



UNITED STATES GENERAL ACCOUNTING OFFICE
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NATIONAL SECURITY AND
INTERNATIONAL AFFAIRS DIVISION

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The Honorable Edward Zorinsky
United States Senate



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Dear Senator Zorinsky:

Subject: Review of Allegations Against A Former
Deputy Director, U.S. Information Agency
(GAO/NSIAD-85-52)

In response to your request, we reviewed specific allegations against the former Deputy Director of the United States Information Agency (USIA), who served from February 18, 1981, through May 18, 1983. This letter contains the results of our work on these allegations.

We reviewed allegations that the former Deputy Director (1) misused government telephones; (2) took a personal trip to Jamaica at government expense; (3) acted improperly in approving grants for LGR Associates, Inc., Mid-America Committee for International Business and Government Cooperation, Inc., the Republican National Committee, and an Austrian taxi driver; (4) attempted to influence the outcome of a report by the USIA Office of Audits and Inspections; (5) gave preferential treatment to political and USIA referrals in the Agency's summer hire program; (6) caused a position to be established for which there was no apparent need; (7) approved a performance appraisal which resulted in an unwarranted merit pay increase for a former USIA official; (8) used government staff, office equipment, and supplies for personal benefit; and (9) conducted private business while employed by USIA.

These allegations, along with others, had been previously investigated in May through July 1983 by the USIA Office of Security, at the request of the Director, USIA. In July the Office of Security referred the results of its investigation, which contained no conclusions, to the U.S. Department of Justice for potential criminal prosecution. The Department of

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Justice declined prosecution on the basis that the evidence contained in USIA's investigation report was not sufficient to warrant criminal prosecution.

REVIEW RESULTS

We did not find any evidence to substantiate several of the allegations. These are taking a personal trip to Jamaica at government expense, acting improperly in approving grants to the Republican National Committee and to an Austrian taxi driver, attempting to influence the outcome of a report by the USIA Offices of Audits and Inspections, and conducting private business while employed by USIA. Details on these unsubstantiated allegations are in enclosure I.

Our review of the remaining allegations disclosed that the former Deputy Director

- made personal calls using government telephones and credit cards without reimbursing USIA and had telephone service in his residence at government expense;
- approved a grant which included funds to be provided to LGR Associates, Inc., an organization headed by his cousin, and expedited the approval of a grant for the Mid-America Committee, an organization headed by a personal friend whose Jamaican vacation home he had used;
- set up a separate selection process which gave preferential treatment to summer employment applicants referred by political or USIA sources;
- caused the creation of a production assistant position in USIA's Voice of America (VOA) New York City Program Center for which there was no apparent requirement;
- approved a procedurally incorrect performance appraisal, which resulted in a merit pay increase; and
- used secretarial staff and office equipment to perform personal tasks, such as typing of personal correspondence.

Had the former Deputy Director followed applicable legislation and/or Agency regulations, these problems would not have occurred. We also found indications of more widespread lack of compliance within USIA with Agency regulations on certifications of long distance telephone bills and preparation of performance

appraisals. Long distance telephone bills in the Agency were being paid without being certified as official business as required by statute; and in the year the former Deputy Director processed a procedurally incorrect performance appraisal, about one-third of the Agency's outstanding ratings were also procedurally flawed. Details on our findings are included in enclosures II through VI.

During our review, we discussed the allegations with the former Deputy Director and have included his detailed comments in the appropriate enclosures. He agreed to reimburse the government for personal telephone calls but disagreed that all of the calls we identified were personal. He stated he was unaware of legislation and Agency regulations prohibiting installation of telephones in a private residence and concerning preparation of performance appraisals. He said he did not give preferential treatment to the grant which provided funds to an organization headed by his cousin, and he did not consider the use of the vacation home as accepting a gift from a potential grantee. He did not agree that he circumvented the Agency's summer hire program. He said that he created the VOA production assistant position according to Agency regulations, and that personal duties conducted for him by secretarial staff did not interfere with Agency business.

In reviewing the allegations made against the former Deputy Director, we found that the Director, USIA, also made personal calls on government telephones, and had telephone services in his residence which were paid for by the government. After we discussed this with the Director's staff, the Director instructed his staff to review his telephone charges, and he reimbursed the government \$4,415 for the personal calls and residential installation, monthly equipment rental, and basic service charges. He also transferred the government-provided residence telephone service to his personal account. In commenting on our draft, the Director stated he was unaware that the installation of the phone was against regulations and that he had been advised by Agency staff that it was appropriate.

CONCLUSIONS AND RECOMMENDATIONS

We found no evidence to support allegations relating to a personal trip to Jamaica, approving grants to the Republican National Committee and an Austrian taxi driver, influencing the outcome of an internal audit report, and conducting private business while employed by the government. In our opinion, these allegations merit no further action.

There is substantial evidence that the former Deputy Director improperly used government telephones and telephone services. In our opinion, his actions violated statute and Agency regulations. We believe the former Deputy Director should reimburse USIA for expenses arising from his residential telephone service and personal calls.

The other actions of the former Deputy Director--involving awarding grants, hiring and appraising employees, and using Agency resources for personal tasks--were inconsistent with Agency regulations, demonstrated questionable judgment and created the appearance of impropriety. Moreover, his stated unfamiliarity with some pertinent regulations is inconsistent with responsibilities of his position. Because the former Deputy Director is no longer a USIA employee, we are not recommending any actions be taken on these specific cases, except that USIA should evaluate the need for the production assistant position.

We recommend that the Director, USIA, direct the USIA Bureau of Management to

- identify fully all charges arising from installation of a residential telephone and personal use of government telephones and credit cards by the Deputy Director, and obtain appropriate reimbursement;
- adhere to certification procedures for long distance telephone calls as provided by statute and conduct a periodic review of these charges to ensure compliance; and
- evaluate the need for the VOA production assistant position and take appropriate action.

COMMENTS AND OUR EVALUATION

In commenting on our draft, the former Deputy Director took exception to our presentation of the Department of Justice prosecutive opinion. He stated ". . . Justice rejected totally most of the allegations on their merit and not--as the draft errs in suggesting--on an insufficiency of evidence."

We believe our presentation accurately reflects the Department's position. The Department's opinion, dated August 16, 1983, states ". . . The evidence outlined in support of most of these allegations falls far short of any violation of the United States Code." The opinion concludes that while there is information and evidence indicating potential violations of Title 18, United States Code, ". . . the evidence is not sufficient at this stage to warrant prosecution." After reviewing our draft report, the Department of Justice concurred with our presentation, stating ". . . we find the matters pertaining to the Department of Justice to be factually presented and without need for further comment."

In commenting on the specific allegations, the former Deputy Director confirmed his agreement to reimburse the government for personal telephone calls. Like the Director, he also stated that he was advised by the Agency that installation

of telephone service in his residence was appropriate. He again rejected any suggestion that he gave preferential treatment to his cousin or to a grantee after he had used the vacation home of the grantee's president. He reiterated that he did not circumvent the Agency's summer hire program, stating that he followed the Agency management office guidance. He reemphasized his position that the VOA production assistant position was created in accordance with Agency procedures and that personal duties conducted for him by secretarial staff were of a minor nature and did not interfere with Agency business. He accepts full responsibility for a procedurally incorrect performance appraisal, but said he was not informed that the rating would result in an automatic merit pay increase and he trusted that papers brought to him had been prepared in accordance with the rules governing them.

The Director, USIA, generally concurred with our conclusions and has initiated corrective action on all recommendations. Regarding the questionable performance appraisal, he stated that had the matter been brought to his attention, the errors in evaluation and preparation would have been reversed.

Comments by the former Deputy Director; Director, USIA; and the Department of Justice are included in enclosures VII, VIII, and IX. Comments and our evaluation are also included in enclosures II through VI, as appropriate.

OBJECTIVE, SCOPE, AND METHODOLOGY

In response to your May 12, 1983, request as amended on October 14, 1983, our objective was to determine the credibility of the allegations made against the former Deputy Director. We obtained and analyzed applicable laws, USIA regulations, and USIA records. We reviewed the investigative report prepared by USIA's Office of Security, evaluated the investigative findings, and discussed the allegations with officials and employees, including the former Deputy Director. The scope of our review was generally limited to the allegations made against the former Deputy Director. However, in the course of our review, some information was developed involving the Director's use of government telephones.

We conducted our review from October 1983 to November 1984 in accordance with generally accepted government auditing standards.

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As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from the date of this report. At that time, we will send copies to the Director and former Deputy

Director, United States Information Agency, the Attorney General, and other interested parties. Copies also will be made available to others who request them.

Sincerely yours,

A handwritten signature in dark ink, appearing to read "Frank C. Conahan". The signature is written in a cursive, slightly stylized script.

Frank C. Conahan
Director

Enclosures - 9

UNSUBSTANTIATED ALLEGATIONS

This enclosure discusses four allegations which were unsubstantiated by our review.

PERSONAL TRIP TO JAMAICA
AT GOVERNMENT EXPENSE

The allegation was that the former Deputy Director took a vacation trip to Jamaica in April 1982, and made an incidental stop of one-half day at the Embassy to justify the agency paying his airfare.

The USIA Office of Security investigation disclosed that the former Deputy Director traveled on a blanket travel authorization, thus no specific reason for the trip was cited. However, the investigators found that he did have an official purpose for visiting Jamaica, which was to observe the USIA post prior to the President's visit. USIA travel regulations do not prohibit combining a business and vacation trip provided the Agency does not reimburse for expenses incurred during the vacation. USIA investigators did not find any irregularities in the voucher that the former Deputy Director filed for his trip.

We confirmed the information reported by the USIA Office of Security investigative team. We determined that the former Deputy Director complied with the President's memorandum of February 22, 1982, which required that all foreign travel by senior U.S. officials be approved by the Assistant to the President for National Security Affairs. A travel voucher dated May 11, 1982, was filed for his trip to Jamaica showing only those expenses incurred during official travel. The voucher reflected a deduction for his personal portion of the airfare to Montego Bay, Jamaica.

ACTED IMPROPERLY IN APPROVING
GRANTS TO THE REPUBLICAN NATIONAL
COMMITTEE AND AN AUSTRIAN TAXI DRIVER

It was alleged that the former Deputy Director pressed for the awarding of a grant to the Republican National Committee. The USIA Office of Security investigation report indicated that no grant was awarded to the Republican National Committee because USIA grant guidelines prohibit grants to promote a political party. We confirmed this information and found no evidence to support the allegation.

It was also alleged that the former Deputy Director was instrumental in awarding an Austrian taxicab driver a grant to finance a trip to the United States as an international visitor. The USIA Office of Security investigation report found no evidence to indicate that the former Deputy Director pressed for such a grant. The grant, awarded in October 1982, originated

from the U.S. Mission to the United Nations, and the former Deputy Director merely directed the request to the proper grant officials. We confirmed the information reported by the USIA Office of Security investigative team and found no evidence to support this allegation.

INFLUENCED THE OUTCOME OF AN AUDIT REPORT

The chief auditor and chief inspector of the USIA Offices of Audits and Inspections alleged they were pressured by the former Deputy Director to produce a favorable report on a review of the private sector grant program. The USIA investigative report discussed the former Deputy Director's actions with regard to the audit, but drew no conclusions. The former Deputy Director had asked questions on the progress of the audit. In our opinion this was reasonable, considering his role and responsibilities within the Agency. Our discussions with the chief auditor and chief inspector disclosed no additional information or evidence to substantiate this allegation.

CONDUCTED PRIVATE BUSINESS WHILE EMPLOYED BY USIA

During the course of the USIA Office of Security investigation, information in the former Deputy Director's official files led to an inquiry into whether he conducted private business while employed at USIA.

The USIA Office of Security investigative report developed information indicating that the former Deputy Director conducted business for GAR, Inc., and the International Management of Capital Assets, Inc. This activity included deposits and withdrawals made by him to the corporation bank accounts. His financial statements for 1982 and 1983 show both corporations as essentially dormant and in his wife's name.

We found the corporate activity identified by USIA investigators consisted of deposits of rent from a corporation-owned apartment, payments of fees required to maintain the corporation's active status in New York, and residual payments from previous work. Our discussion with USIA's General Counsel disclosed that this activity, as well as the former Deputy Director's financial disclosure statements, complied with Agency standards. The former Deputy Director informed us that he did not conduct business or solicit any new accounts while he was employed by USIA.

CONCLUSION

We found no evidence to substantiate the allegations regarding the personal trip to Jamaica, the improper approval of grants to the Republican National Committee and an Austrian taxi driver, the influence of the outcome of an audit report, and conducting private business while employed by USIA. These allegations warrant no further action.

MISUSE OF GOVERNMENT TELEPHONES AND TELEPHONE SERVICES

The allegation against the former Deputy Director was that he misused government telephones and telephone services. Specifically, it was alleged that the former Deputy Director made extensive international personal calls to a friend in Brazil who had no official relationship with USIA and that these calls were not for official business.

USIA OFFICE OF SECURITY REVIEW

The investigative findings of the USIA Office of Security review disclosed the former Deputy Director made 49 calls costing \$705 to a friend and former business associate in Brazil.

--Thirty-four telephone calls were made from the USIA office telephone between May 1981 and October 1982.

--Five telephone calls were made using the agency credit card between April 1981 and July 1981.

--Ten telephone calls were made from his government-installed residence telephone between April 1982 and March 1983.

Through discussions with the former Deputy Director's administrative staff, as well as USIA officers in Brazil, the USIA Office of Security determined that the association between the former Deputy Director and his friend appeared to be strictly personal. According to these sources, the friend did not have a business relationship with USIA. The investigative report states the former Deputy Director may have had an official need to contact his friend in Brazil in one instance during July 1981. At that time, the former Deputy Director had a role in arranging for the visit of a Brazilian senator and a Brazilian businessman. However, the remaining 48 telephone calls made to Brazil were subsequent to July 1981.

GAO REVIEW

Our review of the use of government telephones and government-funded telephone services confirmed the facts disclosed by the USIA investigative report. We identified five additional calls to Brazil.

In the course of our review, we found the former Deputy Director made numerous telephone calls to other parties, including friends and relatives, which were paid for by the government. He also had telephone services in his residence which were paid for by the government.

Personal long-distance telephone calls

In investigating this allegation, we expanded our review to include the telephone numbers of relatives and friends of the former Deputy Director. During the period March 1981 through May 1983, we identified 124 long distance calls to the residences of the former Deputy Director's mother, cousin, wife, and personal friends. These calls, which totaled \$586, were placed from the former Deputy Director's USIA installed and funded residential telephone, and with a USIA provided and funded telephone service credit card. Ninety-seven percent, or 120, of these calls were made during other than normal business working hours, including 74 calls made on weekends. In addition, we noted that the U.S. government telephone in the former Deputy Director's residence was used while he was on official travel in Jamaica and London.

Legislation and Agency regulations stipulate that telephones are to be used only for official business. Under section 1348(b), Title 31, United States Code (U.S.C.), appropriations of an agency are available to pay charges for a long distance call only if the call is required for official business and certified as necessary in the interest of the government. USIA's Manual of Operations and Administration (MOA) IV 442.3(a) states that ". . . the head of each organizational element is responsible for assuring that long distance calls by personnel in the element are made for official purposes and only when essential."

We found that long distance telephone calls charged to and paid for by USIA were not being certified in accordance with section 1348(b), Title 31, U.S.C. The former Deputy Director's residential telephone and credit card charges for long distance calls were not certified as being necessary in the government's interest from October 1982 until he resigned in May 1983. The credit card charges for other USIA officials were also not certified. Agency officials were unable to tell us why certifications were not being made.

Residential telephone charges
for installation and services

USIA incurred telephone charges for installation and service at the former Deputy Director's private residence, and paid these telephone charges from appropriated funds. From January 1982 to May 1983, USIA paid \$758 in installation charges, service charges, and tolls other than the long distance charges discussed in the previous section. The residential telephone of the Deputy Director was disconnected after his resignation in May 1983.

In accordance with section 1348(a)(1) and (b) of Title 31, U.S.C., appropriations are not available to install telephones in private residences or for tolls or other charges for telephone service from private residences. The only exception is

that charges for long distance calls can be paid for if required for official business and certified as necessary in the interest of the government.

The Comptroller General has consistently held that this authority is plain, comprehensive, and constitutes a mandatory prohibition against paying from appropriated funds any part of the expense of furnishing personal telephone service to a government officer or employee in a private residence except for long distance toll charges properly certified as being for official business. (See 4 Comp. Gen. 19 (1924); and 59 Comp. Gen. 723 (1980).)

The former Deputy Director agreed that he should reimburse the government for the personal calls made to relatives and friends at government expense. The former Deputy Director told us his calls to Brazil were official. He said he continued to call because he felt his friend was a valuable contact who was willing to use his Brazilian connections for the benefit of the U.S. government. In the course of our work, we were not able to establish whether or not the calls were made for this purpose.

CONCLUSIONS AND RECOMMENDATIONS

While our evidence was not conclusive concerning the Brazilian calls, we found substantial evidence that the former Deputy Director made numerous personal calls using government telephones and credit cards and had telephone service in his residence at government expense. In our opinion, this constitutes misuse of government telephones and telephone services in violation of statute and Agency regulations.

We recommend that the Director, USIA, direct the USIA Bureau of Management to

- identify fully all charges arising from installation of a residential telephone and personal use of government telephones and credit card by the former Deputy Director, and obtain reimbursement and
- adhere to certification procedures for long distance telephone calls as provided by statute and conduct a periodic review of these charges to ensure compliance.

COMMENTS

In commenting on our report draft, the former Deputy Director said it was at the Agency's suggestion that a telephone was installed in his residence, and he relied upon the advice that such use was appropriate. He said the existence of multiple jacks in the house apparently resulted in the accidental connection of personal telephones to the wrong lines. He again said

that he would reimburse the government for the personal calls inadvertently made to relatives and friends at government expense. He is also willing to reimburse the Agency for the calls to Brazil, even though he again said he believed such calls were for Agency business.

IMPROPER ACTIONS IN APPROVAL OF GRANTS FOR LGR ASSOCIATES,
INC., AND MID-AMERICA COMMITTEE FOR INTERNATIONAL
BUSINESS AND GOVERNMENT COOPERATION, INC.

It was alleged that the former Deputy Director influenced the awarding of grants to the following organizations:

- The Eugene O'Neill Theatre Center, which provided funds to LGR Associates, Inc., of which his cousin is president.
- The Mid-America Committee for International Business and Government Cooperation, Inc., whose president is a former business associate and friend, and at whose home the former Deputy Director and his family had vacationed in Jamaica.

USIA OFFICE OF SECURITY REVIEW

The investigative findings determined that a personal relationship existed between the former Deputy Director and the grantees. Specifically, the president of LGR Associates, Inc., the recipient of the Eugene O'Neill Theatre grant, is the former Deputy Director's cousin. The president of the Mid-America Committee is a former business associate and friend at whose home in Jamaica the former Deputy Director vacationed in April 1982.

The USIA investigation also found that the grant which provided funds to LGR Associates, Inc., a profit-making organization, was awarded to the Eugene O'Neill Theatre Center, a non-profit organization. The investigation found that the grant was awarded subsequent to the date of the production the grant was intended to support.

GAO REVIEW

Our review confirmed that the former Deputy Director was instrumental in awarding a grant which provided funds to LGR Associates, Inc., of which his cousin was president. He also expedited the approval of a grant for the Mid-America Committee--an organization headed by a personal friend whose business interests with USIA dated to 1975 and whose Jamaican vacation home he had used. The former Deputy Director had final approval authority for approving all grant proposals.

Regarding the LGR funding, the former Deputy Director's cousin requested a grant for a theatre group which was running into financial difficulties. The former Deputy Director directed this request to the USIA's Office of Private Sector Programs and was advised that a grant could not be issued to the theatre group because it was a profit-making organization. According to the Grant Review Coordinator in the Bureau of Educational and Cultural Affairs, the former Deputy Director

requested program officials to "work something out." The subsequent arrangement was to award a grant of \$18,000 to the Eugene O'Neill Theatre Center, a non-profit organization. Under the terms of the grant, Eugene O'Neill Theatre Center would retain \$3,000 to administer the grant, and provide \$15,000 to LGR Associates, Inc., to coordinate the production.

The Mid-America Committee's business interests with USIA date to 1975, when Mid-America was awarded a grant to organize a seminar on international corporate citizenship. In July 1981 and August 1982 the president of the Mid-America Committee solicited USIA support for an International Arts Exhibition through the former Deputy Director. In April 1982 the former Deputy Director accepted the invitation of the President of the Mid-America Committee to stay at his Jamaican vacation home. Subsequently, in September 1982 the former Deputy Director expedited the approval of a \$190,000 Mid-America Committee grant for two media assistance seminars. The grant proposal was received on September 16, 1982, and approved on September 29, 1982, at the end of the fiscal year.

In both instances, the former Deputy Director's actions are inconsistent with Agency regulations set out at USIA MOA V-A, exhibit 550A, which addresses employee responsibility and conduct. Agency regulations state that an employee is to avoid any action which might result in or create the appearance of giving preferential treatment to any person, or losing independence or impartiality.

The former Deputy Director said he had not given any preferential treatment to the request for a grant to LGR Associates, Inc. He informed us that the Mid-America grant was useful to furthering USIA objectives and goals and for that reason he expedited the grant approval. He said he did not consider the use of the Mid-America president's Jamaica vacation home as a gift and that he was invited to use the home to consider it as a possible investment property.

CONCLUSIONS

The former Deputy Director's actions in approving these grants were inconsistent with Agency regulations. Specifically, these actions gave the appearance of giving preferential treatment to specific persons.

COMMENTS

In commenting on our report draft, the former Deputy Director reaffirmed that he had not given preferential treatment on the request for a grant for LGR Associates, Inc. He said that his role in this situation was as it would have been if any other representative of the project had come to him. He informed us that the use of the Mid-America president's Jamaica home and his approval of the grant were separate events with no

connection whatever. He said again that he did not consider the use of the vacation home as a gift and that he was invited to use the home to consider it as a possible investment property, and he rejected the suggestion that he treated Mid-America any differently than any other established grantee.

USIA regulations require employees to avoid actions which result in, or "create the appearance" of, giving preferential treatment. Personal relations existed in both cases. In our opinion, his actions to expedite grants benefiting his cousin and his personal friend whose vacation home he had used did, at a minimum, create the appearance of impropriety.

INFLUENCED THE HIRING OF
CERTAIN USIA EMPLOYEES

This allegation involves actions by the former Deputy Director regarding the hiring of employees. The specific allegations were as follows:

- He had been calling his friends throughout the country to determine if they knew any young people who would like to come to Washington for the summer and work for USIA. It was alleged that he had requested a block of summer hires to be filled by him at his discretion, to the exclusion of other summer employment candidates not known to him.
- He exerted undue influence to create a USIA position for a warehouse employee who was his chauffeur in New York City.

USIA OFFICE OF SECURITY REVIEW

For both of these allegations, the USIA investigative report presents information that suggests the former Deputy Director was involved in questionable hiring practices.

USIA investigators found that in 1982, the former Deputy Director set up and maintained a process to assure special treatment for summer hire applicants referred by political or Agency sources. This process was separate from the USIA Office of Personnel's competitive summer hire program, which managed applications received from the general public. In 1983, the Director ordered that the preferential process be discontinued.

USIA investigators also found that on December 7, 1981, the former Deputy Director requested the Director of VOA, a component of USIA, to create a position for a USIA warehouseman who acted as his USIA-provided chauffeur while on business trips to New York. VOA officials suggested creating a job in Washington, D.C. However, the former Deputy Director advised that this would not be acceptable since the warehouseman wanted to remain in New York. The VOA officials advised that (1) the VOA branch in New York did not have a position available, and did not need another employee, and (2) if the position was created, the employee sponsored by the former Deputy Director would not be the choice. Despite the lack of need, VOA announced a production assistant position on July 27, 1982, in response to continued pressure from the former Deputy Director. Two people applied for the position. The employee sponsored by the former Deputy Director was the only applicant certified as qualified by the VOA Personnel Office, and he was given the position as production assistant on September 19, 1982.

GAO REVIEW

We confirmed the facts disclosed by USIA investigators. Specifically, we found that the former Deputy Director established a hiring process for summer employment which gave preferential treatment to certain applicants who were referred to the former Deputy Director by various political and Agency sources. He also was instrumental in creating a USIA position for which there was no apparent requirement, and which subsequently was filled by his candidate.

Summer employment program

Each year USIA participates in the federal government's summer hire program. Opportunities for summer employment are advertised in an Office of Personnel Management (OPM) announcement.

Our review of 1982 summer hires showed that USIA hired individuals from the former Deputy Director's pool of applicants, even though they had not competed or been ranked with individuals in the Agency's official applicants' pool. Eighty-six individuals were hired that year as student assistants and clerk/typists. Of these, 68 were hired through the official competitive process and 18 were hired from the pool maintained by the former Deputy Director. The Director stopped the process before the 1983 hires were made, and all positions that year were filled through the formal competitive process.

Merit staffing principles applicable to USIA are set forth at appendix 3, chapter 332, of the Federal Personnel Manual, which prescribes the purpose and conditions applicable to summer hire programs in the federal government. These merit staffing principles make clear that summer appointments are to be made under the same competitive appointing authorities as those used at other times of the year.

The former Deputy Director said that he established the separate process in 1982 to be responsive to political and internal Agency referrals, and he did not think it circumvented the Agency competitive system. He said he believed it was common practice in the U.S. government to give politically sponsored individuals preferential treatment.

Creating a USIA position

Our review confirmed the USIA findings that (1) the former Deputy Director pressed for the creation of the position despite officials' statements that the position was not needed and (2) the individual sponsored by the former Deputy Director was selected for the position.

In his position, the former Deputy Director had general authority in matters relating to employment, direction, or

general administration of personnel in the Agency in accordance with USIA MOA V-A 122. This authority provides that to create a new position, consideration must be given to need. The former Deputy Director said he believed the entire process was handled according to all applicable regulations.

CONCLUSIONS AND RECOMMENDATIONS

The former Deputy Director's actions regarding the summer hire program and the creation of the production assistant position were inconsistent with regulations and demonstrated questionable judgment. In our opinion, the existence of a separate process giving preferential treatment to some applicants based on source of referral is contrary to merit staffing principles applicable to USIA. Further, his actions in causing the creation of the production assistant position appear inconsistent with USIA regulations, which require that consideration must be given to need.

Because the preferential summer hiring process has ceased, we are making no recommendation in this matter. We believe, however, that there is a need to reevaluate the questionable production assistant position. Accordingly, we recommend that the Director, USIA, evaluate the need for such a position and take appropriate action.

COMMENTS

In commenting on our report draft, the former Deputy Director said he followed the guidance of the Agency Management Office which had advised him that political referrals for summer jobs should be placed on standby for vacancies caused by last-minute drop-outs of youngsters selected through the competitive pool in the spring months. According to the former Deputy Director's comments, these vacancies developed only after the summer job program had long since closed. He stated it was incorrect to term the standby system as "preferential treatment," when the alternative procedure was no longer available for use.

Our review of the fiscal year 1982 program disclosed that individuals from the former Deputy Director's pool of applicants were hired concurrently with summer hires from the competitive process and not just to fill positions caused by last minute drop-outs.

In commenting on our report draft, the former Deputy Director said that he believed the entire process used to create and fill a USIA position was handled in accordance with all applicable regulations. He stated he is satisfied that the position was desired by VOA, New York, and that the merit of the individual who applied for it is beyond question.

The Director, USIA, in commenting on our report draft, said that the Agency will evaluate the need for the VOA production assistant position and will take appropriate action.

APPROVAL OF A PERFORMANCE APPRAISAL WHICH
RESULTED IN AN UNWARRANTED MERIT PAY
INCREASE FOR A FORMER USIA EMPLOYEE

It was alleged that the former Deputy Director was responsible for an employee receiving an unwarranted merit pay increase based on an outstanding performance appraisal which was prepared contrary to Agency policies and procedures. This individual was assigned to the Office of the Director.

USIA OFFICE OF SECURITY REVIEW

The investigative team attempted to establish whether the merit pay increase was justified based on Agency procedures and employee performance. USIA investigators were unable to determine who actually prepared the appraisal, which covered the period October 1, 1981, through June 30, 1982. The investigators, however, found that USIA management officials, including the former Deputy Director, were aware that the Director, USIA, was dissatisfied with the employee's performance. For example, the former employee's bi-weekly reports to the Office of the Director often were annotated with the Director's comments which reflected his view that the employee was ineffective and that his time was not being used appropriately. There were indications that the Director was so dissatisfied he considered terminating the employee.

The former Deputy Director told USIA investigators that he had not been aware that the outstanding appraisal would result in a merit pay increase, and had he known that, he would have discussed it with the Director since he knew that the Director held contrary views about the ratee's performance.

GAO REVIEW

We verified the information in the USIA investigative report. We found the ratee was assigned to the Office of the Director during the fiscal year 1982 rating period. As such, the preparation of the ratee's appraisal fell within the Deputy Director's responsibilities. The issue of who actually prepared the performance appraisal is moot since, by signing it as the rating officer, the former Deputy Director assumed responsibility for its contents.

We determined that the merit pay increase received by the employee was based on a procedurally incorrect appraisal because (1) the overall rating of outstanding was higher than was justified by the ratings assigned to individual performance factors and (2) the former Deputy Director signed the appraisal form as the reviewing official as well as the rating official.

Rating did not meet
criteria for outstanding

Chapter 54 of Title 5, U.S.C., establishes a merit pay system for the federal government. USIA regulations which further implement and establish the merit pay performance appraisal plan are set forth in USIA's MOA V-A 440 dated September 1980.

According to these regulations, the performance appraisal report which resulted in the merit pay increase was procedurally incorrect. The appraisal shows an overall rating of outstanding based on four critical elements of performance, two of which were rated outstanding and two highly successful. The USIA MOA states that the rating officer must assign an adjective appraisal of the level of achievement for each performance requirement and for the overall summary rating. If the rater selected outstanding as the overall rating, the regulation in effect at the time stipulated that the ratee must have demonstrated outstanding effectiveness in all elements. Since two of the critical elements were assigned a rating of highly successful, the Agency's criteria for outstanding were not fulfilled. A highly successful rating instead of an outstanding one would have reduced the \$4,861 merit pay increase by approximately \$1,861.

The former employee had been reassigned to the VOA during the time the merit pay ratings were being processed for fiscal year 1982. Therefore, personnel officials at VOA were responsible for submitting the merit pay increase to payroll management. The VOA personnel officer stated that the former employee hand delivered the performance appraisal report on the submission deadline day, and the performance appraisal was forwarded to payroll management as an outstanding rating. The procedural error was not detected. Only after the press publicized the "questionable raise" did the VOA personnel office review the merit pay determination.

This was not an isolated case. Our review of USIA and the VOA personnel records for fiscal year 1982 disclosed that other outstanding ratings were also procedurally incorrect. Of the 34 individuals receiving outstanding ratings that year, 12, or 35 percent, were scored highly successful in one or more elements, thus not meeting the criteria for outstanding in effect at the time. Agency criteria were changed in fiscal year 1983 to allow individuals to be rated outstanding if performance exceeded the standard to an outstanding degree for all critical elements and for the majority of the non-critical elements. All outstanding ratings for fiscal year 1983 met this criterion.

The former Deputy Director stated he was not familiar with specific Agency regulations regarding performance appraisals. He said his staff should have been familiar with the Agency regulations and should have advised him if the appraisal was procedurally in error. He said he had solicited advice concerning preparation of performance appraisals from the USIA Counselor and Associate Director, Bureau of Management.

Director, USIA, should
have reviewed rating

The performance appraisal was procedurally incorrect from another aspect because the former Deputy Director signed the rating as both the rater and reviewer. According to USIA's MOA V-A 442.1(a), the reviewing officer is usually the rater's supervisor, which in this case should have been the Director. The regulations require the reviewing officer to indicate concurrence or nonconcurrence with the overall summary rating assigned by the rating officer. In cases of disagreement between the rating and reviewing officers, the prevailing rating is the overall summary rating assigned by the reviewing officer. Agency regulations contain no provision for the rating and reviewing officer being the same person.

In this case, the former Deputy Director justified signing the performance appraisal report as both the rater and the reviewing officer by writing on the form "There is no reviewing officer. . . as [the ratee] was reporting directly to the Directorate."

The former Deputy Director said he was aware of the Director's dissatisfaction with the former employee's performance, and had he known that the outstanding performance appraisal would result in a large salary increase, he would have discussed the matter with the Director before signing the appraisal report.

CONCLUSIONS

The former Deputy Director was responsible for a procedurally incorrect performance appraisal. He did not follow the Agency's criteria for an outstanding rating nor did he follow USIA regulations regarding review of appraisals. Complying with performance appraisal reviewing procedures would have given the Director an opportunity to provide input into the rating process. The Director, USIA, said he would not have approved the performance appraisal had it been brought to his attention.

COMMENTS

In commenting on our report draft, the former Deputy Director stated that he accepts full responsibility for the appraisal in question, but makes two points. He stated that he was not informed that an automatic merit pay increase was linked to the rating forms, and that of necessity he trusted that papers brought to him had been prepared in accordance with the rules governing them. The Director, USIA, said that had this matter been brought to his attention, the errors in evaluation and preparation would have been reversed.

USE OF GOVERNMENT STAFF AND
RESOURCES FOR PERSONAL BENEFIT

During the course of the USIA Office of Security investigation, information in the former Deputy Director's official files led to an inquiry into the improper use of government resources and staff for personal services.

USIA OFFICE OF SECURITY REVIEW

According to the USIA's investigative report, the former Deputy Director's three secretaries said that he did not differentiate between personal, social, and official business in connection with his assignments to them. The investigative report states:

- Over 70 letters were retrieved from his official files which appeared to be of a general, social, and personal nature, and which were typed almost exclusively on Agency stationery and signed by him as USIA Deputy Director or Acting Director.
- He instructed his staff by daily dictated notes to perform personal services, such as preparing personal correspondence, taking care of personal errands, and preparing an inventory of personal photographs.
- He used the word processor in the Office of the Director for his personal use and recorded his wife's resume, selected personal book titles, and the names, addresses, and telephone numbers of relatives and friends.

GAO REVIEW

We reviewed and confirmed the information in the USIA Office of Security Report. The evidence shows the former Deputy Director used secretarial staff and office equipment and supplies for personal tasks.

USIA regulations addressing employee responsibilities and conduct prohibit the use of government resources for other than officially approved activities.

The former Deputy Director informed us he did not think his personal business was conducted during official office hours, although he did not compensate his staff for personal work they performed for him. He said he thought he had made it clear to his secretarial staff that his personal business was not priority and would be conducted only when it did not interfere with Agency business or objectives. He considered some items--such as his contact lists--to be in the interest of the government, thus not for personal use.

CONCLUSIONS

The evidence supports the finding that the former Deputy Director used secretarial staff and office equipment to perform personal tasks, contrary to Agency regulation.

COMMENTS

In commenting on our report draft, the former Deputy Director stated that he believed an informal style and a personal tone do not render a business letter a personal letter. He stated that virtually every letter brought into question was to individuals related to Agency business. He also said any personal items that might have been included in his notes or dictation were of an extremely minor nature, and he reiterated that his staff was aware such items had no priority over regular business.

ENCLOSURE VII

ENCLOSURE VII

COMMENTS BY THE FORMER DEPUTY DIRECTOR, USIA

December 1, 1984

Mr. Frank C. Conahan, Director
U.S. General Accounting Office
Washington, D.C.

Dear Mr. Conahan:

Thank you for the opportunity to review the report and offer my comments. Enclosed is a commentary addressing the entire report for use.

I wish particularly to draw your attention to the first draft's reference to the Justice Department's findings. I believe your draft misstates the outcome of the Justice review. The draft language suggests the Justice Department merely found USIA's evidence insufficient. On the contrary, Justice wrote that it found that USIA had made a strenuous effort to develop "every conceivable allegation" -- and, after reviewing that effort, Justice rejected totally most of the allegations on their merits and not -- as this draft errs in suggesting -- on an insufficiency of evidence.

I am concerned that, like a newspaper story which damages at the top and only achieves balance in the back pages, the draft report tends to unfairly portray many actions without my attachments -- and my comments in the front of the report.

Sincerely,



SUMMARY OF RESPONSE OF THE FORMER DEPUTY DIRECTOR

The former deputy director is gratified that the GAO review finds the matters in question to have involved problems of procedure or interpretation rather than intentional wrongdoing. This tends to confirm the finding of the Justice Department when it said, "we have reviewed the rather lengthy report prepared by the USIA's office of security which covers every conceivable allegation the Agency could unearth against its former deputy director and find that most of the allegations are totally without merit and we decline prosecution."

With respect to the remaining allegations which the GAO has not rejected in total, the former deputy director provides the following answers.

Use of government telephones: It was at the Agency's suggestion that the phone be installed in his residence and he relied upon its advice that such use was appropriate. The existence of multiple jacks in the house apparently resulted in the accidental connection of personal telephones to the wrong lines and the former deputy director many months ago offered to the GAO to reimburse the Agency for any personal calls that were inadvertently made on the Agency line. However, the Agency has never provided him with a list of the charges in order that he may correct and verify what ever calls were not properly made from the Agency telephone.

Also cited in this category is a series of calls by the former deputy director to a leading Brazilian businessman. The individual in question was extremely and consistently helpful in encouraging Brazilian government officials to meet with United States officials, and was a substantial influence in promoting a positive ongoing relationship between Brazil and the U.S. He also originated, helped arrange and saw that they paid for their own portion of the visit to the U.S. of the Leader of the Brazilian Senate who it appears may now become a high Brazilian government official. Regular contact with the individual helped to keep alive the relationship which he hoped would encourage further exchanges with the largest democracy in South America. Nevertheless, the former deputy director stands ready to reimburse the Agency for these calls even though the calls were proper and related to Agency business.

Grants: The first grant cited was actually awarded to a non-profit organization, the Eugene O'Neill Theater Center, which had in years past been a USIA grantee and was now involved in an official year-long United States - Scandanavian government celebration called "Scandanavia Today." The theater had encountered funding difficulties and was in danger of renegeing on its portion of the project, which would have been an embarrassment to the U.S. government. That his cousin heads LGR Associates, with which the theater center had been working, was mere chance; the former deputy director's role in this situation was as it would have been if any other representative of the endangered project had come to him.

The comments on the Mid-America grant juxtapose separate events as though they are connected. There is no connection whatever. The president of the Mid-America Committee had been introduced to the former deputy director several years before his service at USIA. Sometime in the late 1970s the gentleman had suggested that he was seeking co-investors in his Jamaican property.

The former deputy director had never had time to inspect the

property but decided to do so while in Jamaica to review the USIA post preparations for the President's visit. He elected to stay at the property after his official business was concluded. He avoided any obligation by paying for all food, including that of his host, providing his host with the rental car for an additional week, and taking care of providing generous tips for the household staff on behalf of all who had stayed there. Mid-America's grant relationship with USIA long pre-dates the former deputy director's tenure. He rejects the suggestion that at any time he treated Mid-America any differently than any other established grantee.

Hiring Procedures: The former deputy director followed the guidance of the Agency management office which had advised him that political referrals for summer jobs should be placed on standby for vacancies caused by last-minute drop-out of youngsters selected through the competitive pool in the spring months. These vacancies developed only after the summer job program had long since closed. It is incorrect to term the stand-by system as "preferential treatment," when the alternative procedure is no longer available for use.

With respect to the production assistant position created at VOA New York, the former deputy director states categorically that this was done in accordance with Agency procedures. He feels that this allegation reflects disgruntlement by personnel officials on a purely personal level. He is satisfied that the position was desired by VOA New York and that the merit of the individual who applied for it is beyond question. He believes that accepting this allegation is tantamount to saying that there is something improper about discerning both a need and a meritorious solution at the same time.

Erroneous performance appraisal: The former deputy director believes it significant that GAO has found fully one-third of USIA's "outstanding" ratings to be procedurally flawed. This is the direct result of a process apparently grown so complicated even its creators find it impossible to keep straight. He accepts full responsibility for the appraisal in question, but makes two points: One, that he was not informed that an automatic merit pay increase was linked to the rating forms, and , two, that of necessity he trusted that papers brought to him had been prepared in accordance with the rules governing them.

Use of government staff: The former deputy director is surprised by this review's concurrence with the USIA security office on this matter. Virtually every letter brought into question was to individuals related to Agency business, as for example the correspondence between him and the head of NASA regarding various foreign cities under consideration for exhibiting the space shuttle. An informal style and a personal tone do not render a business letter a personal letter. He also points out that any personal items that -- under pressure of long hours -- might have been included in his notes or dictation were of an extremely minor nature and his staff was aware that they had no priority over regular business.

CLOSING COMMENT

In sum, after an unprecedented USIA internal investigation of more than one thousand hours; after a Justice Department examination of those allegations, which it characterized as "every conceivable allegation <USIA> could unearth"; after a subsequent GAO investigation that has lasted more than one year - the final findings have amounted to the inadvertent use of a telephone installed at home by the agency amounting to about a thousand dollars, and for which reimbursement I have long since offered. The questions remaining: why was this search for allegations launched within the USIA and so long pursued? What has been its real cost to the public?

The Deputy Director appreciates the opportunity to summarize his response to the findings of the GAO review. He believes that a fair reading of the conditions at USIA and his efforts to provide energetic administration will lead to the conclusion that he has always acted in good faith and with proper care.

**United States
Information
Agency**

Washington, D. C. 20547

Director



USIA

ENCLOSURE VIII

December 12, 1984

ENCLOSURE VIII

Dear Mr. Conahan:

On Wednesday, November 28, 1984 I met with John Payne of your office to review the draft GAO report "Allegations of Waste, Fraud, and Abuse of Position Against a Former Deputy Director, U.S. Information Agency." Both Mr. Payne and I concluded that it would be appropriate to forward to you written comments by USIA on the report.

I have shared the draft report with Mr. Woodward Kingman, our Associate Director for Management, and asked him to make sure the Agency is brought into full compliance with your recommendations on page 4 of the draft letter to Senator Zorinsky. We have already initiated procedures so that we can complete the desired actions as soon as possible.

- (1) The Agency will try to obtain appropriate reimbursement for the residential and personal use of the telephone by the former Deputy Director.
- (2) We are reviewing certification procedures for long distance telephone calls and will make sure the Agency is brought into strict compliance with all applicable regulations.
- (3) The Agency is evaluating the need for the VCA production assistant position and will take appropriate action.

In addition, your report cites instances of procedural irregularities in the preparation of performance appraisal reports. While your report makes no recommendations in this area, the Agency will also review its procedures for the preparation of performance appraisals and make sure it adheres to all applicable regulations.

GAO NOTE: Page number has been changed to correspond with page number in final report.

Mr. Frank C. Conahan
Director
National Security and International Affairs Division
United States General Accounting Office

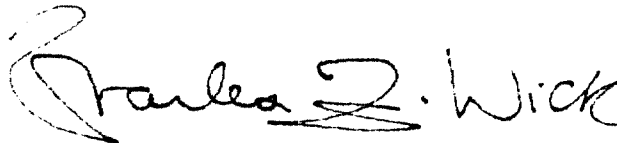
My remaining comments relate to sections of the report which deal with my actions or matters concerning my office.

- (1) While I of course accept full responsibility for reimbursing the Agency for the government phone at my residence, and as the report says, made such reimbursement promptly, I was unaware that the installation of the phone was against regulations, and had in fact been advised by Agency staff that it was appropriate.
- (2) In the conclusion to Appendix V¹ relating to the "Performance Appraisal Which Resulted In An Unwarranted Merit Pay Increase For A Former USIA Employee," you note that "Complying with performance appraisal reviewing procedures would have given the Director an opportunity to provide input into the rating process. We cannot say with any certainty what would have occurred had these procedural errors been detected and resolved."

Your report notes my prior concern about the employee's performance. I can only assure you that had this matter been brought to my attention, the errors in evaluation and preparation would have been reversed.

I appreciate the courtesy you have extended the Agency in allowing us to comment on this report.

Sincerely,

A handwritten signature in dark ink, reading "Charles Z. Wick". The signature is fluid and cursive, with the first name "Charles" and last name "Wick" clearly legible, and "Z." as a middle initial.

Charles Z. Wick

¹Appendix V has been changed to enclosure V in final report.



U.S. Department of Justice

ENCLOSURE IX

ENCLOSURE IX

December 6, 1984

Washington, D.C. 20530

Mr. William J. Anderson
Director
General Government Division
U.S. General Accounting Office
Washington, D.C. 20548

Dear Mr. Anderson:

This letter responds to your request to the Attorney General for the comments of the Department of Justice on your proposed report to Senator Edward Zorinsky entitled "Allegations of Waste, Fraud, and Abuse of Position Against a Former Deputy Director, U.S. Information Agency."

Although we are unable to comment on the details of the various allegations cited in the report, we find the matters pertaining to the Department of Justice to be factually presented and without need for further comment.

We appreciate the opportunity to review the report while in draft form.

Sincerely,

Anthony C. Liotta
Assistant Attorney General
for Administration