Audit Report

OFFICE OF THE INSPECTOR GENERAL

CONTROLS FOR
DEFENSE SCIENCE BOARD ACTIVITIES

Report No. 96-230 September 25, 1996

Department of Defense

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Acronyms

DSB	Defense Science Board
USD(A&T)	Under Secretary of Defense for Acquisition and Technology

INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
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Report No. 96-230 September 25, 1996

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE FOR ACQUISITION AND TECHNOLOGY
DIRECTOR FOR ADMINISTRATION AND MANAGEMENT

SUBJECT: Audit of Controls for Defense Science Board Activities (Project No. 6AG-5023)

Introduction

We are providing this report for your information and use. This audit was requested by Senator David Pryor, Ranking Minority Member of the Senate Governmental Affairs Subcommittee on Post Office and Civil Service, to assess potential conflicts of interest among members of the Defense Science Board (DSB) and to assess balance concerning their points of view. More than 25 years ago, the Secretary of Defense established DSB as a Federal advisory committee to provide objective and expert scientific advice to DoD on major policy decisions affecting weapon system acquisitions and other procurements costing billions of dollars. The Office of the Under Secretary of Defense for Acquisition and Technology (USD[A&T]) provides management oversight of DSB activities. DSB members are selected on the basis of their experience in the fields of science and technology and their application in military operations, research, engineering, and manufacturing. Task forces conduct studies under the auspices of DSB on a wide range of Defense matters. The task forces were composed of subject matter experts from industry, academia, and Government. For calendar years 1994 and 1995, about 35 task forces were initiated, with 25 reports issued at the time of our audit (Enclosure 1).

Audit Results

Oversight and administration of DSB activities generally complied with applicable laws and DoD guidance. The following conditions required management attention: task force chairpersons did not ensure that minutes of task force meetings were always properly documented, the DSB Secretariat did not ensure that minutes were filed, and the Director for Administration and Management, Office of the Secretary of Defense, did not conduct periodic compliance reviews of DSB activities as DoD policies required. Management implemented actions during our audit to correct the deficiencies. Additionally, we found ambiguity as to what constituted "balance" within the DSB because existing laws and guidance do not clearly define the term. Of the current DSB, 82 percent was composed of former high-ranking DoD civilians, retired military

flag and general officers, high-level officials of Defense contractors, and other private consultants with links to Defense contractors. That factor did not appear to influence task force decisions or recommendations in any inappropriate manner.

Audit Objectives

The audit assessed DSB compliance with Public Law 92-463, "Federal Advisory Committee Act," October 1972, as amended in United States Code, title 5, appendix 2, and DoD Directive 5105.4, "Department of Defense Federal Advisory Committee Management Program," September 29, 1989. The audit also assessed conflict of interest provisions in United States Code, title 18, section 208, and DoD Regulation 5500.7-R, "Acts Affecting a Personal Financial Interest," August 30, 1993. Specifically, the congressionally requested audit evaluated the policies, procedures, and management controls designed to prevent possible conflicts of interest among members of the various DSB task forces. Additionally, the audit assessed DSB balance concerning members' points of view. The scope and methodology is in Enclosure 2, with the statistical sampling plan in Enclosure 3. Also, prior audit coverage of DSB activities is in Enclosure 4.

Audit Background

DoD Directive 5105.4 provides guidance governing management of DSB. The directive establishes DoD policies and assigns responsibilities for executing the provisions of the Federal Advisory Committee Act related to the oversight and control of DSB activities. Within DoD, USD(A&T) is responsible for the oversight and management of DSB and enforcing the Act's provisions. The USD(A&T) has assigned an executive director who oversees day-to-day operations of DSB and ensures that the requirements of the Federal Advisory Committee Act and applicable conflict of interest provisions are enforced.

The USD(A&T) appoints consultants to DSB and the various task forces based on DSB and task force chairperson recommendations, respectively. Currently, 27 consultants comprise DSB. DSB consultants are initially appointed to terms ranging from 1 to 4 years. They can be reappointed for additional terms based on USD(A&T) discretion. Task force consultants are appointed to serve for the timeframe that the task force is in existence. For the 11 task forces reviewed, individual task force membership ranged from 5 to 44 members.

Discussion

Conflict of Interest and Balance. Conflict of interest, as defined in DoD guidance, includes the participation in any particular matter in which the Government employees, their spouses, minor children, or partners have a financial interest or in which businesses or nonprofit organizations with which such personnel are connected or are seeking employment have financial interest.

Our assessment of DSB operations did not reflect any evidence of conflicts of interest among task force members. However, during our assessment for balance, we found some ambiguity among DSB management as to what constituted "balance." DSB management does not believe that the Federal Advisory Committee Act or DoD policies clearly define the term. Management attempted to maintain balance within each task force by ensuring that no more than one consultant from any one company is placed on the same task force. We believe that the DSB action of having no more than one consultant from a single company provides adequate safeguards.

Although DSB and most task forces were dominated by consultants with prior or current links to DoD, DSB management did not believe that their links unduly influenced task force decisions or recommendations. For example, 82 percent of the current DSB is composed of former high-ranking Government officials, retired military flag and general officers, high-level officials of Defense contractors, and private consultants linked to the DoD military and Defense contractors. Most individuals on the 11 task forces that we selected for review (Enclosure 5) had such ties to DoD. At the time of our audit, five reports on the 11 task forces had been issued. Based on our review of the reports, we found no evidence that links to DoD influenced task force members' recommendations in any inappropriate fashion. Those links probably reinforce the credibility of the DSB in terms of demonstrable knowledgeability about Defense issues.

Management of DSB Activities. It is important to maintain good administrative controls to minimize potential concerns related to conflicts of interest or objectivity. Oversight and administration of DSB activities generally have complied with applicable laws and DoD policies. However, we found instances in which administrative practices needed improvement. Our review of minutes for 84 task force meetings showed that the DSB Secretariat did not ensure that documentation supporting 11 meetings was included in USD(A&T) files. The Federal Advisory Committee Act requires that task force chairpersons document detailed minutes and attendance of all task force meetings.

Also, the Director for Administration and Management, Office of the Secretary of Defense, was not conducting periodic reviews of DSB operations and records as DoD policies require. DoD Directive 5105.4 requires the Director to periodically review the operations and records of the DoD advisory committee for conformance with applicable laws, policies, and regulations.

Corrective Actions. We discussed those issues with DSB management, who agreed to take immediate corrective action to ensure that task force meetings are properly recorded and promptly filed. DSB management plans to revise standard operating procedures to establish a deadline for task force chairpersons to document and submit minutes to the DSB Secretariat within 30 days of a meeting. Regarding the issue of compliance reviews of DSB activities, officials within the Office of the Director for Administration and Management believed that sufficient oversight of DSB activities was already in place, such as the requirement for annual reporting to the President and the General Services Administration, the DSB charter renewal process, the requirements on closed

meetings, and the ceiling imposed on Federal advisory committees by the President. The officials further stated that planned revisions to DoD policies, scheduled for FY 1997, will eliminate the redundant requirement for periodic reviews. We agree that the current directive needs to be updated, and we will work with management when a draft revision is staffed to ensure that it strikes a reasonable balance in terms of controls and administrative burden. The results of the audit indicate that the previous management control structure was generally adequate, but did allow some administrative control deficiencies to persist or recur. In addition to reviewing the draft revised directive, we will follow up on the agreed-upon corrective actions related to the audit. Because those actions are responsive to the audit findings, we are not making separate recommendations.

Management Comments

We provided a draft of this report on August 5, 1996. Because the report contains no findings or recommendations, management comments were not required, and no comments were received. Therefore, we are publishing this report in final form.

We appreciate the courtesies extended to the audit staff. For additional information on this report, please contact Mr. James L. Koloshey, Audit Program Director, at (703) 604-8961 (DSN 664-8961) or Mr. Eddie J. Ward, Audit Project Manager, at (703) 604-8966 (DSN 664-8966). Enclosure 7 lists the distribution of the report. The audit team members are listed inside the back cover.

Robert J. Lieberman
Assistant Inspector General
for Auditing

Enclosures

Task Force Studies Initiated From January 1, 1994, Through December 31, 1995

Date Initiated	Task Force Title *
1. January 14, 1994	**Depot Maintenance Management**
2. February 7, 1994	Tracked Vehicle Industrial Base
3. March 28, 1994	**U.S. New Independent States Defense Diversification**
4. April 11, 1994	DoD Biological Defense Program
5. April 21, 1994	Cruise Missile Defense
6. May 10, 1994	**Joint Advanced Strike Technology Program**
7. June 2, 1994	**Global Positioning System**
8. June 2, 1994	Information Architecture
9. June 13, 1994	Military Operations in Built-Up Areas
10. June 21, 1994	**Use of Deoxyribonucleic Acid Technology for Identification of Ancient Remains**
11. July 25, 1994	**Depot Maintenance Operations and Management**
12. September 2, 1994	Environmental Security
13. October 3, 1994	C-17 Review, Phase II
14. October 5, 1994	Cost Reduction Strategies for V-22 Program

* Bolded task forces were randomly selected for the audit except for item 31, which was selected because of the study's high profile.

Task Force Studies Initiated From January 1, 1994, Through December 31, 1995

Date Initiated	Task Force Title *
15. October 19, 1994	Joint Technology Issues
16. October 21, 1994	Role of Federally Funded Research and Development Centers in the Mission of the DoD
17. November 1, 1994	Concurrency and Risk of the F-22 Program
18. November 10, 1994	Defense Acquisition Reform, Phase II
19. December 9, 1994	Quality of Life
20. December 15, 1994	Readiness, Phase II
21. January 10, 1995	Combat Identification
22. February 5, 1995	**Theater Missile Defense**
23. March 23, 1995	Defense Mapping for Future Operations
24. March 27, 1995	**Unique Surveillance Technologies**
25. March 29, 1995	Technology Investments for 21st Century Military Superiority
26. May 25, 1995	**Breakthrough Technologies**
27. June 2, 1995	Logistics Modernization
28. August 9, 1995	Improved Application of Intelligence to the Battlefield
29. October 4, 1995	Information Warfare (Defense)

* Bolded task forces were randomly selected for the audit except for item 31, which was selected because of the study's high profile.

Task Force Studies Initiated From January 1, 1994, Through December 31, 1995

Date Initiated	Task Force Title *
30. October 14, 1995	**International Arms Cooperation**
31. October 18, 1995	**Privatization and Outsourcing**
32. October 30, 1995	Federally Funded Research and Development Centers and University Affiliated Research Centers
33. November 3, 1995	Strategic Mobility
34. December 11, 1995	C^4I Surveillance and Reconnaissance Integration
35. December 19, 1995	Image-Based Automatic Target Recognition

* Bolded task forces were randomly selected for the audit except for item 31, which was selected because of the study's high profile.

Scope and Methodology

Scope. To assess DSB balance and potential for conflict of interest among members, we evaluated USD(A&T) management of DSB activities in accordance with the Federal Advisory Committee Act and DoD Directive 5105.4. We reviewed data related to the DSB program from January 1989 through March 1996. We reviewed minutes of task force meetings, DSB compliance reviews, task force reports, and congressional testimonies on DSB activities. Additionally, we reviewed task force members' personnel-related data, including financial disclosure statements, to determine prior employment and affiliations and to assess for balance and conflicts of interest. Because we were responding to a specific Congressional request, we did not review the management control program beyond the DSB management controls that pertained directly to the compliance issues related to the request. DSB management controls needed improvement and management took action during the audit to address the deficiencies. Because we found no discernable impact related to those management control weaknesses, we did not consider them to be material.

Methodology. We used a statistical sampling approach during the audit with assistance from the Inspector General, DoD, Quantitative Methods Specialist (Enclosure 3). The sample results show the distribution of consultants among the selected task forces (Enclosure 5). We are not making statistical projections because of the lack of definitive criteria for determining "balance" among DSB and task force members. Also, we did not use computer-processed data.

Audit Period, Standards, and Locations. This program results audit was performed from January through June 1996 in accordance with auditing standards issued by the Comptroller General of the United States, as implemented by the Inspector General, DoD. We included tests of management controls considered necessary. Enclosure 6 lists the organizations visited or contacted during the audit.

Statistical Sampling Approach

Audit Universe. The audit universe consisted of all DSB task forces initiated from January 1, 1994, through December 31, 1995. This timeframe was selected to provide a real-time assessment of DSB activities. During the period, 35 task force studies were started (Enclosure 1). We deleted from the universe the DSB members who were also task force members during the timeframe to avoid duplication or double counting. We had 29 DSB members that were not included in the task force random selection.

Sampling Plan. We used a two-stage sampling technique with random selection at each stage to assess the task force membership for conflicts of interest and balance. We also used a simple random sample to select DSB members not included in the task force random selection. Not included in the sampling plan are 23 members of the Privatization and Outsourcing Task Force, which was selected for review because of the task force's high profile.

Stage One. Stage one was a random selection of 10 task forces from the audit universe. The sample of 10 randomly selected task forces are highlighted in bold in Enclosure 1.

Stage Two. Stage two was a random selection of task force members from the sample of 10 task forces selected in stage one. The 10 task forces selected in stage one had a total of 139 members. We selected 54 of the 139 total members by randomly sampling from each task force.

DSB Members Selection. DSB members were also selected using simple random sampling. Of the DSB members, 29 unique members were not included in the task force random sample, from which 10 members were selected.

Prior Audits and Other Reviews

Office of the Inspector General, DoD. Report No. 84-013, "Report on the Followup Review of Policies, Practices, and Procedures for Operation of the Defense Science Board," November 16, 1983, states that DSB had planned or taken corrective actions to remedy the problems reported in the previous audit. However, consultants' financial disclosure statements still contained deficiencies, and consultants served before completion of the required personnel actions. DSB management concurred with the findings and strengthened existing procedures to correct the deficiencies. The report was based on a congressional request that the Inspector General, DoD, conduct a followup review of DSB.

Report No. 83-156, "Policies, Procedures, and Practices for Operation of the Defense Science Board," July 7, 1983, reported several instances in which DSB was not in compliance with existing laws and policies. For example, consultants to DSB did not always complete financial documents, and when they were completed, the consultants did not complete them in a timely manner. Also, DSB management could not provide certain documented evidence as required by law, such as meeting minutes and Federal Register notifications. Additionally, DSB could not provide documentation regarding its methodology for providing balance among task forces. The report recommended that DSB enforce administrative controls and update its guidance to explain what actions will be taken to achieve task force balance. DSB management concurred with the intent of the findings and recommendations. Management initiated actions to develop and implement revisions to its practices and procedures to ensure compliance with existing laws and policies.

General Accounting Office. Report No. 966171, "Followup Review of DoD Actions to Correct Problems in the Operation of the Defense Science Board," February 13, 1984, assessed actions taken by DSB in response to the two Inspector General, DoD, audits. The report, in response to congressional concerns, concluded that the audits adequately addressed congressional concerns and that DoD had taken actions to correct problems. The report did not make any recommendations.

Task Force Balance

This table demonstrates task force balance by segmenting the 11 task forces reviewed by employment classification.

	Task Force Member Classification					
Task Force Title	Government Employee	Active Duty Military	DoD Contractor	Academic Institution	Other	Total
Breakthrough Technologies			4	6		10
Defense Nuclear Agency Technology*	2			5		7
Depot Maintenance*		21	17		6	44
Depot Operations/Management			5		4	9
Global Positioning System*	1		5	3	2	11
International Arms Cooperation			9	2	2	13
Joint Advanced Strike Technology*			10	2	4	16
U.S.-New Independent States Defense Diversification	1		6	1	3	11
Theatre Missile Defense			5	2	6	13
Unique Surveillance Technology*			4		1	5
Total	**4**	**21**	**65**	**21**	**28**	**139**
Privatization and Outsourcing			15	1	6	22

* The task force issued its final report.

Enclosure 5

Organizations Visited or Contacted

Office of the Secretary of Defense

The Special Assistant to the Secretary of Defense for Personnel, Arlington, VA
Under Secretary of Defense for Acquisition and Technology, Arlington, VA
Director for Administration and Management, Arlington, VA
General Counsel of the Department of Defense, Arlington, VA
Defense Science Board Secretariat, Arlington, VA

Other Defense Organizations

Washington Headquarters Services, Arlington, VA

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Office of Management and Budget
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Chairman and ranking minority member of each of the following congressional committees and subcommittees:

Senate Committee on Appropriations
Senate Subcommittee on Defense, Committee on Appropriations
Senate Committee on Armed Services
Senate Committee on Governmental Affairs
Senate Subcommittee on Post Office and Civil Service, Committee on Governmental Affairs
House Committee on Appropriations
House Subcommittee on National Security, Committee on Appropriations
House Committee on Government Reform and Oversight
House Subcommittee on National Security, International Affairs, and Criminal Justice, Committee on Government Reform and Oversight
House Committee on National Security

Audit Team Members

This report was prepared by the Acquisition Management Directorate, Office of the Inspector General for Auditing, DoD.

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