

EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF SCIENCE AND TECHNOLOGY POLICY  
WASHINGTON, D.C. 20502

December 17, 2010

President Barack Obama  
The White House  
Washington, DC 20500

Dear Mr. President,

This letter is to report violations of the Antideficiency Act (ADA), as required by Section 1351 of Title 31, United States Code. The violations occurred in the Office of Science and Technology Policy (OSTP) over a four-year period and involved multiple transactions, totaling \$49,079.

**Violations**

Beginning in Fiscal Year 2006 and ending in Fiscal Year 2009, OSTP purchased several types of emblematic promotional items (such as medallions, coins, pins, and pens) to which the OSTP seal had been added. Purchases and distributions of this type would have been authorized under statute if they had been made in conjunction with a Government Employees' Incentive Awards Act program or in conjunction with OSTP's Representation Fund legislation. However, there is no evidence that OSTP ever officially adopted an Employee Incentive Awards program. None of these purchases were recorded as Representation Fund expenditures. Finally, there is no evidence that OSTP kept proper records when these items were purchased and distributed, concerning who received these items and under what statutory authority they were distributed. Therefore, these purchases were made without statutory authority, a violation of the ADA (31 U.S.C. §1341).

Cumulative ADA violations by year are shown below:

<u>Fiscal Year</u>	<u>Treasury Symbol</u>	<u>Cumulative Amount</u>
FY 2006	11062600	\$ 8,896
FY 2007	11072600	\$ 4,002
FY 2008	11082600	\$16,236
FY 2009	11092600	\$19,945

**Administrative Discipline, Corrective Actions, and System of Administrative Control**

During this four-year period, the official primarily responsible for the violations was Mr. David Hodge, Operations Manager and senior financial manager of OSTP. He did not follow

appropriations law in executing and directing payment for these purchases. He also did not maintain inventory records and did not advise OSTP officials as to restrictions related to distribution of these types of items. Mr. Hodge provided a statement that he was directed by management to purchase these items for a variety of purposes; that he had proper documentation to support distribution of such items; and that he maintained appropriate inventory records. However, no existing documentation has been found to support this statement. Even if his statement was true, as OSTP's senior financial manager, he retained primary responsibility for ensuring that these goods were procured and distributed in accordance with statutory authority, availability of appropriate funding, and maintenance of proper record-keeping.

Mr. Hodge resigned from OSTP prior to the discovery of these violations. No administrative disciplinary action has been taken against him as he no longer works at OSTP. OSTP has determined that the currently available evidence does not support a conclusion of willful or knowing intent on his part to violate the ADA. Accordingly, we have not made any referrals to the Department of Justice for additional action at this time.

This problem began in Fiscal Year 2006 and was the direct result of Mr. Hodge failing to accurately follow appropriations law and not keeping proper records. OSTP is in the process of hiring his replacement and a primary qualification will be strong financial management skills. When this position is filled, it will be under a different reporting structure with limited financial purchase authority and added supervision.

OSTP has taken the following series of corrective actions with respect to the ADA violations discussed above and has implemented additional controls necessary to prevent future violations:

- Corrected the purpose and/or the funding for the remaining inventory of the items discussed above. Segregated the remaining supply as to purpose and prepared complete inventory records.
- Implemented an Employee Awards Program for OSTP.
- Promulgated procedures for the tracking and distribution of emblematic promotional items and restricted access to prevent future improper distribution.
- Trained current OSTP officials on proper guidelines for purchase and distribution of emblematic promotional items.

Additionally, the Executive Office of the President's Office of Administration (OA) has taken the following actions to prevent future violations:

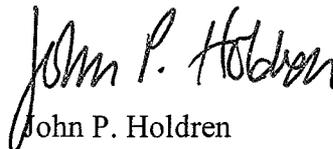
- Issued a bulletin providing specific, detailed guidance related to purchase and distribution of these types of items, which has been provided to OSTP staff.

- Is revising its administrative control of funds document to incorporate that bulletin as well as a bulletin on the use and allocation of representational funds.
- Expanded its oversight and review of OSTP financial operations.
- Provided appropriations law refresher training to OSTP personnel.

With these improvements, we have strengthened the controls over purchases of emblematic promotional items and taken corrective actions to prevent recurrence of this type of violation.

Identical reports will be submitted to the President of the Senate, the Speaker of the House, and the Acting Comptroller General.

Respectfully,



John P. Holdren  
Director

EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF SCIENCE AND TECHNOLOGY POLICY  
WASHINGTON, D.C. 20502

December 17, 2010

The Honorable Joseph R. Biden, Jr.  
President of the Senate  
Vice President of the United States  
The White House  
Washington, DC 20500

Dear Mr. President of the Senate,

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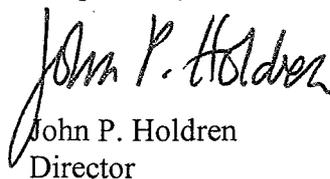
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WASHINGTON, D.C. 20502

December 17, 2010

The Honorable Nancy Pelosi  
Speaker of the House of Representatives  
Office of the Speaker  
H-232, US Capitol  
Washington, DC 20515

Dear Madam Speaker,

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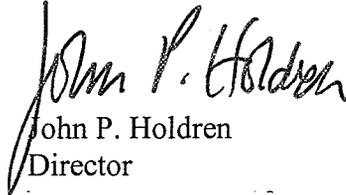
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