



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

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**Statement of Oversight Subcommittee Chairman Barry Loudermilk (R-Ga.)**

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

**Chairman Loudermilk:** Good morning. Thank you Chairwoman Comstock. I would also like to thank our witnesses for being here today.

As indicated, we are here today to discuss the \$80 million in projected overrun to the National Science Foundation's (NSF) cooperative agreement regarding the NEON Project. The fact that we are also here to discuss how this project is 18 months behind schedule is frankly unbelievable and is unfortunately what the American taxpayer has come to think of as business as usual. Well, I'm here to say that at some point this must stop. In fact, I think that's exactly what the NSF Inspector General has been saying for years about this project.

Just this week the IG released an alert memo on the subject of today's hearing. Striking is the fact that the NSF did not become aware of the \$80 million budget overrun until August of this year, despite first having concerns about the budget and timeline in January 2013. Given the multiple warning signs we'll hear about this morning, was NSF asleep at the wheel? This hearing is as much a reflection of the lack of oversight conducted by NSF as it is for the complete incompetence of NEON Inc. to adequately handle a cooperative agreement of this size. However, I'm not sure anyone should be surprised of this outcome given that the NSF awarded NEON the \$432 million cooperative agreement before an ongoing audit of their proposal was even completed. Frankly, exposing this kind of mismanagement in the federal government is one of the reasons my constituents sent me to Congress.

According to the IG's memo, although NEON plans to address the \$80 million overrun, that number is only their "best estimate" and the IG indicates that based on their investigation, there is "no certainty that the overrun will not increase." I am very troubled that NSF can provide our subcommittee with only its "best estimate" of an \$80 million overrun. NSF needs an independent, expert analysis of the financial damage, or we may be in this hearing room again in another month to talk about how to de-scope another \$10 – 20 million from the NEON project to make up for an even worse overrun. To illustrate how fluid the \$80 million NSF estimate is, I understand NSF is still unable to determine whether it gave NEON approval to spend any of the \$35 million in project contingency funds. Is there no accounting going on at the NSF for this almost half a billion project?

As one looks further at the IG memo and reviews the IG's previous audits of the NEON project, it is clear there has been a complete lack of proper oversight for this project. The memo indicates that the IG's auditors issued three inadequacy memos and an "adverse opinion" since 2011 regarding NEON's accounting, and the NSF has still not required NEON to provide adequate support for their spending. It also appears that multiple external audits were attempted before and during construction but were delayed because of an inability or unwillingness to provide needed information. How do you get almost a half a billion federal cooperative agreement and not have to cooperate when the government demands an accounting?

As if it couldn't get worse, we then learn that NEON has spent over a quarter of a million dollars on lobbyists and the NSF still hasn't determined if those expenses were legal. Are these lobbyists being used to conceal the true cost of this project from the American people while ensuring that more and more money is spent on it? In addition to the lobbyists, the top executives at NEON are making more than \$200,000 a year, and as we have already discovered from previous hearings, thousands of dollars are being spent on lavish Christmas parties, gourmet coffee, happy hours, and unnecessary travel.

As a small business owner and former director of a non-profit, I wholeheartedly understand the importance of accountability. However, what is inexcusable is that NSF has received warnings about this kind of irresponsible spending over the past four years, and it has not taken adequate measures to resolve the matter.

At today's hearing, I am not only interested in learning about how the federal government can -- and needs to -- do a better job with transparency and accountability, but also how we can ensure that this kind of abuse is not occurring with other cooperative agreements. Taxpayer money should be spent in a responsible way with the help of efficient management and oversight.

In the end, though, I hope that this hearing will inform us on how to provide better oversight and management of federally-funded research projects to ensure that taxpayers can trust us with their money and know that it will be spent in the manner intended.

I have a copy of the September 15, 2015 IG Alert Memo that I would like added to the record.

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