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STATEMENT OF

PHILIP A. BERNSTEIN, DEPUTY DIRECTOR
HUMAN RESOURCES DIVISION
BEFORE THE
SUBCOMMITTEE ON LABOR AND HEALTH,
EDUCATION, AND WELFARE
COMMITTEE ON APPROPRIATIONS
UNITED STATES SENATE
ON
THE [NATIONAL CANCER INSTITUTE'S
MANAGEMENT OF A PRIME CONTRACT
WITH TRACOR-JITCO] INC.



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Mr. Chairman and Members of the Subcommittee, I am pleased to be here today to discuss certain aspects of the operations of the National Cancer Institute's (NCI) carcinogenesis programs. Pursuant to a request from Representative Henry A. Waxman we reviewed the work done by Tracor-Jitco, Inc., of Rockville, Maryland, which was awarded a prime contract for the management of bioassay activities. We also reviewed NCI's efforts to monitor the contractor's work. In performing our review, we obtained only limited information pertaining to the award and subsequent modifications to the contract and did not review the manner in which the contractor accounted for costs. The results of our review are contained in our March 30, 1979, report to Representative Waxman.

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In December 1971 the National Cancer Act was enacted to advance the national effort against cancer. The act established a National Cancer Program and the NCI plan adopted to implement the program emphasized the importance of carcinogenesis activities and, in particular, the identification of carcinogenic hazards.

NCI'S CONTRACT WITH TRACOR-JITCO, INC.

As part of NCI's carcinogenesis activities under the National Cancer Program, it attempts to identify whether a chemical causes cancer by conducting bioassay tests. Until 1974, NCI contracted directly with laboratories to perform these tests. However, staffing shortages led NCI to contract with Tracor-Jitco, in March 1974, to manage its bioassay activities. Pursuant to this arrangement, NCI no longer contracted directly with laboratories; instead, Tracor-Jitco subcontracted with laboratories to perform bioassays.

NCI's original contract with Tracor-Jitco, which was awarded competitively, was to run from March 1974 to May 1975 at a cost of about \$6.6 million. NCI has subsequently modified the contract several times without competition and extended the completion date from May 1975 to May 1979. The most significant increase in the contract occurred in June 1975 when NCI increased the contract's total amount from about \$6.6 million to \$41.3 million.

Under this modification, NCI increased Tracor-Jitco's workload and broadened its responsibilities for developing a system for reporting bioassay test results to include the preparation of technical reports.

In justifying this noncompetitive modification, NCI stated that its purpose was to develop a contractor capable of providing technical and managerial support for all aspects of bioassay activities and that the proposed work was considered a logical extension of past and ongoing work.

Under the contract, Tracor-Jitco is paid for its costs of performing the agreed upon work (currently estimated to total \$39.7 million), a fixed fee of about \$198,000, and an award fee of about \$3.2 million depending upon NCI's satisfaction with the contractor's performance. According to the NCI contracting officer responsible for the contract, Tracor-Jitco had the opportunity to earn about \$2.9 million of the \$3.2 million through January 1979. NCI, however, has awarded Tracor-Jitco only \$1.6 million, or about 55 percent of the award fee. While NCI told us during our review that it planned to slightly extend the Tracor-Jitco contract past May 1979 to allow Tracor-Jitco

to complete agreed upon work, we have just learned from the NCI contracting officer that NCI plans to extend the contract for an additional 4 years at an additional cost of about \$65 million. About \$3.3 million of this proposed award is for an additional award fee.

NCI'S MONITORING OF THE TRACOR-JITCO CONTRACT

NCI's monitoring of Tracor-Jitco's efforts in preparing bioassay reports was good; however, NCI's monitoring of Tracor-Jitco's management of other bioassay activities has been inadequate. NCI relied primarily on summary reports from Tracor-Jitco to assess its bioassay performance and did little independent verification. As a result, NCI was unaware that Tracor-Jitco

- did not include in its summary reports to NCI all laboratory deficiencies found by Tracor-Jitco inspectors,
- did not assure that deficiencies were corrected, and
- did not detect certain deficiencies which we found during our laboratory inspections that could affect the quality of bioassays.

Since NCI was not aware of these matters, it did not have important information which should have been used to determine the amount of the award fee paid to Tracor-Jitco. We believe that when an award fee type of contract is used, it is not prudent management to rely on the contractor to report problems which could affect the amount of profit the contractor can earn.

REPORT CONCLUSIONS AND RECOMMENDATIONS

In summary, we believe that NCI has not adequately monitored Tracor-Jitco's performance in managing bioassay testing activities. We recommended that the Secretary of Health, Education, and Welfare require the Director of NCI to: (1) more closely monitor the performance of Tracor-Jitco by making more frequent site visits to the subcontractor laboratories, and by verifying that Tracor-Jitco has required the laboratories to correct deficiencies found during inspections, and (2) use this information in determining the amount of the award fee. In response to our recommendation for improved contract monitoring, NCI has already required the contractor to submit full reports on its inspections of subcontractor laboratories. NCI also has assigned additional project officers to monitor each subcontractor laboratory and a chemical manager for each chemical assigned to bioassay under Tracor-Jitco's responsibilities.

Mr. Chairman, this concludes our statement. We shall be happy to answer any questions that you or other Members of the Subcommittee might have.