

DOCUMENT RESUME

RELEASED
4/10/78

05093 - [B0735653] (Restricted)

Need To Improve Administrative Management at the National Center for Toxicology Research. HRD-79-63; B-164031(2). March 9, 1978. 3 pp. + appendix (13 pp.).

Report to Sen. Edward M. Kennedy, Chairman, Senate Committee on Human Resources: Health and Scientific Research Subcommittee; by Elmer B. Staats, Comptroller General.

Issue Area: Accounting and Financial Reporting (2800).

Contact: Human Resources Div.

Budget Function: National Defense: Atomic Energy Defense Activities (053).

Organization Concerned: Department of Health, Education, and Welfare; National Center for Toxicological Research.

Congressional Relevance: Senate Committee on Human Resources: Health and Scientific Research Subcommittee. Sen. Edward M. Kennedy.

Authority: 52 Comp. Gen. 78. 55 Comp. Gen. 856.

A review of certain administrative practices at the National Center for Toxicological Research (NCTR) revealed deficiencies relating to travel, personnel and payroll, inventory control over Government property, and long distance telephone calls. Findings/Conclusions: Improper employee reimbursements for travel included: improper per diem payments to the NCTR Director, unauthorized reimbursement claimed for fixed per diem, an employee claim for lodging cost that should have been disallowed, unauthorized foreign travel, and questionable travel payments for pre-employment interviews. Personnel and payroll deficiencies involved questionable procedures used to hire a new employee, payment of employee training costs, and payroll computation of summer employees. Generally, the deficiencies found were the result of management's inattention to or failure to follow prescribed regulations and procedures. Recommendations: The Secretary of Health, Education, and Welfare should direct the Inspector General to conduct a comprehensive audit of the Center's administrative practices. This audit should be directed to identifying: the extent to which additional administrative problems may exist at NCTR and the changes needed to strengthen administrative controls; and the amounts owed to the Government as a result of improper payments so that appropriate collection action can be taken. (RRS)

5653

REPORT BY THE

Comptroller General

OF THE UNITED STATES

RELEASED

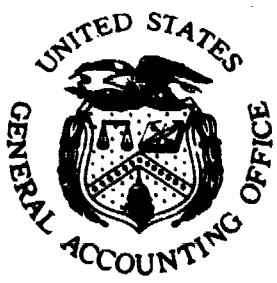
4/10/78

Need To Improve Administrative Management At The National Center For Toxicological Research

At the request of the Chairman, Senate Subcommittee on Health and Scientific Research, GAO reviewed the Center's management relating to travel, personnel administration, property control, and use of Government telephone credit cards. Control has been lax because of management's inattention to, or failure to follow, prescribed regulations and procedures.

- A comprehensive audit of the Center's administrative practices is needed to identify
- the extent to which additional administrative problems may exist at the Center and
 - changes needed to strengthen administrative controls.

RESTRICTED -- Not to be released outside the Office of Congressional Relations





COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-164031(2)

The Honorable Edward M. Kennedy
Chairman, Subcommittee on Health
and Scientific Research
Committee on Human Resources
United States Senate

Dear Mr. Chairman:

As requested in your letter of February 23, 1977, we have reviewed selected administrative practices at the National Center for Toxicological Research, Jefferson, Arkansas. The Center is part of the Department of Health, Education, and Welfare's Food and Drug Administration. Your letter requested that we review the Center's procedures in awarding certain contracts, and its use of Government credit cards and rental cars. We also reviewed the Center's procedures and controls pertaining to travel, and certain other administrative matters.

The purpose of our review was to determine if certain alleged irregularities had occurred at the Center. We found

- improper reimbursements for travel (see p. 1 of the appendix),
- weaknesses in the Center's personnel administration (see p. 8 of the appendix),
- inadequate controls over Government property (see p. 10 of the appendix), and
- questionable long distance telephone calls charged to Government credit cards (see p. 11 of the appendix).

Details regarding these matters are included in the appendix.

As discussed with your staff, we terminated our review of selected contract awards after we learned that these awards were under investigation by the Federal Bureau of Investigation.

Generally, the deficiencies found were the result of management's inattention to or failure to follow prescribed regulations and procedures. Since our review was limited to specific allegations, the problems we noted may be indicative of more widespread problems at the Center.

Accordingly, we are recommending that the Secretary, Department of Health, Education, and Welfare direct the Inspector General to conduct a comprehensive audit of the Center's administrative practices. This audit should be directed to identifying:

- The extent to which additional administrative problems may exist at the Center, and changes needed to strengthen administrative controls.
- The amounts owed to the Government as a result of improper payments by the Center under circumstances discussed in this report, so that appropriate collection action can be taken.

After we briefed Food and Drug Administration officials on the results of our review in October 1977, the Commissioner, Food and Drug Administration, issued several administrative directives to the Center concerning the deficiencies we found. The Commissioner also requested that the Inspector General of the Department of Health, Education, and Welfare investigate these matters.

As you requested, we did not obtain written agency comments. The matters covered in the report, however, were discussed with agency officials, and their comments are incorporated where appropriate.

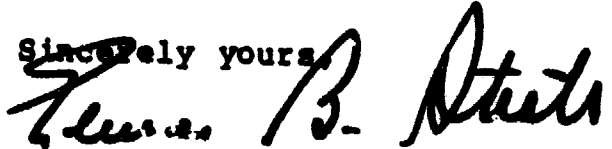
During our review, we developed certain information which indicated possible violations of the Federal criminal statutes governing conflicts of interest. By letter dated December 22, 1977, we advised you that we had referred this information to the Department of Justice for its evaluation and such action as it deemed necessary. We asked Justice to advise you of any actions it takes regarding these matters. A copy of our referral to Justice was furnished to you with our December 22 letter.

The Inspector General has initiated an investigation of the matters we referred to the Department of Justice, but as

of January 1, 1978, had not initiated an audit of the Center's administrative practices.

As agreed with your office, no further distribution of this report will be made before 30 days unless you publicly announce its contents earlier.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Thomas B. Stets". The signature is written in a cursive style with a large, prominent initial "T".

Comptroller General
of the United States

NEED TO IMPROVE ADMINISTRATIVE MANAGEMENT AT
THE NATIONAL CENTER FOR TOXICOLOGICAL RESEARCH

The National Center for Toxicological Research (NCTR) was established by Presidential directive in January 1971 to examine the biological effects of a number of chemical substances, such as pesticides, food additives, and therapeutic drugs. NCTR undertakes studies aimed at understanding dose-response relationships for long exposures to low doses of chemicals. NCTR is an interagency facility administered by the Food and Drug Administration (FDA).

The day-to-day operations of NCTR are under the general direction of the NCTR Director. The estimated budget to operate NCTR in fiscal year 1977 was \$17 million, which included funds from other Government agencies.

We conducted our review at NCTR, which is located at Jefferson, Arkansas, and at FDA headquarters in Rockville, Maryland. Generally, our review was limited to certain alleged irregularities and was not a comprehensive review of NCTR's administrative practices.

We found deficiencies relating to travel, personnel and payroll, inventory control over Government property, and long distance telephone calls.

IMPROPER REIMBURSEMENTS
FOR TRAVEL

We noted several deficiencies involving travel payments, including cases of

- excessive payment for official travel,
- foreign travel without proper authorization, and
- questionable travel payments for pre-employment interviews.

Improper per diem payments
to the NCTR Director

A per diem or subsistence allowance is intended to reimburse a traveler for meals and lodging while still

maintaining his own permanent place of abode. It covers travel expenses and is not intended as reimbursement for investment costs associated with ownership of property.

According to the Department of Health, Education, and Welfare's (HEW's) travel regulations:

"The term 'lodgings' refers to quarters available for rent. Lodgings include such accommodations as hotel and motel rooms, apartments, rented private residences, and rental sites for travel trailers or camping vehicles.

"For subsistence reimbursement purposes the cost of lodgings includes only the necessary lodging costs the traveler is required to pay as a result of or incident to his assignment. Lodging costs do not include expenses incurred in a private residence owned by the traveler or expenses incurred when the traveler is a guest in a private residence."

From December 1975 to April 1977, the NCTR Director was stationed in Rockville, Maryland. During this period, he either owned or rented homes in Little Rock, Arkansas. While in travel status to NCTR, the Director stayed at these residences and received a fixed per diem rate.

From January 1976 to June 1976, FDA authorized a fixed per diem rate of \$25--\$11 for lodging and \$14 for meals and miscellaneous expenses--to be paid to the Director while he was in travel status at NCTR and staying at his Little Rock residence. The Director sold his house in Little Rock in June 1976, and rented a home there beginning in July 1976. (Per diem payments while staying in his rental home are discussed below.) After renting for a period of time, he purchased another home in Little Rock in December 1976. The fixed per diem rate claimed by the Director while in travel status to NCTR and staying at this home was the standard Government rate of \$35 in effect at that time. Between January 1, 1976, and June 30, 1976, the Director was paid about \$1,100 for lodging while staying at his privately owned residence in Little Rock. At the time of our review, the Director's vouchers covering travel to NCTR after purchase of his second home in Little Rock had not been paid. The NCTR certifying officer told us that he would not allow the Director any reimbursement claimed on these vouchers

for lodging while he stayed in his private residence in Little Rock.

Because lodging expenses incurred by the Director while staying in his private residence are not reimbursable under HEW travel regulations, FDA should recover all improper payments to the Director under such circumstances.

Reimbursement claimed for fixed per diem not authorized

The Director rented a house in Little Rock in July 1976 and stayed at the rented house while in travel status to NCTR until he purchased a house in December 1976. He was authorized a lodging-plus per diem rate, but he claimed reimbursement on the basis of the maximum fixed per diem rate allowable. His travel vouchers during this period contained a statement that a fixed rate of per diem had been established for Little Rock.

NCTR's Assistant Director for Administrative Management told us that FDA headquarters had verbally agreed to a fixed rate of \$33 a day--the maximum rate allowable at that time.

However, FDA's written confirmation to NCTR approved a lodging-plus per diem rate. Moreover, the annual blanket travel order issued to the Director also authorized a lodging-plus per diem rate. Since no record of approval exists for the fixed per diem rate claimed, there appears to be no basis for the Director's claims for lodging cost between July 1, 1976, and December 28, 1976, at the fixed per diem rate, which totalled about \$2,100.

Because there is no authorization for reimbursing the Director for lodging costs at a fixed per diem rate, any resulting payments in excess of those allowable under a lodging-plus basis should be reimbursed to the Government. The records we reviewed did not contain sufficient information to permit us to determine whether reimbursement at the fixed rate resulted in excess per diem payments to the Director.

Employee claim for lodging cost should have been disallowed

On at least four different occasions, NCTR's Assistant Director for Administrative Management traveled to Rockville, Maryland, on official business and stayed in a home owned

by the NCTR Director. The Assistant Director paid the NCTR Director \$30 a day for lodging and received receipts from the Director for these payments. On the basis of this arrangement, the Assistant Director was reimbursed lodging expenses of \$660 for these four trips.

According to NCTR's certifying officer, the Assistant Director provided receipts supporting the amounts claimed for reimbursement, and upon the advice of FDA headquarters, he certified the claims for payment.

HEW regulations cited on page 2 do not consider payments made while a guest stays in a private residence as bonafide lodging costs that are subject to reimbursement by the Government. Even if the Assistant Director was not considered a guest, NCTR had a responsibility under paragraph 1-7.3 of the Federal Travel Regulations to authorize only such per diem allowances as were justified by circumstances affecting the travel. That paragraph provides, in part, that:

"a. General. It is the responsibility for each * * * agency to authorize only such per diem allowances as are justified by the circumstances affecting the travel. Care should be exercised to prevent fixing per diem rates in excess of those required to meet the necessary authorized subsistence expenses.

"* * * consideration should be given to factors which reduce the expenses of the employee such as: Known arrangements at temporary duty locations where lodging and meals may be obtained without cost or at prices advantageous to the traveler * * *."

Further, Comptroller General decisions (52 Comp. Gen. 78, and 55 Comp. Gen. 856) have held that it is neither necessary nor reasonable for an employee to pay commercial rates to friends for lodgings or meals and that a reasonable basis for reimbursement under such circumstances would be an amount considerably less than commercial rates. One of these decisions (52 Comp. Gen. 78 supra) states that the basis for what is reasonable depends on the circumstances in each case including the consideration of the additional cost incurred by the friend or relative as a result of the traveler's stay in their home. It further states that in cases such as these, the employee should be required to support a claim by furnishing information to permit determination of reasonableness.

Because the Assistant Director had not submitted information to substantiate the reasonableness of his lodging cost, his claim for reimbursement should have been disallowed.

Unauthorized foreign travel

An NCTR employee was issued travel orders covering his travel to Miami, Florida, from January 23 to 31, 1976. During the same time period, the employee attended an international conference on birth defects held in Fort-de-France, Martinique. The employee's travel order did not authorize a trip to Martinique, and his travel voucher did not indicate that he had traveled to Martinique.

The employee told us he left Miami and went to Martinique on January 25, 1976, attended the conference on January 26, 27, and 28, and returned to Miami on January 29. He said the Director had verbally approved the trip to Martinique provided he paid his own transportation costs. Under FDA regulations, however, the Director does not have the authority to approve foreign travel. The FDA Staff Manual Guide states that FDA's Office of International Affairs is responsible for approving all international travel for FDA personnel, processing all travel documents, and preparing international travel reports to HEW. The NCTR employee's travel to Martinique was not approved by the Office of International Affairs.

We discussed the circumstances surrounding this trip with the NCTR Director and pointed out that the employee's voucher did not accurately reflect his actual travel. The Director noted that since the employee paid his own transportation costs, no additional cost to the Government was incurred; and he believed that the only errors involved were (1) a failure to amend the travel order and (2) the employee's failure to show the trip on his voucher. Although the Government may not have incurred any additional cost for the employee's trip to Martinique, permitting foreign travel under such arrangements circumvents the control intended by FDA's regulations over international travel.

Questionable travel payments for pre-employment interviews

Contrary to provisions contained in the Federal Personnel Manual, NCTR has paid the travel expenses of prospective employees to visit NCTR. A Civil Service Commission letter

dated April 23, 1976, to Federal agencies notes that the Comptroller General issued a decision (E-106116, Jan. 1975) that permits the payment of travel expenses for pre-employment interviews to those few high grade or unique positions in the competitive service for which the Civil Service Commission finds that an interview is necessary for final determination of qualifications.

High grade positions are defined as professional, administrative, or technical positions at grade GS-14 and above. Unique positions are defined as those with an unusual combination of duties, responsibilities, and qualification requirements.

The Federal Personnel Manual establishes the criteria to be used in paying travel expenses for pre-employment interviews. Generally, the authority is not to be used for entry-level positions except in rare cases, such as a research scientist with a doctorate degree.

For GS-13 positions and below, agencies may pay travel expenses for pre-employment interviews only with prior approval of the Commission, obtained on a case-by-case basis. No prior approval is needed for GS-14 positions and above. However, each time the authority is used, the agency is required to forward to the appropriate Commission office a copy of the position description and other post-audit material, such as travel funds expended, number of applicants interviewed, and results of interview.

We discussed with six NCTR employees the trips they made to NCTR shortly before they accepted positions at NCTR. The positions accepted included one GS-5, three GS-9s, one GS-11 and one GS-12. The travel orders stated the purposes of the trips were to consult on NCTR programs. However, based on our discussion with the employees, we concluded that three of the six trips were for pre-employment interviews. Three employees told us they were aware of employment opportunities at NCTR prior to their trips. They believed at the time that NCTR officials also perceived the purpose of the trips to be related to possible employment. One of the three said he was offered a Government Transportation Request so that he could come to NCTR at Government expense to see firsthand what NCTR and the surrounding community had to offer. He said he questioned the propriety of having the Government pay his travel expenses under these circumstances but was told by an NCTR official not to worry about it.

NCTR officials told us that pre-employment interviews provide them the opportunity to evaluate individuals in their field of expertise and to determine if they have sufficient expertise to make a contribution to a program; if so, they said they might offer the individuals a position at NCTR.

NCTR's Assistant Director of Administrative Management told us that NCTR had not sought Commission approval to pay travel expenses for pre-employment interviews because he felt any employment-related interviews conducted with persons visiting NCTR were secondary, and not the primary reason for having the person travel to NCTR at Government expense.

Other deficiencies
in travel administration

We analyzed 132 vouchers for travel during fiscal years 1976 and 1977 and found that:

--Mileage claimed on 63 vouchers was not supported by odometer readings or standard highway mileage guides as required by Standardized Government Travel Regulation 1-4.1b(1), dated August 3, 1973.

--Long distance telephone calls on 15 vouchers were not itemized as to (1) the purpose of the call, (2) points between which services were rendered, (3) amount paid for each call, and (4) whether calls were for official business as required by HEW travel regulations (HEW TN-71.25, para. 5-40-70, dated October 1, 1971).

--Costs claimed on seven vouchers for cash payment in excess of \$100 for transportation did not state the reason for not using a Government Transportation Request as required by HEW Travel Regulations (HEW TN-72.21, para. 5-10-50c, October 17, 1972).

--In five instances, an NCTR Official who was authorized actual subsistence to a high-cost area claimed per diem on a lodging-plus basis. An HEW memorandum dated May 21, 1975, which implemented the Travel Expense Amendments Act of 1975 (Public Law 94-22), provides that when a traveler claims per diem while in a high-cost area, the voucher will be returned for resubmission on an actual expense basis. In each instance, the voucher was approved and certified for payment on a per diem basis.

--One employee was erroneously reimbursed about \$800 for travel expenses incurred while taking college courses after normal duty hours. FDA regulations state FDA will not pay travel expenses for courses taken on an employee's own time.

--Six car rentals exceeded the \$250 limitation established by HEW.

--Mileage charges for 20 of 85 rental cars appeared excessive. The certifying officer was able to justify the mileage in only 10 of these 20 cases. In one instance, he could only justify 120 of the 306 miles driven by a traveler. In another example, only 50 of 147 miles driven could be justified.

PERSONNEL AND PAYROLL DEFICIENCIES

We noted several personnel and payroll deficiencies which involved (1) hiring of a laboratory assistant, (2) payment of employee training costs, and (3) payroll computations of summer employees.

Questionable personnel procedures used to hire a new employee

In September 1975, NCTR hired the wife of a National Cancer Institute scientist detailed to NCTR to assist the scientist in his laboratory work at NCTR. To compensate the wife until Civil Service status could be obtained, NCTR issued (1) a 1-month appointment, (2) a 700-hour appointment at the expiration of the 1-month appointment, and (3) a purchase order at the expiration of the 700-hour appointment for \$425 for her services until she received a career-conditional, part-time appointment on March 28, 1976.

An NCTR official stated that in order to obtain the services of the research scientist, who is considered an expert in his field, the NCTR Director agreed to the scientist's request that his wife be hired to assist him in his laboratory work. NCTR's Administrative Management Division was not made aware of this commitment and had made no arrangements for the wife's appointment when the scientist reported to NCTR. The Assistant Director said that it was necessary to employ the wife immediately in order to retain the services of the scientist.

We believe that the 700-hour appointment which followed a 1-month appointment was improper. The Federal Personnel Manual, Chapter 316, subparagraph 4-7c(1)(d) governing conditions under which 700-hour appointments may be made, provides as follows:

"c. Appointment for 700 hours or less

"(1) General. Authority is delegated to agencies to make temporary limited appointments without regard to registers, under the following conditions:

. * * * * *

"(d) Appointments under this authority may not be made for the purpose of extending some other authority. (This does not preclude appointment following a 1-month special needs appointment if there was a legitimate reason for not using the 700-hour authority initially; e.g., if the appropriate qualification standard includes a written test and it was not feasible to administer the test prior to the appointment.)"

The records we reviewed did not indicate why the 1-month appointment was used or why the 700-hour appointment could not have been used initially.

Because the procedures used by NCTR to appoint the scientist's wife appear to be in violation of the Federal Personnel Manual requirements for such appointments, we provided this information by letter dated February 16, 1978, to the Civil Service Commission for any investigation and action it may wish to take.

The Commission, in its investigation, should consider whether the scientist's influence in securing his wife's appointment was in violation of Federal regulations (5 CFR 310.103) which prohibit a Government official from advocating a relative for appointment or employment to a position. The Commission should also consider the propriety of the scientist's wife working under the direct supervision of her husband.

Other deficiencies

We identified the following additional deficiencies involving personnel and payroll matters:

- Under certain conditions, tuition paid by Government employees for outside academic study involving job-related courses may be eligible for reimbursement by the Government. However, NCTR has reimbursed employees for the cost of study courses that did not appear to be related to their jobs. NCTR reimbursed a secretary for courses in Commercial Law, Western Civilization, and General Psychology; NCTR also reimbursed two accounting technicians for courses in American Literature. NCTR's training officer agreed that such training did not meet the applicable criteria and would no longer be approved for reimbursement.
- NCTR permitted a part-time employee to frequently work more hours than scheduled. The Federal Personnel Manual defines a part-time employee as one who works less than 40 hours per week. One NCTR part-time employee was scheduled to work 60 hours each biweekly pay period. However, since her appointment in March 1976, she has, during many pay periods, worked a full 80 hours for which she was compensated. An NCTR official told us that NCTR had not closely monitored the working hours of part-time employees. Therefore, some of the other 26 part-time employees at NCTR may also be working more hours than scheduled. After we discussed this matter with FDA headquarters officials, they provided instructions to NCTR to correct this situation.
- We reviewed salary computations for eight temporary employees. We found that salary computations for two of them were incorrect, which resulted in salary overpayments of \$86 each. NCTR has recovered the overpayment in one case. As of February 1, 1978, NCTR had not recovered the second overpayment.

INADEQUATE INVENTORY CONTROLS
OVER GOVERNMENT PROPERTY

HEW and FDA regulations require a physical inventory of accountable personal property each year. Physical inventories of personal property at regular intervals are necessary as a check on the effectiveness of the property accounting system to (1) provide adequate and accurate

information needed by management to account for these resources and (2) procure, use, and manage them efficiently and effectively.

According to property records, NCTR's accountable personal property is valued at about \$7.6 million.

Although established in 1971, NCTR only recently initiated its first inventory. At the time of our review, about \$6 million of a total of \$7.6 million in personal property had been inventoried, and NCTR had been unable to account for property valued at about \$482,000. Because this physical inventory had not been completed for all items, accountability may be established for these items at a later date.

Although NCTR may eventually be able to account for all its property, we believe several weaknesses in its property management system have contributed to the difficulties in completing the physical inventory. For example, (1) transfers of property between NCTR operating groups were either not documented or not reported to NCTR property management personnel, (2) newly purchased property was not always recorded in NCTR's property records, and (3) property custodians had been appointed for only 13 of the 56 NCTR operating groups.

QUESTIONABLE LONG DISTANCE TELEPHONE CALLS CHARGED TO GOVERNMENT CREDIT CARDS

A number of long distance telephone calls that appeared to us to be personal in nature were charged to Government credit cards. Our analysis of NCTR's monthly long distance telephone statements for November 1975, March 1976, and March, April, and June 1977, showed that NCTR employees made calls to private residences, a real estate broker, a hair stylist, and a personal accountant. Such calls were certified as official calls by NCTR officials and were paid for by the Government.

NCTR employees made long distance calls totalling about \$1,625 on the five monthly credit card statements we reviewed and about \$375 of these calls appeared questionable.

Regarding one of the telephone statements reviewed, an NCTR official told us that he knew some of the calls

listed on the statement were personal in nature, but he certified them as official since they had already been billed.

As a result of this problem, an FDA official told us that the number of telephone credit cards in use at NCTR was being reduced from 20 to 10; and until an investigation of this matter is completed, FDA headquarters would review long distance calls charged to NCTR credit cards.

CONCLUSIONS AND RECOMMENDATIONS

Generally, the deficiencies found were the result of management's inattention to or failure to follow prescribed regulations and procedures. Since our review was limited to specific allegations, the problems we noted may be indicative of more widespread problems at NCTR.

We recommend that the Secretary of HEW direct HEW's Inspector General to conduct a comprehensive audit of NCTR's administrative practices. This audit should be directed to identifying:

- The extent to which additional administrative problems may exist at NCTR, and changes needed to strengthen administrative controls.
- The amounts owed to the Government as a result of improper payments by NCTR under circumstances discussed in this report, so that appropriate collection action can be taken.

ACTIONS TAKEN BY FDA

After we briefed FDA officials in October 1977 on the results of our review at NCTR, the Commissioner of FDA took the following action:

- Issued a series of administrative directives to NCTR management concerning, among other matters, the authorization of travel, use of personal and rental vehicles, use of long distance telephone calls, hiring and reimbursement practices, training assignments, and procurement of property and services.
- Requested that the Inspector General investigate our findings.

The Inspector General has initiated an investigation of the matters we referred to the Department of Justice, but as of January 1, 1978, had not initiated a comprehensive audit of administrative matters.