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

RESOURCES, COMMUNITY,  
AND ECONOMIC DEVELOPMENT  
DIVISION

B-197494

JANUARY 4, 1984

The Honorable Carl D. Pursell  
House of Representatives



123174

Dear Mr. Pursell:

Subject: Followup Review of the National Science  
Foundation's Conflict of Interest Resolution  
System for Short-Term Employees (GAO/RCED-84-35)

On September 1, 1983, we briefed your office on our recently completed followup review of the National Science Foundation's (NSF's) system for identifying and resolving potential conflicts of interest for short-term employees who fill noncareer positions for 1 to 2 years. This letter responds to a request by your office for a summary of that briefing.

In response to recommendations from our January 1981 study of NSF's short-term employees, NSF implemented the following new conflict of interest rules and procedures:

- designating a responsible official to determine on a case-by-case basis the precautions to be taken to avoid conflicts of interest in handling proposals or awards involving prospective, current, or former employees;
- including a memorandum in the file for each such proposal or award, stating the steps taken to avoid conflicts of interest;
- under ordinary circumstances, not allowing the immediate supervisor or subordinate of the prospective or current NSF employee to handle proposals or awards involving interests of the employee; and
- making the file jacket for proposals or awards involving NSF employees unavailable to those employees.

The NSF Director designated the Director of the Office of Audit and Oversight (OAO) to monitor the above new rules and to refer all conflict of interest matters to the NSF General Counsel for resolution. In addition to implementing these procedures,

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NSF changed its rules for former employees who had departed NSF within a year with respect to submitting a new project proposal and for receiving compensation from a new project award. Prior to implementing the new procedures, three rules governed NSF employees' actions for 1 year after leaving: (1) the Ethics in Government Act barred "senior employees" from negotiating with NSF officials, (2) an NSF rule barred any employee from negotiating with NSF officials by submitting a new project proposal (but not a renewal proposal), and (3) another NSF rule barred NSF employees from receiving compensation under a new project award (but not a renewal award). NSF modified and replaced these rules with one simple rule barring all former employees from negotiating with NSF on any subject for 1 year after leaving. To ensure that no such employees negotiate with NSF, NSF requires that a substitute negotiator be designated for any active proposal or award on which a former employee is the principal investigator.

The objective of our followup review was to determine how effective NSF's new rules and procedures are in controlling conflicts of interest of short-term employees. We examined pertinent documents and interviewed NSF officials to develop information on how NSF has been implementing its new rules and procedures. We tested the system used by OAO to identify and resolve potential conflicts of interest by independently identifying potential conflict of interest cases and determining if the system identified and resolved the cases. We reviewed the files for all (89) scientists and professional staff who terminated their employment with NSF between January 1 and December 31, 1982. The staff members, generally in grades GS-12 and above, (1) had held positions which might have enabled them to influence grant award decisions and (2) could also have reasonably been expected to submit research proposals and obtain grants.

Our review was conducted in accordance with generally accepted government auditing standards.

We found that NSF officials in each directorate have implemented the new rules and procedures and that the Director of OAO has implemented an effective oversight system. OAO has been monitoring all proposals, awards, and related activity involving (1) NSF staff members, (2) persons under consideration for NSF staff positions, and (3) former staff members who have been away from NSF for less than a year. Our test of the system which OAO uses identified 12 of the 89 scientists and professional staff as having active research grants or proposals requiring resolution. We found that OAO had identified these 12 cases as potential conflicts of interest and had resolved them either through its actions, such as requiring that substitute negotiators be appointed, or in cooperation with the General Counsel when a legal interpretation of the conflicts regulations was necessary.

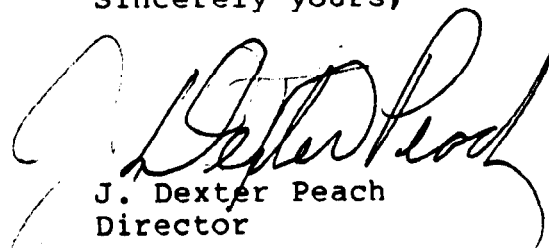
We believe NSF's new conflict of interest rules and procedures are adequate for making decisions on short-term employees' grant activities which are vulnerable to impropriety. We found

that the new NSF conflict of interest rules and procedures are responsive to the recommendations in our January 15, 1981, report on short-term employees (PAD-81-16).

NSF reviewed a draft of this report and told us it agrees with the contents.

We are sending copies of this letter to the Director of the National Science Foundation and to the chairmen of appropriate congressional committees. Copies will also be made available to other interested parties on request.

Sincerely yours,



J. Dexter Peach  
Director