO reviewed, the National Science Foundation (NSF) generally used key contracting practices in each of the three phases of the acquisition process, but the agency needs additional guidance on early acquisition planning as well as arrangements for contract audits. The three phases of the process and key practices are shown in the figure below:

Key Practices in the Acquisition Process



Source: GAO analysis of acquisition process.

The contracts GAO reviewed all involved some degree of acquisition planning, but NSF's guidance does not address appropriate time frames for early planning activities. Without such guidance, NSF contract and program officials said they could not convince their colleagues of the need to initiate early planning activities. Delays in these activities can lead to further delays later. For example, NSF had to extend one order on a non-competitive basis for more than a year to complete planning tasks for the follow-on order. In another case, the delayed award of an order compressed the data collection period for a report with firm deadlines, which could lead to higher overall costs. Further, having sufficient time for early planning may facilitate an increased use of lower risk contracting approaches.

Contract documentation showed that NSF generally followed key practices in the award phase. An NSF corrective action plan, in response to NSF's Office of Inspector General's (NSF-OIG) 2009 financial statement audits, clarifies the agency's procedures for reviewing contractors' accounting practices and financial disclosure statements to better align with key practices. Contract file documentation shows NSF improved in this area, with most of the negotiated contracts having documentation of accounting system reviews. Further, NSF generally documents price reasonableness determinations.

NSF updated its guidance and took steps to incorporate key contract monitoring practices. NSF-OIG's 2009 financial statement audits recommended that NSF obtain incurred cost submissions and audits for its largest cost-reimbursable contracts to ensure the validity of costs billed to NSF. Around the same time, the NSF-OIG and the NSF Office of the Director signed a memorandum of understanding (MOU) that provides a process for arranging for contract audits. Audits for one of the ocean drilling contracts completed in 2012 resulted in \$1.5 million in recovered funds. The NSF Director and NSF-OIG have both identified additional audits of this contract as a top priority. However, despite the terms of the MOU, and the agreement between NSF and the NSF-OIG on the need for further audits, arrangements have not been made to conduct additional audits of this contract for more recent fiscal years, according to officials. Similarly, despite requests from the contracting officer, NSF has not made arrangements for incurred cost audits for another large contract GAO reviewed.