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UNITED STATES GENERAL ACCOUNTING OFFICE  
WASHINGTON, D.C. 20548

GENERAL GOVERNMENT  
DIVISION

B-199008

FEBRUARY 13, 1984

The Honorable Robert Byrd  
United States Senate

The Honorable David Pryor  
United States Senate

Subject: Followup Review of Department of Defense Actions  
to Correct Problems in the Operation of the  
Defense Science Board (GAO/GGD-84-49)

This letter responds to your joint request that we review corrective actions taken by the Department of Defense (DOD) in response to the Inspector General's report of July 7, 1983, entitled Policies, Procedures, and Practices for Operation of the Defense Science Board. The Inspector General (IG) made specific recommendations to the Under Secretary of Defense for Research and Engineering and the Assistant Secretary of Defense (Comptroller) to ensure the Defense Science Board (DSB) is complying with the Federal Advisory Committee Act and DOD's ethical standards of conduct.

You also requested DOD's IG perform a similar followup review. To avoid duplication in the two efforts, we obtained concurrence from your offices that we would (1) assess the IG's followup review and (2) independently review financial disclosure statements filed by members of DSB task forces formed since the IG's initial review to determine whether any apparent conflicts of interest exist.

We believe the IG's followup review adequately covered the problems identified in his July 7 report and supported his conclusions that DOD has taken or is taking action to correct the problems. Our review of financial disclosure statements revealed no apparent conflicts of interest.



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To assess the IG's followup review, we discussed the nature of the audit work with the IG's staff and reviewed the workpapers they prepared. To address the conflict of interest issue, we reviewed the financial disclosure statements of all 24 members of the 3 DSB task forces included in the IG's followup review. We also reviewed DOD's standards for determining whether a member's interests conflict with the subject matter of panel deliberations and discussed the application of these standards with the DSB ethics officer (a representative from DOD's general counsel) to assess their appropriateness.

We performed the greater part of our work in August and September 1983 and conducted our final meetings with the IG's staff after they issued their report in November.

#### IG'S FOLLOWUP REVIEW

On the basis of our discussions with the IG's staff and our review of their workpapers, we believe that the IG's followup review adequately addressed the problems discussed in his July 7 report and that the information developed supported his conclusions that DOD has taken corrective action.

In response to your request for a followup review, the IG examined corrective actions taken and planned by the DSB Secretariat and other supporting elements in the Office of the Secretary of Defense. The IG also reviewed the policies, procedures, and practices of the DSB in constituting three task forces established subsequent to the January 17, 1983, draft of the July 7, 1983, report (the draft given to DOD for official comment).

In his September 12, 1983, response to your request, the IG summarized the preliminary results of his followup review and concluded

" . . . that necessary actions have been taken or are under way that will ensure that the advice of the Defense Science Board is free of conflicts of interest and in compliance with legal requirements."

After completing the followup audit, the IG issued a report to the Under Secretary of Defense for Research and Engineering on November 16, 1983 (Report No. 84-013), in which he made a similar conclusion but identified some areas related to establishing and administering task forces that needed additional attention. The IG recommended corrective action in these areas.

GAO REVIEW OF FINANCIAL  
DISCLOSURE STATEMENTS

Our review of the financial disclosure statements filed by the 24 members of the 3 DSB task forces formed since January 17, 1983, revealed no apparent conflicts of interest. We determined that, according to the DSB's definition of the task forces' missions, none of the 24 members were employed by or otherwise had a financial interest in a company that could be affected in a direct and predictable manner by task force deliberations. In part, this appears to be the result of an increased sensitivity to potential conflicts of interest. Our July 22, 1982, report on the objectivity of DSB's Task Force on Embedded Computer Resources Acquisition and Management (GAO/FPCD-82-55) criticized the criteria that had been used to determine whether an individual's membership raised an appearance of or proved to be an actual conflict of interest. Current DSB procedures reflect an improved standard, one in line with the Justice Department's view that advisory committee participation is improper where committee deliberations, though of general applicability, have a "direct and predictable effect" on a firm in which the individual has a financial interest.

Where an individual has an interest in a DOD prime contractor, DSB procedures now require a comparison of the individual's task force responsibilities with the functions of the contractor. If they are in any way related, the individual is asked to disqualify himself from the particular matter affecting his financial interest or divest himself of the interest. On the basis of the recommendations of its own ad hoc committee on conflicts of interest, DSB's executive secretary is now required to evaluate the potential sensitivity of each new task force topic to conflicts of interests. This evaluation should identify interests in firms other than DOD prime contractors, such as potential competitors or subcontractors, with a vested interest in the outcome of panel deliberations. For those task force topics that could potentially cause conflicts of interest, a conflict of interest plan is to be prepared identifying sensitive issues, modifying the task force terms of reference and, if necessary, modifying the process for assigning task force members.

The three task forces for which we reviewed members' financial disclosure statements were formed to address subjects that are broad in scope and would not necessarily appear to affect private sector interest in a direct and predictable manner. In terms of potential for conflict of interest problems, they differ from the embedded computers task force that addressed questions of whether to continue a policy supporting existing

contract arrangements. For this reason, it is difficult to determine whether DSB's revised standards in fact prevent appearances of or actual conflicts of interest in all situations. We were nonetheless able to identify two situations that indicated DSB had embraced a more appropriate standard for assessing conflicts of interest.

In one case, the members of a task force were asked to determine how DOD can best capitalize on the high performance supercomputers that should result from its research programs by 1990. The terms of reference for that task force state that it is not anticipated that the task force inquiry will need to go into any "particular matters." We were advised that a determination was nevertheless made to exclude an employee of a major DOD computer contractor from the task force. In another case, the members of a task force were asked to assess the effectiveness of various weapons systems options, severally and in combination, to meet fire support requirements for a range of amphibious combat activities. Because of the possibility that the task force recommendations could, in some manner, affect future requirements for which the task force chairman's company provides component parts, DOD's General Counsel prepared a waiver under 18 U.S.C. 208(b). That waiver was prepared on the basis of the General Counsel's review and recommendations that the chairman's interest was not substantial enough to affect the integrity of his service on the task force.

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As requested by your offices, in view of the nature and results of our work, we did not obtain agency comments. As arranged with your offices, copies of this report are being sent to the Secretary of Defense and the Department of Defense Inspector General. Copies will be made available to other parties upon request.

*W. J. Anderson*

William J. Anderson  
Director