



UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

CIVIL DIVISION

JUL 30 1970

Dear Dr. Tribus:

The General Accounting Office has reviewed the financial administration of the Research Associate Program of the National Bureau of Standards, Department of Commerce. Our review was performed at the Bureau's headquarters office in Gaithersburg, Maryland. We did not evaluate the scientific aspects of the program.

On January 15, 1970, we requested comments from the Secretary of Commerce on our proposed report on certain costs of the Research Associate Program not collected, National Bureau of Standards, Department of Commerce. In the draft report, we concluded that (1) the Bureau had not followed its established policy of consistently charging research associate sponsors for overhead costs and that, consequently, certain sponsors were receiving preferential treatment, (2) the Bureau did not have adequate justification for its policy of not obtaining reimbursement for overhead charges in the first 2 years of sponsorship, and (3) the Bureau's method of financing the Research Associate Program was contrary to the Bureau's policy that the Bureau's appropriations rather than other users would bear the cost of services for which charges are not made.

On the basis of our conclusions, we proposed that the Secretary of Commerce require the Bureau, as a general practice, to (1) charge sponsors consistently for overhead costs according to the policy in effect at the time that the agreement with a sponsor is signed, (2) obtain reimbursement for overhead costs from research associate sponsors from the beginning of their sponsorships, and (3) support from Bureau appropriations the cost of any work for which charges are not made.

In the Department's comments to us dated April 7, 1970, the Bureau stated that it agreed with our conclusions that there had been inconsistent application of its stated policy on charging overhead costs to research associate sponsors. However, our proposal on this matter has prompted the Bureau to reexamine its policy and to conclude that research associates should not be charged overhead on the grounds that they perform work which will be of sufficient benefit both to the Bureau and to many of its customers.

In regard to the Bureau's method of financing the Research Associate Program, the Bureau stated that it recognizes that the mechanics of the distribution of overhead will result in the application of a portion of the uncollected charges to other agency and private customers. The Bureau stated, however, that this procedure is not inappropriate since the benefits derived

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from the Research Associate Program are not confined to work supported by Bureau appropriations, that other agencies benefit sufficiently from the program to allow distribution of some of the overhead cost to other agency supported projects, and that considerable clerical and analytical effort would be required to adjust its overhead allocation, without a corresponding gain in accuracy.

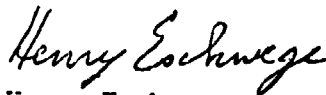
Also, in the Department's comments, the Bureau stated that the individuals working in the Cement and Concrete Reference Laboratory were incorrectly classified as research associates by the Bureau because the program which these individuals are carrying out at the Bureau does not meet the requirements of the Research Associate Program. Accordingly, a Bureau official informed us that the Bureau was planning to establish an appropriate user charge to recover overhead costs applicable to these individuals.

We have evaluated the Department's comments and have concluded that there is sufficient basis for not charging sponsors of research associates for overhead costs when appreciable benefits can be expected to accrue to the Bureau from such research. However, we believe that the Bureau should determine on a case by case basis whether the work of research associates is likely to provide a benefit to the Bureau which is at least commensurate with the costs incurred. In those instances where the Bureau does not receive substantial benefit, we believe that the Bureau should establish an appropriate user charge to assess the sponsor for services provided by the Bureau.

We understand that currently the number of research associates in residence at the Bureau is considerably lower than it has been over the past several years. If as a result of future increases in the number of research associates, overhead costs will rise substantially, we believe that further consideration should be given to establishing accounting procedures which will avoid charging overhead to users who will not benefit from the associates program.

We appreciate the courtesy and cooperation extended to our representatives during our review. Copies of this letter are being sent to the Assistant Secretary for Administration; the Director, National Bureau of Standards; and the Director, Office of Audits.

Sincerely yours,



Henry Eschwege  
Associate Director

The Honorable Myron Tribus  
Assistant Secretary for Science  
and Technology  
Department of Commerce