

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



For Immediate Release
February 3, 2015

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Statement of Chairman Lamar Smith (R-Texas)

*NSF's Oversight of the NEON Project and Other Major Research Facilities
Developed Under Cooperative Agreements*

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

We're fortunate to have with us the Chief Operating Officer of the NSF, the Chief Executive Officer of NEON Incorporated, the non-profit that manages the NEON Project, and a representative from the Congressional Research Service.

Our witnesses will discuss the process for awarding, managing and overseeing this \$433 million cooperative agreement between the NSF and NEON.

Under this cooperative agreement, NSF has committed to pay up to \$433 million to NEON for design, construction and initial operation of a national network of ecological sensors.

The NEON project is the first of its kind, and it's also a huge public investment. To assure taxpayer money is spent appropriately and as efficiently as possible, NSF and NEON needed to work together closely.

As we heard at the first NEON hearing, the Inspector General's independent audit of NEON's cost proposal identified more than \$150 million in unsupported or questionable costs. Most or substantially all of these costs might have been resolved by NSF and NEON, but NSF simply went ahead and made the NEON award.

A subsequent audit of NEON's accounting system revealed a number of inappropriate NEON expenditures, including lobbying, parties, and travel, all financed by the management fee NSF agreed to pay NEON for ordinary and essential business expenses.

These expenditures were brought to our Committee's attention and to public attention by a whistleblowing auditor at the Defense Contract Audit Agency, which did both audits for the NSF IG. The results of the two independent audits and other information show there have been significant lapses in communications and financial controls for the NEON project.

In the testimony we will hear today, NEON acknowledges that it has made some serious mistakes. For its part, NSF has already made some internal changes and has issued draft regulations to prevent expenditure of federal funds on expensive parties and other inappropriate activities.

The basic responsibility of any government agency is to act in the national interest. I hope we can develop a solution, including the possibility of legislative action, so that this misuse of funds does not happen again. We must remember it is the people's money, not the government's money.

This unfortunate situation illustrates the importance of adequate Congressional oversight of federal agencies. The NEON project's problems may have never been brought to light except for the interest and actions our committee has taken.

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