

**STATEMENT OF
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BEFORE THE
SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS
COMMITTEE ON COMMERCE
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Mr. Chairman and members of the Subcommittee, I am here today to provide testimony in response to the Chairman's letter of invitation of March 1, 1996. In that letter, you asked that I discuss a number of topics associated with concerns that have been raised regarding travel by the Secretary of Energy and issues relating to the Department's Ombudsperson.

In November 1994, the Office of Inspector General issued its first report on selected aspects of foreign travel. On December 20, 1994, I communicated additional concerns to the Deputy Secretary on this matter. In that correspondence, we concluded that, ". . . the Department should ensure that all of its processes and procedures covering international travel have been addressed before any additional trips are contemplated." Subsequent to our work, in May 1995, the U.S. General Accounting Office was asked by Congressman Martin Hoke to conduct a review of Secretary O'Leary's international travel.

Our review in 1994 showed that controls over the acquisition and financing of international air services needed strengthening. The Department had not established a systematic and cost-effective process to acquire international air services. The review also disclosed that the Department had not established a systematic process for recouping flight costs from non-Federal passengers.

The Department's December 19, 1994, written response to our audit, expressed agreement with the findings and stated that a working group had been formed to address the issues raised in the report. The response also stated that the Department would reorganize its aircraft operations group, define roles and responsibilities, and provide more effective support. Also in December 1994, Departmental officials advised us that because of very tight time constraints, it would be impossible to implement corrective actions before a trade mission to China that was scheduled for February 1995. As a consequence, I wrote to the Deputy Secretary, recommending that the Department's processes for international travel be addressed before any additional trips were taken.

On December 13, 1995, we initiated a review, in response to a written request from the Secretary to, ". . . conduct a thorough examination of all Secretarial foreign travel from 1993 to the present." In addition, I was requested to examine the establishment and filling of the position of the Departmental Ombudsperson. Consequently, we are in the process of addressing the issues raised in the Secretary's request. Many of the matters raised in your letter of invitation will be covered as part of this review. Therefore, I know you will understand our need to complete this review before we provide our conclusions to the Subcommittee.

FOREIGN TRAVEL

In 1994, the Department sponsored a trip to India in July, and a second to Pakistan in September. The Department stated that the intent of the trips was to promote U.S. energy and environmental interests abroad and to assist U.S. private sector participation in the emerging markets.

The flight to India was made on a Department of Defense aircraft at a reported cost of \$643,000. A representative of the Aircraft Operations Office felt that there were less expensive alternatives to the use of the Department of Defense aircraft. Therefore, the subsequent trip to Pakistan was on a private charter jet arranged through a commercial broker at a cost of \$415,000. These expenses reflect the gross cost of obtaining the aircraft only. A compilation of total costs for each of these trips is currently in process. Throughout our review, the Department provided us with inconsistent lists of passengers for both trips. We are in the process of documenting an accurate list of participants in each trip.

The November 1994 review showed that control over the acquisition and financing of international air services needed strengthening. The Department had not established a systematic and cost-effective process to acquire international air services. During the review, Departmental procurement officials expressed the view that they were uncomfortable with the process used to

acquire the charter aircraft for the Pakistan trip. They stated that they had little experience in acquiring charter aircraft suitable for international travel, and that because of pressing time constraints, they were unable to acquire the aircraft services using full and open competition. We found that this was due, in part, to a lack of clarity in the roles and responsibilities of the various parties involved in this process. As a result, we suggested that formal procedures be implemented for the acquisition of international air services which would include, as a minimum, a clarification of the role of the participating Departmental elements.

The review also disclosed that the Department had not established a systematic process for recouping flight costs from non-Federal passengers. According to Departmental officials, both business and non-profit organization passengers on the India and Pakistan flights should have paid for their air travel in advance. But, we were informed that last minute changes in schedules and passenger participation precluded this from occurring.

Further, non-Federal passengers are generally required to pay the full cost of government-provided services. We estimated that in the case of the India trip, a prorated share of the airfare would have been about \$12,860. However, at the time of our review, nearly four months after the trip, none of the non-Federal passengers had been billed. We were told that bills were being prepared and

that these passengers would be charged the equivalent of the round-trip full coach fare to India of \$2,800.

With regard to the Pakistan trip, passengers were to be charged the prorated cost of \$6,477. For this trip, the Department arranged for the Department of Interior to pay the commercial broker and collect fees from the non-Federal passengers. As of October 7, 1994, Interior had not received the billing rate or list of passengers from the Department of Energy. Despite this problem, Interior had received payments from 18 of the approximately 41 private sector passengers. At the time of our review, Department of Energy officials indicated that notices requesting payment were being sent out for the Pakistan flight.

FOREIGN TRAVEL FOLLOW-UP

We are currently reviewing the Department's actions in response to the November 7, 1994, report. One suggestion in our report was that the Department should establish accounts receivable for non-Federal passengers on the India and Pakistan trips. Regarding the India trip, on March 1, 1995, the Department established a total of \$95,200 in accounts receivable, comprised of \$74,200 due from 35 non-Federal persons and \$21,000 due from Federal agencies for nine Federal employees. As of March 4, 1996, \$21,000 remains

uncollected, of which \$8,400 is due from four non-Federal persons and \$12,600 is due from four other Federal agencies.

Regarding the trip to Pakistan, on February 1, 1995, the Department established \$75,485.50 in accounts receivable due from 13 non-Federal persons. Of this amount, \$29,646 remains uncollected as of March 4, 1996.

For the India trip, Departmental officials advised us that the Department had established accounts receivable valued at \$11,200 that were subsequently canceled. The cancellations occurred because four non-profit organizations were erroneously billed for these representatives' airfare costs. Departmental officials advised that airfare costs for these persons were to have been paid by the Department under its invitational travel procedures. We are in the process of verifying whether the Department's invitational travel procedures were correctly implemented in these cases. For the Pakistan trip, \$25,908 of the accounts receivable was canceled because the travelers had already paid and, therefore, the accounts receivable were in error.

Another suggestion in the report was that the Department should establish procedures for acquisition of international air services. We found that verbal instructions regarding international air services were discussed among Departmental offices. Draft written procedures have been developed, but not

formalized. The Department continued to use chartered aircraft through the South African trip of August 1995.

Additionally, the report suggested that the Department implement a full cost recovery policy for non-Federal passengers. We found that for the international trips subsequent to India, the Department did require, although it did not always receive, advance payment of a pro rata share by the non-Federal passengers. However, no formal procedures have been developed to assure that this process is implemented fully.

We are in the process of reviewing 16 foreign trips of Secretary O'Leary.

SELECTION OF PARTICIPANTS

Our review indicates that, when selecting participants for these trips, the Department considered various factors including whether potential participants had pending business deals ready to be closed or signed during the visit, and diversity of companies and people. The selection process included a review by senior departmental officials, with recommendations going to the Secretary. Final selection was either made or approved by the Secretary.

COST OF TRIPS

In attempting to determine the cost of each trip, we have had difficulty identifying who actually traveled. We have been provided various documents containing names of travelers, and are in the process of validating the identity of the participants. We have examined travel authorizations, travel vouchers, passengers lists, State Department cables, trip reports, and lists prepared by DOE to arrive at a composite list of travelers as well as the cost of each trip. Our examination includes a review of invoices supporting costs incurred by the State Department and provide to DOE.

RESULTS CLAIMED

The Department has claimed \$19.7 billion as the potential value of business agreements resulting from foreign travel. The Department has further clarified the potential value of the \$19.7 billion, reporting that \$4.3 billion represents agreements that have made significant progress or reached financial closure. The Department provided an estimate, to the Office of Management and Budget, of 390,000 potential jobs created as a result of DOE's foreign travel. The Department used a factor of 20,000 jobs created per \$1 billion in potential value of business agreements to support the 390,000 jobs. While the Department of Commerce has used a factor of 20,000 jobs created per \$1 billion, the dollar

amount is based on exported manufactured goods. DOE applied the factor to the potential value of business agreements.

The Department also has identified numerous non-monetary results of trade missions as reported in trip reports, which included the signing of Cooperative agreements, Government to Government agreements, and input into regulatory structures and policies in foreign countries.

OMBUDSPERSON

At the Secretary's request, we are also addressing questions relating to the establishment and filling of the position of Department Ombudsperson, to include the Department's determination of the incumbent's professional qualifications, compensation level, and eligibility for per diem payments since October 1993. We are reviewing whether there were any irregularities relating to the Department's establishment of a GM-15 position of Ombudsperson and the subsequent appointment to that position of a person earning \$86,589 under an Intergovernmental Personnel Act Agreement. Additionally, we are reviewing whether the payment of per diem to the Ombudsperson under the Agreement was appropriate.

In establishing the position of Ombudsperson, the Secretary determined the need for an individual to address workplace concerns raised by employees. We have identified at least 14 Federal agencies that have established a position of "Ombudsperson" to deal with workplace issues. We have been advised that grade levels for those positions range from GS-14 to Senior Executive Service.

The Department used an Intergovernmental Personnel Act Agreement to fill the position of Departmental Ombudsperson. The Agreement became effective on October 4, 1993, and was for an initial period of one year. The Agreement was extended for an additional year, and subsequently for two additional years. The Agreement provides that the Department will pay salary, employer's contribution to health benefits and FICA, and travel and transportation expenses in connection with the assignment. It also provides that the Department will pay per diem at the rate of \$35.00 per day. The initial Agreement was signed by the Department's Director of Personnel, the Newark Board of Education's Assistant Personnel Director, and the Ombudsperson.

In a January 5, 1996, demand letter, the Department requested the Ombudsperson repay \$21,208.70 that was characterized as an overpayment "in per diem allowances during calendar years 1994 and 1995." The demand letter stated that "per diem payments were authorized by the agreement" to provide for living expenses in a temporary residence in the Washington, D.C., area while

the Ombudsperson continued to maintain a permanent residence in New Jersey. The demand letter indicated that in December 1993, the Ombudsperson relocated her permanent residence to Maryland and that payments should have ceased at that time. The Ombudsperson repaid the amount requested by the Department on January 5, 1996. Subsequent to our discussions with the Office of General Counsel regarding the incumbents' eligibility for per diem payments under the terms of the Agreement, the Office of General Counsel initiated a review of the issue. We have been told by General Counsel staff that they are looking at the appropriateness of the per diem payments and the subsequent collection. We are awaiting the Office of General Counsel's final opinion.

We are continuing our review of issues regarding the appointment of the Departmental Ombudsperson.

I would be pleased to respond to any questions that you have at this time.