



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

12/22/85
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NATIONAL SECURITY AND
INTERNATIONAL AFFAIRS DIVISION

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May 23, 1985

B-215009

RELEASED



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The Honorable Edward Zorinsky
United States Senate

Dear Senator Zorinsky:

Subject: United States Information Agency's
Use of Consultant Services
(GAO/NSIAD-85-85)

You requested that we review allegations relating to the United States Information Agency's (USIA) hiring and travel practices and its use of consultant services. We previously briefed your office on the results of our inquiry, and this report summarizes our work on the adequacy of USIA's controls over hiring and paying of consultants.

As agreed with your office, the scope of the review was limited to the 17 consultant contracts you asked us to examine. We obtained and analyzed applicable laws, USIA regulations, and USIA records; reviewed USIA Offices of Inspections and Audits reports; and interviewed current as well as former USIA officials. We conducted our review in accordance with generally accepted government auditing standards.

REVIEW RESULTS

All 17 consultants were hired under 5 U.S.C. 3109. This authority is used by agencies to appoint experts and consultants, whether the services are paid or unpaid. Five of the 17 consultants were hired while awaiting the approval and security clearances necessary to convert them to Schedule C¹ appointments. Additionally, two consultants worked without compensation.

Regulations relating to the employment and payment of consultants and experts are set forth in chapter 304 of the Federal Personnel Manual and in chapter 800 of the Manual of Operations

¹As defined in title 5, CFR, sec. 213.3301, Schedule C positions are those of a confidential or policy-determining character at grades GS-15 and below which are not subject to competitive career appointment requirements.

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and Administration (MOA), part V-A, and chapter 500, MOA, part VII. Briefly, these regulations allow for use of consultants and experts when the agency needs a specialized opinion unavailable in the agency; an outside point of view on administrative or technical issues; advice on developments in industry, university, and foundation research; opinions of noted experts; advisory participation of citizens to develop government programs; and skills of specialized persons who are not needed continuously. Regulations are specific as to paperwork requirements and pay entitlement.

On the 17 cases we reviewed, we found:

--Justification for the need of consultants was usually not well documented or was questionable.

--Most consultants were paid improperly--eight overpaid and one underpaid.

Regarding justifications, regulations require "A description of the position in enough detail to show that the position actually requires an expert's or consultant's services." We found that 7 of the 10 descriptions of duties we reviewed were vague, and justifications of the need for consultant services were not well documented. We did not review the justification for the two unpaid consultants and the five consultants who were awaiting Schedule C appointments.

Justifications were often vague, and did not include a clear description of duties to be performed or agency expectations. For example, according to appointment documents, one consultant was hired to "serve as a consultant to the Director. In this capacity the incumbent provides advice and recommendations on Agency programs and effectiveness, and suggests alternative approaches to the accomplishment of the Agency's various missions." In another case, a consultant's duties were described as "serves as a Consultant to the Director. Performs special studies in programming, policy, and/or management areas to provide substantive input to Agency leadership in carrying out the new Administration's policies."

An example of questionable justification and lack of documentation is the retaining of a consultant to analyze 22 private sector grants. The appointment documents stated that his duties were to "Advise the Deputy Director and the Associate Director for Management of financial and fiscal issues of concern to the management of the Agency." According to the consultant's report, the purpose of his work was ". . . to look at the relationship between Participant costs, Support costs (which includes escorts, U.S. speakers, staff, direct costs) and Overhead as it relates to total costs of each grant and total costs of the 22 grants." The consultant was paid \$12,584 for a total of 52 days between February 24 and May 13, 1983.

The former Deputy Director and Associate Director for Management informed us that the justification for using this consultant was based on the need for an outside opinion, even though this was not stated in the appointment and/or supporting documents. We question why an outside consultant would be needed for what amounts to mathematical analysis, which could have been done by in-house personnel.

We found numerous payment errors were made in compensating the consultants. Nine of the 15 paid consultants included in our sample were either overpaid or underpaid. Eight consultants were overpaid a total of \$3,031.32. Three were paid for holidays, contrary to the agency MOA, part VII, section 542.3; three were paid in excess of the statutory biweekly ceiling and/or the daily rate; and two were overpaid as a result of a computation error. One consultant was underpaid \$704.31 as a result of a computer program error.

We provided the Chief, Financial Operations Division, with a list of the overpayment errors. We also discussed the underpayment and were informed the computer had been programmed to compute pay in 8-hour equivalents and any hours in excess of that were dropped. The Financial Operations Division chief said that this deficiency in the computer program had been corrected and consultants are being paid for actual hours worked. We verified subsequent payments and found that corrective action had been taken on this deficiency.

CONCLUSION AND RECOMMENDATIONS

In summary, in our limited review, we found weaknesses in agency practices regarding documentation of consultant services and payment of consultants. We believe that a clear and definitive description of duties should be prepared for each proposal to hire a consultant, stating the agency's specific need for and expectation of the consultant. Without such a statement, management officials cannot adequately evaluate the need for a consultant's services, and the use of consultants is subject to abuse. Regarding pay, the error rate in consultant pay entitlements--60 percent of the paid consultants we examined--demonstrates a need for increased attention to payments to consultants.

We recommend that the Director of USIA:

- ensure that consultants and agency personnel responsible for their compensation are informed about consultant pay entitlements,
- review consultant payrolls to ensure that agency regulations are being followed and consultants are being paid properly, and

--direct the Office of the Comptroller to correct the erroneous payments we identified.

AGENCY COMMENTS

In its comments on our draft report (see enclosure), the United States Information Agency concurred with our findings and informed us of the following actions that it has either taken or plans to take. All consultants will be provided a notice describing pay entitlements. Also, the Director sent a memorandum to all associate directors and element heads notifying them of consultants' pay entitlements and of their responsibilities in providing proper documentation for consultant services. Timekeepers were provided current regulations for reporting time and attendance of experts and consultants. An edit will be established in the computer system to prevent payments in excess of maximum biweekly limitations. The Associate Director for Management will ensure that the Office of the Comptroller makes periodic reviews of consultant payments. The Agency will send letters requesting repayment to correct erroneous payments we identified.

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

Sincerely yours,



Frank C. Conahan
Director

Enclosure

**United States
Information
Agency**

Washington, D.C. 20547

ENCLOSURE

Office of the Director



ENCLOSURE

May 3, 1985

Dear Mr. Conahan:

We appreciate the opportunity to review the General Accounting Office's draft report entitled "Review of USIA Use of Consultant Services".

Actions planned by the Agency in response to the three recommendations made by the GAO are as follows:

GAO Recommendation - That the Director of USIA ensure that consultants and agency personnel responsible for their compensation are informed about consultant pay entitlements.

Agency Response - All private sector consultants will be provided a notice describing pay entitlements. Also, an Agency memorandum (see enclosed) will be sent to all Associate Directors and Element Heads notifying them of consultant pay entitlements and of their responsibilities in providing proper documentation to support the need for consultant services.

GAO Recommendation - That the Director of USIA review consultant payrolls to ensure that agency regulations are being followed and consultants are being paid properly.

Agency Response - The USIA Manual of Operations & Administration (Part VII, Section 540) was updated in February, 1984 to reflect current regulations for reporting time and attendance for experts and consultants. Copies were provided to timekeepers. In addition, an edit will be established in our computer system to prevent salary payments in excess of the maximum bi-weekly limitation. The Associate Director for Management will make sure that a periodic review of such payments will be conducted by the Office of the Comptroller.

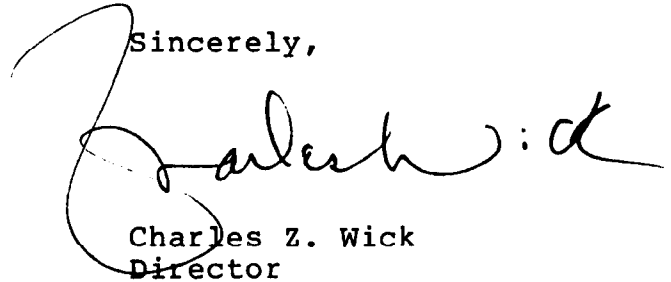
Mr. Frank C. Conahan
Director
National Security and International
Affairs Division
U.S. General Accounting Office

GAO Recommendation - That the Director of USIA direct the Office of the Comptroller to correct the erroneous payments we identified.

Agency Response - Letters requesting repayment will be sent to the consultants identified by the GAO.

Thank you for this opportunity to comment on your findings.

Sincerely,

A handwritten signature in black ink, appearing to read "Charles Z. Wick". The signature is written in a cursive style with a large initial "C" and a long horizontal stroke.

Charles Z. Wick
Director

**United States
Information
Agency**

Washington, D.C. 20547

ENCLOSURE


Office of the Director



ENCLOSURE

May 3, 1985

MEMORANDUM FOR: The Counselor
 Associate Directors
 Area Directors
 IG - Mr. Bridges
 IO - Mr. Lee
 PL - Mr. O'Connell
 GC - Mr. Harvey
 TV - Mr. Snyder

FROM: Charles Z. Wick 
 Director

SUBJECT: Consultant Services

The Government Accounting Office recently completed a "Review of USIA Use of Consultant Services." GAO found insufficiency in three areas:

- (1) the need for consultation services as defined in our regulations,
- (2) the documentation justifying the need for such services,
- (3) the recording of time worked by consultants which resulted in overpayment to several consultants.

The Agency regulations (Chapter 800, MOA, Part V-A and Chapter 500, MOA, Part VII) are specific regarding paperwork requirements and pay entitlement for consultant services. The purpose of this memorandum is to advise you that I am expecting each of you to monitor use of consultants and to insure compliance with Agency regulations and the GAO recommendation, as indicated in my reply to Mr. Conahan at GAO (attached).

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