



COMMITTEE ON
SCIENCE, SPACE, & TECHNOLOGY
Lamar Smith, Chairman

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Statement of Chairman Lamar Smith (R-Texas)

NEON Warning Signs: Examining the Management of the National Ecological Observatory Network.

Chairman Smith: This morning'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.

This hearing should help answer why the NSF and NEON Inc. failed to heed the warning signs that the \$433 million project was seriously off track. We now have a better estimate of just how far off track—\$80 million over budget and 18 months behind schedule.

And there is no guarantee that the figure is not even higher, as I understand NSF has increased this estimate several times since June.

For over a year this Committee has raised concerns about the financial mismanagement of NEON. We have pushed the NSF to exert greater oversight controls of the construction project, which seemed to be plagued with problems.

In the first NEON hearing the Committee held in December 2014, we learned that the Inspector General's (IG's) independent audit of NEON's cost proposal identified more than \$150 million in unsupported or questionable costs. Yet NSF went ahead and made the award and did not resolve these issues.

A second audit of NEON's accounting system revealed a number of inappropriate NEON expenditures, which include lobbying, parties, and travel. All of these activities were financed by the management fee NSF agreed to pay NEON for ordinary and essential business expenses. And, of course, all these dollars came from taxpayers.

The IG issued an alert memorandum this week that details further inappropriate expenditures by NEON discovered by the NSF. These include liability insurance for the CEO, excessive legal fees, and salaries for multiple executives in excess of \$200,000. It also appears NEON wasted \$500,000 when it broke a rental lease to move into a larger office space.

NSF only discovered these inappropriate costs when they finally started to require NEON to provide more detail about its spending in May 2015. My understanding is that NEON still has not provided the NSF with adequate documentation to review all taxpayer charged expenses.

In the Committee's second hearing in February, the chairman of NEON testified that NEON had made mistakes, but pledged to redouble their efforts to be "good stewards of the taxpayer funds we receive." It appears that the leadership of NEON Inc. has not fulfilled that promise.

I understand that the Board of Directors is transitioning out the current CEO and is in the process of hiring a replacement. But I am frankly not sure that change is enough to regain the confidence of this Committee or the American people.

For its part, the NSF finally seems to be taking steps to more closely manage and take control over the costs of NEON. I am pleased that at the Committee's urging, the Foundation also has begun to evaluate how it can better manage major research facilities in the future.

But the NSF must now scale back the scope of NEON to keep it under budget, which means less science for the same price tag.

This week the IG recommended some additional steps that the NSF could take immediately to ensure it has the financial and project information it needs to oversee NEON. I hope the Foundation will take a close look at those recommendations.

The NSF, as well as its grantees and contractors, need to be held accountable for how they spend taxpayers' hard-earned dollars.

I hope today's hearing will give the Committee a better understanding of the missteps that have led NEON to this point. And I hope it will lead to a solution, which includes the possibility of legislative action, so that the mismanagement of taxpayer funds will not continue.

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