



Plot idea: 97% of the world's scientists contrive an environmental crisis, but are exposed by a plucky band of billionaires and oil companies.

From the Fort Wayne Journal Gazette comes a story about NEON (National Ecological Observatory Network), a Colorado-based not-for-profit (NFP) who may have used grant funds received from the National Science Foundation (NSF) to fund unallowable expenses. According to [the story](#), the alleged unallowable expenses included “\$112,000 for lobbying, \$25,000 for an office Christmas party and \$11,000 for ‘premium coffee services’ and an unspecified amount on French hotels.”

Interesting. We did not realize that French hotels were unallowable.

For that matter, we did not see the Cost Principle that made coffee service unallowable. Perhaps regular coffee service is allowable, whereas “premium” coffee service (whatever that may be) is unallowable?

As we said: *Interesting*.

The story of how this alleged newstory came to national attention is also interesting

About [NEON](#). “NEON is a continental-scale observatory that measures the causes and effects of climate change, land use change and invasive species on U.S. ecosystems.” Some people – notably some U.S. politicians who have conservative points of view – tend to look askance at

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Written by Nick Sanders

Wednesday, 01 October 2014 00:00

scientists and entities that may be spending taxpayer funds pushing an agenda that promotes the notion that global warming is caused in significant part by the impacts of humanity on the ecosystem. In this case, two Republican U.S. Senators, (Grassley and Rand) wrote a letter to NEON in early September, 2014, expressing their concerns with the NFP's use of taxpayer dollars to fund "meals, entertainment and travel that is not part of official business, which is paid from or attributable to a federal grant." The Senators expressed concerns about the NSF's management of its grant funds, "since documents show that the foundation was aware of the expenses and paid them."

The Washington Post also reported [the story](#) as well. WaPo noted, "The [two] senators are now asking NEON and the foundation for correspondence between them related to the reimbursed expenditures, the justification for using taxpayer funds for the expenses and details about the nonprofit group's lobbying efforts."

But how did the two Senators come across this story? According to the sources (links above), a DCAA auditor brought the matter to the Senators' attention because he was concerned that his management was going to engage in a "whitewash" by overriding his findings and approving the costs. Indeed, the DCAA confirmed that intention. The articles reported –

From 2009 to 2013, NEON classified all the expenses that Grassley and Paul are questioning as a 'management fee.' Internal documents show that the NSF was told by NEON that it was having a difficult time covering the costs because it had little in the way of private funds. ...

'Government regulations put no restrictions on the company's use of this fee,' [DCAA] said in its prepared statement. 'Because Government regulations put no restrictions on management fee expenditures, it is inappropriate for DCAA to disallow those costs.' A fee is supposed to cover the costs of managing a contract or a cooperative agreement with a government agency, and it is typically is less than 1 percent of an organization's budget, records show.

So NEON needed to use some of the NSF grant funds to cover its operating expenses. The auditor objected to some of those operating expenses, because they were either expressly unallowable or because they were unrelated to the purpose of the grant. For its part, NSF was aware that NEON priced in a "management fee" (aka profit or fee) into its grant requests in order to cover such expenses, and NSF knew and approved of the practice.

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Note that this is yet another case of a draft, unissued, DCAA audit report ending-up in the hands of politicians. KBR knows of this unfortunate and possibly unlawful practice all too well, having been the victim of it more than once.

For its part, NEON disputed the audit findings and issued its own statement, in which its Chairman stated, NEON “has spent all funding in strict compliance with our understanding of the guidelines provided” and that the records requested by the two Senators would be provided.

The basic question, as we see it, is whether a grant recipient can add an additional cost to its grant request in order to cover certain unallowable operating expenses. (Assuming, for the sake of argument, that the expenses cited by the Senators were unallowable.) In the commercial world, entities are expected to cover their unallowable expenses from the fee or profit they add to their total costs. So the question is whether NEON's “management fee” adder accomplished the same thing.

Apparently, according to the NSF (who issued the grant) and to DCAA (which audited expenditures associated with the grant), the answer to the question is “yes.” The two Senators believe they know better, and apparently believe there is some kind of conspiracy going on to ignore how NSF grant recipients spend the management fee adder.

Kind of like [the conspiracy](#) that many believe is involved with climate change. A column in USA Today (link in previous sentence) asserted that –

... the idea that climate scientists are using global warming alarmism as a means to feather their own nests is common among climate change denialists. This view seems to be based on the idea that there is an immense amount of grant money available to scientists who perpetuate the ‘hoax,’ that this grant money makes these scientists rich, and that this incredibly corrupt and dishonest group of people has decided that this is a more lucrative path than, say, convincing the billionaire Koch brothers, who have spent a lot of money supporting climate change denialism, to put them on their payroll to take the opposite position.

The author of that column asserted that “This is an unlikely scenario.” Your mileage may vary. But regardless of your position on the conspiracy (or on the science) involved in climate change and global warming, it seems clear that the (inherent) conspiracy between NSF, DCAA and

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NEON to misuse grant funds intended to measure climate change would fit nicely into the point of view that already sees a conspiracy in place. It just means the conspiracy would include a few more conspirators.

Unfortunately for those who see a conspiracy intended to hide misuse of taxpayer funds, the OMB Circulars and NSF grant rules and applicable Cost Principles will provide a more black-and-white answer. Indeed, the official position of the Defense Contract Audit Agency seems to already have provided that black-and-white answer, despite the protestations of a couple of Republican Senators.

Government contract cost accounting and compliance with applicable statutes, regulations, and rules ain't rocket science.