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NATIONAL YOUTH ANTI-DRUG MEDIA CAMPAIGN: HOW TO ENSURE THE PROGRAM OPERATES EFFICIENTLY AND EFFECTIVELY

HEARING

BEFORE THE

SUBCOMMITTEE ON CRIMINAL JUSTICE, DRUG POLICY AND HUMAN RESOURCES

OF THE

COMMITTEE ON GOVERNMENT REFORM

HOUSE OF REPRESENTATIVES

ONE HUNDRED SEVENTH CONGRESS

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NATIONAL YOUTH ANTI-DRUG MEDIA CAMPAIGN: HOW TO ENSURE THE PROGRAM OPERATES EFFICIENTLY AND EFFECTIVELY

WEDNESDAY, AUGUST 1, 2001

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON CRIMINAL JUSTICE, DRUG POLICY AND HUMAN RESOURCES,
COMMITTEE ON GOVERNMENT REFORM,
Washington, DC.

The subcommittee met, pursuant to notice, at 2:05 p.m., in room 2154, Rayburn House Office Building, Hon. Mark E. Souder (chairman of the subcommittee) presiding.

Present: Representatives Souder, Gilman, Barr, and Cummings.

Staff present: Christopher Donesa, staff director and chief counsel; Conn Carroll, clerk; Sharon Pinkerton, counsel; Tony Haywood, minority counsel; and Earley Green, minority assistant clerk.

Mr. SOUDER. The subcommittee will come to order.

This afternoon the subcommittee will consider how to ensure that the billion dollar Youth Anti-Drug Campaign, now in its 4th year, operates effectively and efficiently to enable it to have a meaningful impact to prevent drug abuse among youth. The fundamental question is simple: Are the program's funds being administered in a way to ensure that the program is efficient and influences attitudes and actions and keeps more Americans, especially teenagers, drug-free?

Our subcommittee has the responsibility to ensure that the Nation's largest and most expensive drug prevention program is accomplishing the goals we set for this critical campaign. Congress first funded the media campaign in 1997 to address the dramatic spike in youth drug use starting in 1993. Clearly, this campaign is an unprecedented private sector initiative, and Congress, with bipartisan support, has committed to spending $185 to $195 million a year for 5 years. While the campaign has stirred some controversy over a variety of issues in the past, we continue to support the important goal of educating kids and parents about the dangers of drug abuse.

I personally am a strong supporter of effective prevention programs to ensure that we are not ignoring the demand side of the equation as we seek to find a balanced approach to reducing drug use in this country. This particular program, because of its breadth and depth, is far too important to allow it to get off track. We must all pull together toward the goal of reducing drug use in this country.

While it is too early to draw a final conclusion about the effectiveness of the campaign, the indications of continued youth drug use strongly suggest the importance of careful oversight to make sure that its future direction is chosen carefully. A recent survey from CASA, The National Center on Addiction and Substance Abuse at Columbia University, found that 61 percent of 12 to 17-year-olds are at moderate or high risk of substance abuse; 19 percent are at high risk, and 42 percent are at moderate risk.

There are other indications that drugs remain a serious threat to our children. In 1999, 60 percent of teens said they expected to never try an illegal drug in the future; in 2000 the figure dropped to 51 percent. In 2000, more than 60 percent of the teens in high school said drugs were used, kept, or sold at their school. It is clear that drug abuse remains a widespread problem in this country. We cannot and will not sit idly by while our Nation's most precious resource is destroyed by drugs. Accordingly, I have worked with our leadership in Congress and the White House to support efforts to reduce the demand for drugs. I believe we can and must make a difference, which is why we are focusing today on this important program.

Last year the subcommittee conducted several oversight hearings on the campaign at which the General Accounting Office reported concerns about potential contract mismanagement, overbilling, and possible fraud. As a result of the GAO study and the subcommittee's oversight, the Department of Justice now is conducting an investigation into the charges of fraudulent behavior. The issues before the subcommittee today include: What actions have been taken to improve administration of the contract?

How is ONDCP handling up to $7 million of outstanding costs which were previously "disallowed" because of inadequate justification or documentation?

What is the decisionmaking process at ONDCP involving renewing the largest media buying contract?

Are the taxpayers' dollars being spent on actual media buys or on overhead and other peripheral items?

Today we have asked ONDCP, the GAO, and the new contract administrators, the Navy, to update us on those and other program issues and report to us on the changes that have been implemented to ensure that ONDCP's media contracts are well managed and that the taxpayer is getting value for their tax dollars.

Finally, the National Institute of Drug Abuse will report to us on the initial findings of their Evaluation Study. Again, while these findings may be preliminary, it is important for the subcommittee to understand the trends and implications of this effort on the overall effectiveness of the program.

I want to thank all the witnesses for appearing here today and will yield to the ranking member for an opening statement.

Mr. CUMMINGS. Thank you very much, Mr. Chairman.

The Office of National Drug Control Policy's Youth Anti-Drug Media Campaign plays an important role in the Government's efforts to reduce demand for illegal drugs. The goal of the campaign is to halt youth substance abuse before it starts by spreading the word and encouraging the belief that drugs are harmful and inconsistent with success in life.

The campaign also stresses the importance of frank and honest discussion about drugs among parents and their children. Because the majority of drug users are introduced to drug use during their pre-teen and early teen years, the media campaign's focus on this age group and parents of children in this age group is a prudent one. Because marijuana and inhalants are the illegal drugs that children in this age group are most likely to use first, the campaign's emphasis on these drugs also makes sense.

The comprehensiveness of the Anti-Drug Media Campaign is impressive. Its multimedia approach is designed to reach as many teens and parents in as many settings as possible. Television advertising is at the core of the campaign and it is this component that receives the most attention.

But I have been impressed to learn about the program's other components. These include partnerships with youth organizations and the entertainment industry, targeted outreach to minority groups, and cooperation with community anti-drug coalitions. The ONDCP has also exceeded its congressionally mandated 100 percent pro bono media match requirement.

The early evidence seems to suggest that this young campaign is having an impact, and, indeed, accountability is an important element of the campaign itself. To this point, ONDCP's own surveys, the Nielsen surveys, and the ongoing evaluation study being conducted by the National Institute on Health's Institute on Drug Abuse all suggest that awareness of the campaign is high among parents and children, and that the campaign's aggressive anti-drug message is getting across.

It is important that we not lose sight of the campaign's goal and early accomplishments. Even as we delve, as our oversight responsibility compels us to, into questions about management and administration of the campaign's phase III contract with the advertising firm of Ogilvy and Mather, the Government Accounting Office's June 2001 report makes it abundantly clear that both Ogilvy and the Government erred in their management of the phase III contract.

The report concludes that Ogilvy improperly charged the Government for certain labor costs and lacked an adequate accounting system to support a cost reimbursement Government contract. The report also concludes that the Department of Health and Human Services did not properly manage parts of the contract, in part by failing to determine beforehand whether Ogilvy's accounting system was adequate.

Whether Ogilvy or any of its employees engaged in fraud under Federal statutory law is the focus of a separate ongoing investigation by the U.S. Department of Justice. It does not seem to me that Ogilvy entered into phase III with a malicious intent to defraud the Government out of money, and in any event, Ogilvy has undertaken extensive and expensive efforts to reform its accounting and management systems and to help Government investigators gain a clear picture of what problems occurred. Indeed, GAO's report acknowledges that the problems that gave rise to these problems are being addressed aggressively, conscientiously, and thoroughly by all parties involved.

Obviously, the Navy, as new contract manager, has an important role to play, and it appears to be taking all appropriate steps to ensure that the problems do not reoccur on its watch. The Defense Contract Audit Agency has completed a review of all these revised accounting and management systems, has concluded that they are adequate to handle a Government cost reimbursement contract going forward.

It is important, Mr. Chairman, that we not allow past contract management problems to overshadow the good work that ONDCP is doing to prevent substance abuse from entering, degrading, and destroying the lives of young people across the country. As I have often said, our children are the living messages we send to a future we will never see.

There are no doubt some who take issue with the Government's use of funds for some of these activities. In the hands of such parties, administrative problems such as we have seen can be used to cast doubt upon the basic thrust of the program itself. I trust that is not what we are up to today.

As the title of today's hearing suggests, our objective ought to be to ensure that the media campaign operates as efficiently and effectively as possible. We should be united in our desire to see the campaign maximizes positive impact on the lives of America's young people.

I look forward to hearing the testimony of our witnesses today, and I hope that this hearing will serve the purpose of putting some of these problems behind us, so that we can focus on moving our anti-drug efforts forward. The challenge before us is too enormous to do otherwise, and the role of the Anti-Drug Media Campaign is too critical.

With that, Mr. Chairman, I yield back.

[The prepared statement of Hon. Elijah E. Cummings follows:]

Opening Statement of Congressman Elijah E. Cummings, Ranking Member
Subcommittee on Criminal Justice, Drug Policy and Human Resources
Committee on Government Reform

Hearing on Efficiency and Effectiveness of ONDCP's Youth Anti-Drug Media Campaign

August 1, 2001

Mr. Chairman,

The Office of National Drug Control Policy's Youth Anti-Drug Media Campaign plays an important role in our government's efforts to reduce the demand for illegal drugs. The goal of the campaign is to halt youth substance-abuse before it starts -- by spreading the word, and encouraging the belief, that drugs are harmful and inconsistent with success in life. The campaign also stresses the importance of frank and honest discussion about drugs among parents and their children.

Because the majority of drug users are introduced to drug use during their preteen and early teen years, the media campaign's focus on this age group, and parents of children in this age group, is a prudent one. And, because marijuana and inhalants are the illegal drugs that

1 children in this age group are most likely to use first, the campaign's
2 emphasis on these drugs also makes sense.
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5 impressive. Its multi-media approach is designed to reach as many
6 teens and parents in as many settings as possible. Television
7 advertising is at the core of the campaign and it is this component
8 that receives the most attention; but I have been impressed to learn
9 about the program's other components. These include partnerships
10 with youth organizations and the entertainment industry, targeted
11 outreach to minority groups, and cooperation with community anti-
12 drug coalitions. ONDCP has also exceeded its congressionally-
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1 Abuse all suggest that awareness of the campaign is high among
2 parents and children, and that the campaign's aggressive anti-drug
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Indeed, GAO's report acknowledges that the factors that gave rise to these problems are being addressed aggressively, conscientiously and thoroughly by all parties involved. Obviously, the Navy, as new contract manager, has an important role to play and it appears to be taking all appropriate steps to ensure that the problems do not recur on its watch. The Defense Contract Audit Agency has completed a review of Ogilvy's revised accounting and management systems and has concluded that they are adequate to handle

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12 suggests, our objective ought to be to ensure that the media
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19 these problems behind us, so that we can focus on moving our anti-

1 drug efforts forward. The challenge before us is too enormous to do
2 otherwise, and the role of the anti-drug media campaign is too
3 critical.
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Mr. SOUDER. Thank you. Before proceeding, I would like to take care of a couple of procedural matters.

First, I ask unanimous consent that all Members have 5 legislative days to submit written statements and questions for the hearing record; that any answers to written questions provided by the witnesses also be included in the record. Without objection, it is so ordered.

Second, I ask unanimous consent that all exhibits, documents, and other materials referred to by Members and the witnesses may be included in the hearing record; that all Members be permitted to revise and extend their remarks. Without objection, it is so ordered.

Now would the witnesses please rise and raise your right hands, and I will administer the oath. As an oversight committee, it is our standard practice to ask all our witnesses to testify under oath.

[Witnesses sworn.]

Mr. SOUDER. Thank you very much. Let the record show that all the witnesses answered in the affirmative.

Witnesses will now be recognized for opening statements. As many of you know, we typically ask our witnesses to summarize our testimony in 5 minutes, and you may include your full statement in the record as well as other materials.

This afternoon we first welcome the Acting Director of the Office of National Drug Control Policy, Mr. Ed Jurith. Mr. Jurith, you are recognized for your opening statement.

STATEMENTS OF EDWARD H. JURITH, ACTING DIRECTOR, OFFICE OF NATIONAL DRUG CONTROL POLICY; BERNARD L. UNGAR, DIRECTOR, PHYSICAL INFRASTRUCTURE TEAM, GENERAL ACCOUNTING OFFICE; ROBERT H. HAST, DIRECTOR, OFFICE OF SPECIAL INVESTIGATIONS, GENERAL ACCOUNTING OFFICE; JOHN CONNEY, SENIOR SPECIAL AGENT, GENERAL ACCOUNTING OFFICE; MARK D. WESTIN, OFFICER IN CHARGE, FLEET AND INDUSTRIAL SUPPLY CENTER NORFOLK WASHINGTON DETACHMENT, DEPARTMENT OF THE NAVY; SUSAN L. DAVID, DEPUTY CHIEF OF PREVENTION RESEARCH, NATIONAL INSTITUTE ON DRUG ABUSE; AND JOHN COONEY, OFFICE OF SPECIAL INVESTIGATIONS, GENERAL ACCOUNTING OFFICE

Mr. JURITH. Thank you, Mr. Chairman. On behalf of the entire staff of ONDCP, I really welcome this hearing today. It's interesting. For the last 8 months we've been a professional staff, career employees of the Federal Government, that have been running this agency. It's my pleasure to do that.

I've been involved with the drug policy of this Government, under President Reagan, President George Bush, then Clinton, and now President George W. Bush, for the last 20 years. I'm a career employee of this Government dedicated to the resolution of drug abuse. And it's with that intention that I bring my testimony today. I've got a written statement for the record that I submit to the committee.

Since I've taken over the office in January, we've taken very seriously our responsibility for campaign management and administration. Over the past year we've taken numerous steps to address

contract administration issues that Mr. Cummings addressed in his remarks.

Last October we told this committee that we would transfer contract administration from HHS to the Navy. We did this in December, and we have a close, effective working relationship with the Navy in the implementation of the media campaign contract.

What we like about what the Navy brings is that they bring with us the Defense Contract Audit Agency, probably the best entity of this Federal Government to review each and every audit of the Government submitted by our contractors, whether it be Ogilvy, the Ad Council, or Fleishman-Hillard.

We've also reorganized the Media Campaign and Program Office. All Media Campaign staff has been trained and certified as COTRS, Contracting Officer Technical Representatives. This will allow additional time for management and technical direction to the contractors to make sure that we're on the same page, to make sure that we know where the contract is heading, and that was an issue before this committee back in October. We fixed that problem.

Moving to a new program this year, under my leadership, if you would, as the Acting Director, we are examining our options for the advertisement course in the campaign that we need to award this year. ONDCP and the Navy are conducting market research to determine whether the current contract terms meet the Government's requirements, whether the current contractor is best suited to meet those needs.

It's kind of interesting. That's a requirement of the Government. We need to look right now whether or not the current contractor meets our needs, not whether or not there were past questions about contract administration. The issue is whether or not right now that current contractor will meet the Government's needs. We're doing that research right now because we need to answer that question.

ONDCP and the Navy are conducting market research to determine whether the current contract terms meet the Government's requirements and whether the current contractor is best suited to meet those needs. Our decisions will ensure the current level of services are provided by the contractor to the best value to the Government.

In the original authorization of the campaign, Congress required that ONDCP report to the Government on campaign effectiveness. We take this mandate very seriously. You know, it is kind of interesting, as you know, Mr. Chairman, as a former staff director of a congressional committee, very often the evaluation of a Government campaign is 2 to 3 years after the Government does its work. This campaign we do it every 6 months. I don't know of any other campaign in the Government where we're accountable to the Congress every 6 months or every 8 months, depending on the reporting requirements, to give you a report. That's so unique. This campaign is doing that. We take that mandate very seriously.

We've contracted with NIDA, the National Institute on Drug Abuse, and I love to say this when I'm overseas because when I'm in Europe, as I was a couple of weeks ago, and they talk to us about harm reduction, whether or not the U.S. policy is effective. I said to my European colleagues: Where is your research? The Na-

tional Institute on Drug Abuse does that, 90 percent of the world's drug abuse research—90 percent. About another 5 percent is by my friends in Britain. The other 5 percent is scattered around the world.

We contracted with NIDA. We went to the experts to determine whether or not this campaign is going to be effective, and I will defer to Susan David to give you greater detail about the results of their own research.

But results today show that our parent and youth audiences have a high awareness of our campaign. NIDA surveys indicate that the response of this campaign is trending in the right directions, although more conclusive data is not expected until earlier next year, but we're on the right path. Parents and young people understand where this campaign is going. They see the ads. They understand the importance of what we're doing. That's critical.

It's kind of funny, I sat back in that chair back in the early eighties when Congress was debating with then the Reagan administration: What is our drug strategy? How do we respond to the cocaine epidemic? What do we do about our national—how do we address the cocaine epidemic? And everybody uniformly said we need a media campaign, but it kind of floated around out there for a number of years. Finally, somebody stepped forward. Congress, under the leadership of this committee, with the last administration, said yes, we need a paid media campaign to effect those attitudes, to make sure that our young people are not tempted by drugs.

It's kind of interesting, Mr. Chairman, you know, it's great talking public policy in the abstract, but I think we need to look at it in a longitudinal point of view. We have advanced so far on drug policy in this country in the last 20 years. We knew a media campaign was required, and between the Congress in a bipartisan approach came together and said, yes, we're going to put this campaign together. It's required. We need it. It's the right thing to do.

It's kind of interesting that, even though our initial reports of this campaign show that it's kind of equivalent in terms of, what are the direct effects of this campaign? We know our adults who are using are identifying with the ads; our young people are. But reports from other surveys of drug use suggest that the campaign is influencing attitude significantly. The Monitoring Survey study, Dr. Lloyd Johnston at the University of Michigan, reports that 34 percent of eighth graders said anti-drug ads are making them less favorable to drugs.

What I find the most fascinating in my 11-year-old, on Saturday morning, when he sits down in the basement watching TV, he's funny—we allow him to watch TV on Saturday morning—tells me how many of our ads he sees and which of those he thinks are the most important. I bring that back every Monday morning to my staff—my own child.

I was down at the National Boy Scouts Jamboree over the weekend on Sunday in the slushy, rainy episode. Unfortunately, the President could not make it down because of the weather, but we went ahead anyhow. And we have a tent down there sponsored by the Media Campaign. Talking about a branding activity for anti-drugs, 15,000 Scouts—15,000 Scouts—signed up with the anti-drug

wars, part of our branding effort because our experts in this campaign told us that the best thing that we can do is tell America's youth what stands between them and drug use, whether it's family, Scouting, basketball, tennis, whatever it might be—15,000.

Now my son was down at the Jamboree. He shaved his head down there, but what the heck, I'll deal with that when he gets home tomorrow. [Laughter.]

We've engaged children of America with this campaign, so that it includes them. We're very proud of this campaign. Yes, we've had some contracting issues, and we're going to deal with them. I really thank GAO and DCAA and Navy for helping this ONDCP deal with those issues, but the bottom line, Mr. Chairman, is what we're doing for America and America's young people, and we're having an effect. I saw it on Sunday personally. The President was going to be down there himself. The weather deterred the helicopter from coming down there, but he was going to be down there witnessing the same thing. That's what we're trying to do. Thank you so much.

[The prepared statement of Mr. Jurith follows:]

Testimony of Edward H. Jurith
Acting Director, Office of National Drug Control Policy
Before the House Committee on Government Reform,
Subcommittee on Criminal Justice, Drug Policy, and Human Resources
"National Youth Anti-Drug Media Campaign: How to Ensure the Program Operates Efficiently and Effectively"
August 1, 2001

Introduction

Chairman Souder, Ranking Member Cummings, all of us at the Office of National Drug Control Policy appreciate this opportunity to review ONDCP's administration of the National Youth Anti-Drug Media Campaign. This written testimony provides an overview of programmatic achievements and initiatives, campaign effectiveness, and contract oversight.

Since its launch in July 1998, the Media Campaign has been the most visible symbol of the federal government's commitment to drug prevention. The extensive public/private sector partnerships formed by the campaign have created a significant counterbalance to the plethora of pro-drug messages received by vulnerable youth. The National Institute on Drug Abuse conducts the *Monitoring The Future* (MTF) survey which has become one of the principal tracking instruments of adolescent attitudes and behavior. Dr. Lloyd Johnston of MTF asked youth about exposure to anti-drug advertising in general during interviews conducted for the *2000 MTF* survey. He reports that half of teens report daily anti-drug ad exposure, and that 70 percent of 8th graders are seeing anti-drug advertising on a weekly basis. We believe that the media campaign is contributing to these encouraging results.

We are investing $7 million a year in performance measurement to determine the effectiveness of the Media Campaign. Campaign effectiveness is measured for the National Institute on Drug Abuse (NIDA) by Westat and its subcontractors, the Annenberg School for Communication, University of Pennsylvania and the National Development and Research Institute (NDRI). We are encouraged by the findings to date. Westat data, from the most recent evaluation (April 2001) indicates high awareness of anti-drug messages -- 89 percent of youth and 93 percent of parents recalled seeing or hearing some form of anti-drug advertising at least once per month. Additionally, unpublished 2000 MTF data indicates that 40 percent of eight graders reported that anti-drug advertising made them less likely to use drugs. Again, we believe that the media campaign is making a difference here. Susan David of NIDA, who is also testifying today, can provide you greater details of the formal media campaign outcome evaluation and results to date.

The Media Campaign's contract administration procedures were recently reviewed by the General Accounting Office in a June 2001 report to the Chairman of the Subcommittee on Treasury, Postal Service, and General Government. This report found problems with our advertising contractor's -- Ogilvy & Mather (Ogilvy) – accounting and billing processes. It also faulted the government for inadequately managing aspects of the contract award and contract administration. The report's findings and the steps we have taken to implement the GAO's recommendations are addressed later in this written statement. It is important to view this report in perspective. ONDCP has protected the public purse at all times. We have meticulously scrutinized all invoices submitted to the government by Media Campaign contractors and recommended non-payment for all unsubstantiated or unallowable claims. All payments to contractors are subject to final audit.

We very much appreciate the bipartisan support of Congress for this important drug-prevention program. We believe there is a strong body of evidence that indicates the campaign is working, as planned, to change drug attitudes, intentions and use. Existing indicators of success suggest we have the opportunity to realize long-term change in adolescent and adult substance-abuse rates if we continue to invest in science-based drug prevention programs.

Overview of the National Youth Anti-Drug Media Campaign

Purpose

The purpose of the National Youth Anti-Drug Media Campaign is to prevent drug use before it starts. The campaign seeks to influence young people's attitudes and beliefs about drugs and prevailing social norms – key factors that influence decisions to use or not use illegal drugs. Our anti-drug messages are science based. We continuously consult with experts in the fields of behavior change, drug prevention, youth marketing, advertising and communications. We are implementing a comprehensive communications strategy that uses a variety of media and messages to reach young people, their parents, and other youth-influential adults. From network television advertisements to school-based educational materials, from playground basketball backboards to internet web sites, and from parenting skills brochures to ads in movie theaters, the campaign's messages reach Americans where they live, work, learn, play, and pray.

Focus

The campaign focuses on drugs of first use, most commonly marijuana and inhalants. Many adolescents who start using marijuana at an early age later use other drugs. Youngsters who have never tried marijuana or inhalants are substantially less likely to do so. The campaign also addresses new drugs and new ways of using existing drugs, which can rapidly become popular with young people. The campaign addresses these emerging trends in an effort to prevent their spread.

Advertising

Advertising (both purchased and pro-bono matches) on television, radio, print, and the internet is the cornerstone of the Media Campaign. The advertising delivers specific anti-drug messages each month nationally as well as across 102 local markets with more than 1,300 media outlets. Media outlets receiving paid advertising are required to match the value of those ads with in-kind public service activity. This "pro-bono" match can take many forms, such as free advertising space or time, newspaper inserts, and sponsorship of community events.

The campaign advertising messages are developed in concert with the Partnership for a Drug Free America. All campaign advertising messages undergo a rigorous, multi-step review process and are designed to not only reach America's youth audience, but also to inform and engage tens of millions of parents and adult influencers of youth, including numerous ethnic and culturally diverse audiences. The strategic use of advertising accomplishes the campaign's goals of reaching 90% of America's teens four times a week with one set of anti-drug messages while simultaneously reaching about three quarters of all parents more than three times per week with a separate set of relevant messages.

Partnerships

ONDCP has formed more than 100 strategic partnerships and cooperative initiatives to extend campaign messages in order to reach young people, their parents and other adults where they live, work, learn, play, and practice their faith. The campaign works through these alliances to help create a legacy of healthy choices for America's youth by infusing campaign messages into the fabric of youth-serving, civic, parenting, educational, and other organizations nationwide. Examples of campaign partnerships include:

Partnership for a Drug-Free America (PDFA) — A critical partner, the PDFA is a private, non-profit, non-partisan coalition of professionals from the communications industry. Its mission is to reduce demand for illicit drugs in America through media communications. The Partnership had concluded that intense competition, brought on by the splintering of the media, brought new economic realities to the media industry in the 1990s. With media donations to the Partnership down more than $100 million since 1991, the outlook for national media was uncertain. The ONDCP campaign promised something unprecedented for PDFA's public service advertising — precise placement of the right ads, targeting the right audience running in the right media, consistently, over time.

***NSYNC** — ONDCP's National Youth Anti-Drug Media Campaign and *NSYNC, one of the hottest musical groups among young teens today, have joined forces to promote the Media Campaign's "My Anti-Drug" brand. Millions of young lives are being positively impacted this summer as the voice of *NSYNC asserts its anti-drug stance.

Boy Scouts of America — The campaign's multi-faceted collaboration with Boy Scouts included a major "What's Your Anti-Drug?" presence at the organization's quadrennial Jamboree, which last week attracted more than 250,000 youth and adult visitors from around the world.

Girl Scouts of the USA — The campaign has partnered with the Girl Scouts of the USA to develop a drug-prevention workbook and patch program for all levels of Girl Scouting.

YMCA of the USA — Together, we developed *Positively Drug Free: A Prevention Awareness Handbook* that incorporates campaign messages into a substance-abuse curriculum for use in YMCA training centers across the country.

Youth Service America Volunteer Initiative — We developed the "Building Healthy Youth & Communities through Service" initiative for National Youth Service Day 2000.

Nationwide Newspaper Supplements — The campaign teamed with the country's largest newspaper trade association, educators, and anti-drug organizations to create Majority Rules — a "What's Your Anti-Drug?" newspaper supplement — for publication in more than a hundred daily papers across the country this fall. ONDCP helped bring together the newspapers with local anti-drug organizations in each market to encourage adaptation of the materials into unique community-specific supplements featuring local youngsters.

New York Times — The campaign revised, edited, and promoted "Anti-Drug Education with *The New York Times*," a standards-based anti-drug classroom guide for middle-school teachers that demonstrates how to incorporate the daily newspaper into classroom lessons to help youth develop skills to resist the use of illicit drugs, alcohol, and tobacco.

USA Today — The campaign collaborated with *USA TODAY*, the **National Middle School Association** and the **National Association of Student Assistance Professionals** to develop an educational newspaper insert featuring youth from across the country with their "Anti-Drugs." The insert, published in November 2000, captured the vitality and diversity of the campaign's "What's Your Anti-Drug?" youth movement by featuring young people and their "Anti-Drugs" expressed through stories, poetry, artwork and photography. Combining circulation and availability through other channels, almost four million copies have been distributed.

National Education Association (NEA) — NEA is the nation's largest multi-disciplinary organization for educators and school personnel. We are working with the NEA's Health Information Network to develop innovative substance-abuse prevention programs and materials geared to school employees, middle school students and their families.

America Online/Time Warner (AOL) — ONDCP has partnered with AOL to develop multiple opportunities to promote campaign Web sites Freevibe.com and

TheAntiDrug.com as resources to AOL users in the Family and Kids Only areas, and supporting the integration of campaign messages into AOL content.

NASADAD and NPN — The National Association of State Alcohol and Drug Abuse Directors (NASADAD) and the National Prevention Network (NPN) foster and support the development of effective drug abuse prevention and treatment programs in every state across the country. NADASAD and NPN work with ONDCP to provide local and regional input for a variety of the campaign's communications efforts.

National Association for Children of Alcoholics (NACoA) — The Media Campaign developed and disseminated information for youth and adult influencers in daily contact with tweens and teens, enrolled NACoA as a judge in the "What's Your Anti-Drug?" *USA TODAY* print insert project, and enrolled NACoA as a premier partner in the "Children at Risk" project.

National Families in Action (NFIA) — The campaign collaborates on web site resource links and content sharing of drug prevention materials, parenting tips and articles for electronic newsletters.

Celebrity Partners —A variety of celebrities have appeared in campaign PSAs or have given their Anti-Drugs including Tiki Barber of the New York Giants, the U.S. Women's Soccer Team, Olympic Gold Medallist Tara Lipinski, and the Los Angeles Sparks WNBA team.

Entertainment Industry Outreach

As a major influence in the lives of young people, the entertainment community is in a unique and powerful position to communicate the message to America's youth that most kids are not using drugs and that drug use is not normal. The Media Campaign, working with the Partnership for a Drug-Free America, is engaging the entertainment industry as part of the solution. The campaign's strategy leverages pop culture's visibility, credibility and influence with young audiences. The goal is to surround teens with vital drug use prevention messages, provide adults with practical information to help them raise drug-free kids, and encourage accurate portrayal of drug issues in entertainment media so that pop culture does not perpetuate myths about drugs and drug use.

We are providing resources and information on substance abuse to the creative community via briefings, special events, collateral materials, access to experts, and other technical assistance on issues related to substance use. We are engaging celebrities who are positive role models to extend the reach of campaign messages and strategies. We participate in and host entertainment industry events. We develop public service messages in collaboration with major media outlets. We conduct content analysis and other research to determine how entertainment media depict substance abuse issues. We have brought together producers, writers, directors, and creative executives from the

television networks and major industry associations for workshops and roundtables on substance abuse issues in New York and Los Angeles.

We are encouraged by the results of this outreach to the entertainment industry. All major television networks, including ABC, NBC, CBS, Fox, and the WB, as well as cable outlets such as ESPN, have supported the campaign and its messages through donations of airtime and production of celebrity PSAs. A growing number of television programs highly-rated among teens have incorporated strategic, research-based information on illicit drugs and drug use. We have developed relationships with key entertainment industry organizations including *The Hollywood Reporter,* Sony Music, Fox Home Video, the Writers Guild Foundation, the Los Angeles Lakers and Marvel and D.C. Comics. Youth and parents nationwide are hearing anti-drug messages from celebrity voices from a range of entertainment genres, including: TV (e.g., Eriq La Salle of NBC's *ER*, Jenna Elfman of ABC's *Dharma & Greg*, Ken Olin of CBS's *LA Doctors*, Lisa Nicole Carter of Fox's *Ally McBeal*, Marc Blucas of ABC's *Buffy The Vampire Slayer,* and Hector Elizando of *Chicago Hope*), film, popular music (e.g., Lauryn Hill, Mary G. Blige, The Dixie Chicks, MTV VJ Tyrese), amateur and professional sports (e.g., U.S. Women's Soccer Team, Olympic Gold Medallist Tara Lipinski, Mike Modano of the 1999 NHL Champion Dallas Stars), comedy (e.g., Howie Mandel), pop culture (e.g., Miss America 1999 Nicole Johnson, Marvel Comics' Spiderman).

Interactive Activities

The Media Campaign includes an interactive program that blends web sites, online editorial, partnerships, sponsorships and rich-media advertising to create one of the strongest public health programs on the Web. We have developed a number of Web sites that use audience-tested messages to engage and educate parents and youth about drug use prevention. Our target audience is driven to the sites through online and traditional advertising and publicity; Web links through Internet sites that support the campaign messages (i.e. news, health, or target age-related); Internet search engines; as well as direct access. The following sites have garnered a combined total of over 20 million page views since the campaign's inception:

> www.theantidrug.com provides parents and other adult caregivers with strategies and tips on raising healthy, drug-free children. The site encourages parents to help their children with these difficult issues by focusing on four major concepts: love, trust, honesty, and communication. It also offers suggestions on how to address sensitive subjects such as a parent's personal history with drugs. Information from theantidrug.com is now available in Spanish at www.laantidroga.com and in various Asian languages (Korean, Cambodian, Chinese, and Vietnamese) through the www.theantidrug.com homepage.
>
> www.freevibe.com helps young people understand the dangers of substance abuse and make responsible decisions with their lives. The site features moderated bulletin boards, role-playing games, media literacy tools, and facts about today's drugs. Freevibe was developed in a collaborative effort with Sony Pictures

Digital Entertainment, the National Clearinghouse for Alcohol and Drug Information, and the Media Campaign.

www.teachersguide.org was designed around the youth-oriented content on Freevibe and provides teachers with lesson plans, classroom activities, teaching tips and discussion guides to help prevent students from using or trying drugs. It was created and designed with input from veteran educators, behavioral experts, and social marketers.

www.straightscoop.org is designed for junior high school and high school reporters and editors as part of the campaign's Straight Scoop News Bureau. The site encourages students to report on drug-related issues in school-based publications and broadcasts. It features news bulletins, story ideas, and tips from professional journalists.

www.mediacampaign.org provides campaign stakeholders with information about the ONDCP's drug prevention programs, activities and strategies. The site includes the campaign's press releases, announcements and quarterly newsletter, as well as downloadable anti-drug banners that can easily be posted on stakeholder Web sites.

AOL's Parents' Drug Resource Center (PDRC) (Keyword: Drug Help) features science-based parenting skills and drug facts to help parents raise drug-free children. The PDRC connects parents to a wide variety of drug prevention resources, and features bulletin boards that enable parents to share drug prevention tips and other information. This site is the result of ongoing collaboration between America Online, the Media Campaign and the Partnership for a Drug-Free America.

AOL's "It's Your Life" (Keyword: Your Life) is located on AOL's Kids Only Channel and provides an entertaining environment where kids age 7 to 12 can learn the truth about drugs, alcohol and tobacco. "It's Your Life" features advice from celebrities encouraging healthy living, along with kid-friendly information about alcohol and illicit drugs.

We have also formed partnerships with some of the nation's leading organizations and corporations to more effectively reach tweens, teens and their mentors. These partnerships have resulted in the joint development of interactive content for the campaign, as well as raised awareness of the drug prevention issue. Examples include:

Reprise Records — has led to high-profile opportunities for the Media Campaign such as a link to the Freevibe Web site from pop group Barenaked Ladies' and Reprise Records' Web sites. Reprise Records (**www.repriserec.com**), a major recording label, has extended its resources and talent to the campaign in a number of ways including interviews for Freevibe and It's Your Life.

The Federal Web Site Initiative — encourages federal agencies to place anti-drug messages and links on the youth- and parent-focused areas of their Web sites, which are visited by kids and parents seeking answers to homework or other projects. More than 20 sites have volunteered to include drug prevention content or links to Media Campaign Web sites, including NASA (**www.nasa.gov/kids.html**).

The Mills Corporation Partnership — has proven to be extremely beneficial for the campaign both online and offline. The Mills family of mall web sites receives high amounts of traffic and regularly features updates from the Media Campaign. Offline, the Mills Corporation (**www.millscorp.com**) has extended its generosity in the form of free airtime on their Malls' closed circuit TV system and floor space at teen and tween oriented events.

Online Advertising is also an important aspect of communication. In the 1999-2001 media years, ONDCP placed online advertising on over 50 consumer Web sites and America Online. This generated nearly 1.2 billion total impressions (paid and match). These efforts drove more than 6.5 million visitors to the Media Campaign web sites. The campaign's interactive ads appear on sites relevant to vulnerable youth and concerned parents, e.g. video games, entertainment, music, teenagers, health, parenting, community, audio, broad reach, activist, advice, and education.

Indicators of Campaign Success

We are reaching our target audiences

The campaign is reaching its intended audiences and achieving breakthrough anti-drug awareness. Following the behavior change model on which the campaign is based, the effort has achieved significant absolute levels of anti-drug awareness. The 'anti-drug' campaign has been infused into the market and become a verifiable part of youth vernacular and pop-culture today.

Campaign advertising reaches about 90 percent of all teens 4.3 times per week (Nielsen 2000/X*pert System and other independent syndicated research sources). In focus groups, youth repeatedly indicate that they see it 'all the time.' The campaign receives roughly 90-100 unsolicited requests a month from youth seeking campaign posters, postcards and other material.

The campaign advertising reaches 83 percent of all adults 3.4 times per week. (Nielsen 2000/X*pert System and other independent syndicated research sources). During the most recent parent inhalants effort, there was a 193 percent increase in average number of calls received per day to the National Clearinghouse for Alcohol and Drug Information.

According to the campaign's own Milward Brown Tracking Study, as of the end of May 2001, 60 percent of youth surveyed report having seen 'Anti-Drug' advertising, and 77 percent of these have thought about their own 'anti-drug.' While this is not a formal measure of outcomes, this study does suggest that the campaign's messages are being heard and are causing adolescents to think about drugs.

Data from the NIDA evaluation study includes two types of measures of awareness of the media campaign – measures of general ad awareness, and measures of specific ad awareness. Awareness of specific ads is the preferred measure in assessing the media campaign. The most recent evaluation report (April 2001) indicates high awareness of the campaign, typically higher on general awareness and lower on specific ad awareness, for example:

> "Roughly 89% of youth and approximately 93% of parents recalled seeing or hearing some form of anti-drug advertising at least once per month." (p. 3-13)
>
> "About 70% of youth and parents report weekly exposure from the combination of [media] sources." (p. 3-14)
>
> "The median number of recalled ad exposures by parents was 10 per month and the median number of recalled ad exposures by youth was 12 per month." (p. 3-14)
>
> "[On an aided basis] about 84% of youth recalled seeing at least one of the ads that had been played in the previous 60 days." (p. 3-19)
>
> "Almost two-thirds of parents reported exposure to at least one parent television ad from the campaign in recent months." (p.3-20)

Attitudes are changing

The authorizing legislation for the Media Campaign provides "that the Director [of ONDCP] shall...report to Congress within 2 years on the effectiveness of the Media Campaign based upon measurable outcomes provided to Congress previously." As documented in previous reports to Congress (Phase I final report, September 1998, and the Phase II final report, June 1999) the first two phases of the Media Campaign achieved their objective of increasing awareness of anti-drug messages among youth and adults. In the Phase II final report, ONDCP reported statistically significant increases in awareness of specific Media Campaign ads. In Phase II, there also was a substantial increase in the percentage of youth who agreed that the ads made them stay away from drugs (from 61 percent to 69 percent). The percentage of youth reporting they learned a lot about the dangers of drugs from TV commercials increased from 44 to 52 percent.

The first year of data collected as part of the Phase III evaluation and submitted to Congress in April 2001 ("Evaluation of the National Youth Anti-Drug Media Campaign: Second Semi-Annual Report of Findings") provides valuable information on the Media

Campaign's reach to date. Key findings include 71 percent of youth reported seeing general anti-drug ads across all media. There is good evidence of increased anti-drug sentiment among older non-drug-using teens (aged 14 to 18) with regard to marijuana trial between Waves 1 and 2, which may signal subsequent declines in marijuana use in future waves of the evaluation. Among parents, 70 percent of parents report seeing or hearing general anti-drug ads across all media. The parent data indicate a consistent pattern of association between exposure to anti-drug messages and three key outcomes (talking with, monitoring, and engaging in fun activities with youth), meaning that parents who reported high levels of exposure to anti-drug messages were more likely to have engaged in the three activities with their children, but no change over time.

As noted earlier, the independent evaluation of Phase III is being conducted through NIDA with a contract to Westat and its subcontractors, the Annenberg School for Communication at the University of Pennsylvania. The first wave of data collection occurred from November 1999 through May 2000. The first semi-annual report of the evaluation of Phase III, released in November 2000, includes early estimates of exposure to the campaign, and it identifies anti-drug beliefs and drug use behaviors that will be watched over time both for movement and their association with exposure, setting the stage for the additional waves of the evaluation. Findings from the November 2000 report included:

Awareness

General exposure measures summed across all media suggest that 93 percent of youth recalled exposure to one or more anti-drug ads each month and 90 percent of adults recalled exposure to one or more anti-drug ads each month.

More than half of youth reported seeing and hearing a good deal about drug use in the mass media, including through media coverage about drug use among youth.

Attitudes

Most youth express negative attitudes and negative beliefs about the consequences of drug use: most 9- to 11- year-old children do not report using marijuana and have strong anti-marijuana attitudes (6.8 on a 1-7 anti-marijuana scale); 12- to 18- year-old non-using teens are also generally negative (6.6 on 1-7 scale) about marijuana use but less consistent in their anti-drug beliefs suggesting an area for potential improvement.

According to Milward Brown, as advertising exposure (total and youth-directed) increased, more youth agreed with a range of anti-drug belief statements being tracked. These include statements such as 'Staying drug-free will help me achieve my goals and do everything I want to do with my life". In a specific example, as exposure increased to one particular anti-drug ad entitled "Two Brothers," more youth agreed with the statement "Smoking marijuana can't help a kid to get accepted."

These findings corroborate findings by other surveys that higher levels of advertising exposure relate to higher levels of youth knowledge of drug use risks and make them feel less favorable toward drugs at significantly higher levels than 1998. PDFA's *PATS 2000* survey found that 49 percent of youth who saw ads frequently gained knowledge of drug risks versus 28 percent of youth who saw ads less than once a week. New, unpublished *MTF 2000* data reports that 34 percent of 8th graders indicate that anti-drug ads made them feel less favorable toward drugs. Again, we believe that our media campaign is contributing to these favorable trends.

The second semi-annual Westat report (released in April 2001) suggests that campaign advertising continues to strengthen youth anti-drug beliefs. While Westat's April 2001 report cannot yet report significant changes among 12-13 year olds who already hold strong anti-drug beliefs, there are significant changes in anti-drug beliefs reported for older youth:

> "... there is good evidence of encouraging changes between Wave 1 and Wave 2 among older teens (14-18), who had never used marijuana. There were 17 discrete outcomes assessing beliefs, attitudes and intentions about trial use of marijuana. Of those, 16 showed change toward an anti-drug direction. Of those changes, six were statistically significant. Thus, both by pattern of results and by presence of specific statistically significant results, there is a firm claim that there was an increase in expressed anti-drug sentiment during Wave 2 compared to Wave 1." (p. 7-2)

> "There was no evidence of statistically significant change among 12-13 year-olds. This finding is not surprising given the already strong anti-drug beliefs and attitudes observed in this age range in Wave 1. Note, however, that the margins for error on all of these change estimates are large, some of the non-significant absolute changes are of a magnitude to be of interest, and a majority of the statistically significant changes go in a positive direction." (p. 7-2)

Westat data suggests advertising exposure is linked to reduced intentions to use drugs in the future and reports a trend linking youth exposure [to campaign advertising] with reduced intentions to use marijuana.

> "Visually, there appears to be a definite upward trend [among youth] in intentions to avoid marijuana as exposure [to campaign ads] increases." (p. 10-9)

> "[Among youth] the highest exposure group reports more non-intention than the low-exposure sample, with a difference at 7.1 percent." (p. 10-10)

Westat reports associations between parental exposure to campaign advertising and related behaviors are in the desired direction.

> "There is impressive and consistent evidence for associations between parental exposure and reported behavior and cognitions related to several campaign

objectives in the desired direction. The effects are most pronounced for parent reports of talk, including all the measures associated with that variable: recalled overall talk, talk about rules, intentions to talk, attitude toward talk, social expectations for talk, and for self-efficacy for talk. But it is also established for the monitoring and fun activities objectives." (p. 11-7)

Youth drug use has declined or stabilized since 1996

The three leading national studies identify significant decreases in drug use since 1996, continuing through 2000. They include *Monitoring the Future (MTF)*, the *National Household Survey on Drug Abuse (NHSDA)* conducted by the Substance Abuse and Mental Health Services Administration, and *Partnership Attitude Tracking Study (PATS)*.

Marijuana use among 8th and 10th graders is declining. (MTF 2000)

Past month use is decreasing significantly, down to 7%, among 12 - 17 year olds. (NHSDA)

Marijuana trial and use among teens in grades 7 - 12 is declining. (2000 PATS)

Observed rates of youth drug use began to show a decline in 1997, a year prior to the initiation of the campaign. While the campaign cannot be statistically related to this positive trend, the data linking anti-drug advertising to changing attitudes suggest that the campaign will contribute significantly to this decline.

The campaign is benefiting other parent- and youth-oriented organizations

The campaign's impact on community, civic and public health/service organizations can best be measured by the reporting results of these organizations most benefiting from the efforts of the program. The pro-bono portion of the Media Campaign has increased the amount of public service advertising and its visibility (by requiring high visibility placement vs. volunteered placement).

By supporting organizations that meet established criteria and help create an environment in which youth can grow up drug free the match has helped organizations that help parents and youth. It expands the campaign's scope and reach in educating and enabling youth to reject illegal drugs by providing access to more resources and information to promote anti-drug education and healthy life choices, helping build community coalitions and promoting parental involvement and mentoring. The following provides examples of specific successes, provided by the Ad Council of the pro-bono match portion of the campaign as measured by several of our stakeholder partners:

National 4H Council sought to encourage kids and parents to call the toll free number or visit the web site to find out more information about volunteer activities and how to participate. From 1998-1999 there was a 20% increase in volunteerism, service learning and community service participation.

Kids Peace — TeenCentral.Net sought to increase awareness and use of a website providing teens with a safe, 24 hour anonymous, yet personalized problem solving resource. Match participation in 2000 resulted in 1/4 of a million more website hits than previous year.

Save the Children USA sought to recruit youth mentors. Since PSA inclusion in Match, calls generated from more than 40,000 prospective mentors and at least 20% (8,000) have become mentors helping make lasting changes in kid's lives.

Boys Town sought to increase awareness of and calls to its 24-hour professionally staffed hotline, which addresses drug and alcohol abuse problems, thoughts of suicide, and domestic violence. By participating in the Match, the Boys Town hotline experienced an increase in call volume for two consecutive years versus decreases of 14%-20% in previous years.

We are exceeding Congress' pro-bono match requirements

Congress mandates that every campaign dollar spent on advertising must be matched on an equal basis by media outlets' public service efforts. The Pro-Bono Match Program helps to ensure the preservation of the traditional donated media model of public service advertising. Most importantly, this program serves to dramatically increase the frequency and broaden the nationwide presence of proven drug prevention messages and information.

The majority of the Match requires media outlets to donate a matching amount of media time and space for qualified Public Service Announcements (PSAs). The balance of the requirement can be fulfilled with other in-kind public service efforts. In-kind public service efforts are communications activities that fall outside of what would be considered "advertising" or "public service announcements," but which are deemed by message and audience specialists to reach the campaign's key audiences with core messages in creative and effective ways. Examples include production of educational materials, development and maintenance of Web sites, publications, public service ads with Network talent, additional time and space in purchased media and many others. The goal of the donated media time and space, together with the in-kind public service efforts, is a communications campaign the sum of whose influence is greater than its individual components.

For the period beginning January 1998 through September 2001, the total value of the pro-bono match is projected to reach $524 million, eighty four per cent of which was donated air time and space. Never before has such an enormous amount of free media time and space been successfully negotiated and implemented. The pro-bono match was

negotiated using paid advertising valued at $485 million. Additional "in-kind" corporate contributions of $72 million, bring the total value of the Anti-Drug Media Campaign to over $1 billion. Eligible PSAs are those that aid in drug prevention by encouraging activities such as mentoring, greater parental involvement, after-school programs, raising young people's self-esteem, and other nationally relevant youth-related issues such as underage drinking and juvenile crime.

ONDCP has contracted the Advertising Council to serve as the clearinghouse for the pro-bono match. Organizations' public service messages that meet the established guidelines for the match are encouraged to submit their pre-produced PSAs for review by ONDCP's Media Match Task Force. PSAs that qualify for the match receive a minimum of three months of highly visible free media exposure on television, radio, and the internet. The match has been dispersed across every major media type, from national and local TV and radio to newspapers, magazines, in-theater onscreen advertising, billboards, subways, as well as an extensive in-school campaign. The highlights of the match from June 1998 projected to September 2001 include more than 20,377 national TV PSAs, 522,975 local TV and radio PSAs, and more than 244,599 PSAs secured in major broadcast media. More than 84 national organizations have benefited in this way.

One aspect of the pro-bono match component of the campaign which was discontinued in May 2001was the practice of granting strategic message credit for programming content. Based on advice from the campaign's Behavior Change Expert Panel and other public health organizations, the campaign recognized that accurate, on-strategy programming is more effective even than ads in shaping behavior and building understanding about issues (advertising does the job over time). Television programming and magazine features deliver campaign supportive messages within a context, and in a longer, more detailed form, using compelling plots and stories, often with familiar characters. Accordingly, strategic message credit (SMC) was added to the options available to media outlets to satisfy their match obligation. However, media use of the SMC feature has declined over the past year while anti-drug messages have continued to get into programming as a result of media roundtables. For these reasons, and to preclude any perception of improper involvement by the federal government in the creative process of the media, we have ended this policy. In order to honor contractual commitments made while purchasing media time last year, program submissions by broadcast and cable outlets will be accepted for evaluation and potential credit through September 30, 2001 (the last day of the broadcast media year and the end of the previous contractual period).

The campaign is reinforcing the efforts of local anti-drug community coalitions

We are encouraged that the effects of the campaign are being felt at the grass-roots level. The following quotes are illustrative of local perceptions of our communications activities:

Marilyn Wagner Culp of the Miami (Florida) Coalition for a Safe and Drug-Free Community: "Based on surveys taken in the Miami-Dade County, the majority of youth drug use has decreased. There is no doubt that the Media Campaign has been effective in reducing youth substance abuse."

Mary Ann Solberg of the Troy Michigan Community Coalition for the Prevention Of Drug & Alcohol Abuse: "The Media Campaign has helped maximize local dollars because local people have seen the Media Campaign and they are willing to allocate local money to a local campaign with the same messages."
Rhonda Ramsey Molina of the Coalition for a Drug Free Greater Cincinnati Ohio: "Students reported that the Media Campaign commercials they have been exposed to are relevant and strengthen their choice not to do drugs."

Christopher Curtis of the Oregon Partnership in Portland: "The Media Campaign has legitimized the importance of drug prevention among youth. It has also helped the Oregon Partnership to organize activities because the youth see the ads and want to respond to them."

Judge Michael Kramer of Drug-Free Noble County in Albion Indiana: "The Media Campaign has changed being drug-free, from seen by youth as conformist, selling out your generation, being a "goody two shoes" to being "hip," popular, and accepted by other young people."

Creative aspects of the campaign are garnering awards

The campaign's online activities have received nine awards this year for effective and innovative use of Web sites and interactive tools, including a top honor at the June 2001 Cannes International Advertising Festival for the *WhatsYourAntiDrug.com* Web site. Other awards include:

Certificate of Excellence, Creativity in Public Relations Awards (CIPRA) for Press Conference Outreach: Get Smart About Drugs.

CIPRA Certificate of Excellence for Effective Uses of Research in Publicity: Positive Uses of Time.

Bronze SABRE (Superior Achievement in Branding and Reputation) Award Winner for the "*TheAntiDrug.com* Redesign and Relaunch." Awarded by *The Holmes Report*, a publication for public relations professionals.

National Addy Award for the "*WhatsYourAntiDrug.com*" Web site. Sponsored by the American Advertising Federation, the ADDY® Awards are the nation's largest advertising competition.

Silver Anvil Award of Excellence for "Public Service by a Government Entity: Youth Outreach." Awarded by the Public Relations Society of America (PRSA). Silver Anvils recognize complete programs incorporating sound research, planning, execution, and evaluation.

PRSA Bronze Anvil Award of Excellence for "*TheAntiDrug.com*: Teaching Parents How to Raise Drug-Free Kids." The Bronze Anvils honor the best tactical solutions to public relations challenges.

Thoth Award of Excellence for "*TheAntiDrug.com*: Teaching Parents How to Raise Drug-Free Kids." Awarded by the Washington, D.C. chapter of the Public Relations Society of America.

Bronze Telly Award for Non-Network TV Programming, Straight Scoop Documentary. The Telly Awards recognize outstanding non-network and cable commercials.

Bronze Cyber Lion Award for the "What's Your Anti-Drug?" Web site at the International Advertising Festival.

A Creative Excellence Award for the "Music Banner, International Web Page Awards" which was created for the launch of the Media Campaign's youth branding initiative to reach kids with a specific interest in music.

Ongoing/New Initiatives

Branding

The establishment of a product brand is a characteristic of effective advertising. Extensive research provided new insights on parent and youth attitudes towards drugs and helped shaped the parents' "The Anti-Drug" and youth "My Anti-Drug" brands. Through various creative executions such as "Parents: The Anti-Drug," "Communication: The Anti-Drug" and "Truth: The Anti-Drug," the parents brand positively delivers to parents the empowering message that it is their own actions that can make a difference in their child's life. The "Anti-Drug" parent's brand launched in September 1999 and continues to be the brand signature for all parent-targeted messages, across all mediums.

The "My Anti-Drug" brand for youth was launched in August 2000. We determined that the question "What's your Anti-Drug?" caused kids to consider what in their own lives was important enough to keep them away from drugs. Youth from across the country were asked to submit their "Anti-Drugs." Some submissions were later featured in national advertising. The entire August 2000 - January 2001 youth brand launch was a fully integrated multimedia campaign whose widespread presence helped to seed "My Anti-Drug" as a brand. Visual recognition of the "Anti-Drug" message among youth has increased to 58%, far outpacing normative expectations. Post launch, "My

Anti-Drug" continues to be the brand signature for all new youth work moving forward. To date nearly 130,000 youth have registered their own personal anti-drugs in the campaign's *Freevibe* website.

Children of Substance Abusers Program

The Children of Substance Abusers Initiative, which we will launch in September, will target a sizeable and vulnerable population. Parental addiction affects at least one in four children under the age of 20 in the United States. Children of addicted parents are the highest risk group to become drug and alcohol abusers due to both genetic and family environmental factors. This initiative will bring awareness to the issue, let young people know they are not alone, and give information on where and how to access resources to learn more. The initiative will use posters, websites, and national clearinghouses as resources for information and help, along with adults who influence the lives of young people on a daily basis (school counselors, nurses, coaches, etc.).

Workplace Program

We have developed a comprehensive Workplace Program designed to provide online and print materials to assist employers in providing parents, grandparents, and other caregivers with drug prevention messages and tools in the workplace. Our objectives include:

Generate awareness among human resources professionals, employee assistance professionals, and small business owners about the importance of providing youth focused drug-prevention information to employees.

Educate employees (parents/adult influencers) that they have a leading role in preventing youth drug abuse.

Increase the number of organizations that offer such information and resources to their employees.

Community Drug Prevention Campaign

Together with the Ad Council and volunteer advertising agency Avrett Free & Ginsberg we have developed new public service advertisements (PSAs) for the Community Drug Prevention Campaign that launched in August 2000. The PSAs receive national donated media support through the campaign's public service media match component. Set to launch in the Fall of 2001, the new PSAs carry the tagline "You Get More When You Get Together" and will run concurrently with the earlier round of PSAs, "I Can Help" and "Campfire." The variety of TV and radio PSAs address the different roles that individuals and groups can play in youth drug prevention by raising awareness for coalitions and the successful strategies they bring to communities across the country. The PSAs include a call-to-action that encourages the audience to call a toll-free number or log onto a website being developed specifically for the new PSAs to find a coalition in

their community. Respondents will have the option to receive information on a local or national coalition or a federal agency, as well as information on how to start a coalition, or improve an existing coalition.

Multicultural outreach

The Media Campaign includes a strong, ethnically diverse outreach component targeting youth, parents, and youth influencers. It is one of the largest advertising efforts developed by the Federal Government, with messages tailored for ethnic audiences. Creative messages are based on behavioral science, and are reviewed by a Behavioral Change Expert Panel composed of scientists from ethnically diverse backgrounds with experience developing behavioral change communications for ethnic audiences, and target audience specialists who market to ethnic communities. The campaign employs ten minority subcontractors to coordinate the purchase of ethnic advertising and coordinate the campaign's multicultural outreach activities. Each agency has substantial expertise in communicating with specific cultural audiences. Multicultural advertising is developed on a pro-bono basis by minority-owned agencies that specialize in creating ethnic advertising. A special effort is made to purchase advertising airtime or space in minority-owned media.

Ethnic audiences include African Americans, Hispanics, American Indians, Asian Americans (including Chinese, Koreans, Vietnamese and Cambodians) and Pacific Islanders (Filipinos, Guamanians, Hawaiians and Samoans) Alaskan Natives, and Aleuts. Messages are delivered in multiple languages including Spanish, Mandarin, Cantonese, Cambodian, Korean, Tagalog, Vietnamese, and American Indian dialects. The Media Campaign also includes advertising and outreach in the U.S. territories of Guam, the U.S. Virgin Islands, American Samoa, and Puerto Rico.

More than $30 million in paid and negotiated pro-bono advertising messages and outreach programs aimed at youth age 11-17, parents, and other youth influencers, are directed towards ethnic audiences each year. African Americans and Hispanics receive the largest share of multicultural advertising exposure – more than 75 percent of the ethnic paid and pro-bono investments. A number of multicultural organizations have taken advantage of pro-bono match opportunities by submitting their own PSAs. As of February 2001, The United Negro College Fund, the National Action Council for Minority Engineers, and 100 Black Men of America, collectively received over 5,800 placements of their TV and radio drug prevention related PSAs.

Outreach to faith-based organizations

Research indicates that religious faith and a strong moral sense play vital roles in preventing illicit drug use among youths. The Media Campaign has several initiatives to provide the faith community with substance abuse prevention information. Outreach efforts include developing drug prevention materials, curricula, articles, and information to (include in religious publications) and engaging national faith-based organizations to elevate substance abuse prevention on the national faith agenda.

Program and Contract Administration

Contract Awarding and Administration

From the campaign's inception, ONDCP has contracted with other federal agencies to provide administrative contract support for the campaign's advertising contracts. We made this decision because of our conclusion that neither ONDCP nor the larger Executive Office of the President (EOP) had the contract administration capabilities necessary to support the extensive contracting efforts required to develop and implement this unparalleled public-health communications campaign. Administrative support provided by other agencies includes, among other things:

Managing the contracting process through solicitation and selection.

Awarding and modifying contracts.

Overseeing the execution of contracts.

Reviewing vouchers for allowability and allocability.

Although ONDCP uses administrative contract support from other agencies, we have remained responsible for ensuring that all contract terms meet the campaign requirements. We have shared responsibility for selecting contractors, ensuring all contracts (and modifications to them) are in accordance with ONDCP's media plan, and rendering determinations on the reasonableness of media advertising costs.

In April 1998, ONDCP entered into an interagency reimbursable work agreement with the Department of Health and Human Services' (HHS) Program Support Center (PSC) to provide administrative contract support for the Phase II advertising efforts, including award of the contract to an advertising agency. In December 1998, the HHS agreement was amended to cover Phase III paid advertising efforts through December 1999. In January 2000, HHS and ONDCP entered into another agreement to cover the first option year under the contract, and HHS issued a contract modification for about $133 million to Ogilvy to extend the contract through January 3, 2001. On December 1, 2000, ONDCP and the Department of the Navy entered into an interagency reimbursable work agreement that transferred administrative contract support responsibilities from HHS to the Department of the Navy's Fleet and Industrial Supply Center in Norfolk, Va. In addition to their established expertise with cost-type contracts, the Navy also introduced daily DCAA oversight to assure more scrutiny over costs.

ONDCP has been responsible for withholding payment of millions of dollars to Ogilvy because the reasonableness and allowability of costs billed had not been established to our satisfaction. When we became concerned over rising labor costs, we hired an outside expert to review business plans submitted by Ogilvy to ensure cost

effectiveness. We used the expert's conclusions to reduce ad-related costs, including labor.

ONDCP has always taken allegations of wrongdoing and rising labor costs very seriously. We have consistently taken swift and appropriate measures to protect the public purse and contain expenses. Our ad agency labor costs are now less than at the beginning of the campaign's first year.

General Accounting Office (GAO) Review

The Media Campaign's contract administration procedures were recently reviewed by the General Accounting Office in a June 2001 report to the Chairman of the Subcommittee on Treasury, Postal Service, and General Government. This report focused on charges to the government by Ogilvy for labor costs and the government's management of contracting issues. The report concluded that Ogilvy "did not properly charge the government for some of the labor costs claimed under the contract and did not have an adequate accounting system that could support a cost-reimbursement government contract of this value." Key GAO findings related to the contractor's billings were that some charges were unreliable, non-billable, and incorrect.

The GAO report also faulted the government for inadequately managing aspects of the contract award and contract administration. Specifically, the report noted that the government awarded a cost-reimbursement contract to Ogilvy before sufficiently determining that the contractor had an accounting system able to support the type of contract awarded. It also concluded that the government did not resolve "billing problems when they arose or by auditing the contractor."

The report recommended that ONDCP:

Work with the Navy to review the appropriateness of the disallowed costs and other labor charges and determine the amount of money that the government overpaid or should reimburse the contractor.

Ensure that Ogilvy has an adequate cost accounting system for continued performance under the contract.

Effectively coordinate the roles and responsibilities of the contracting officer's technical representative (COTR).

Ensure that Ogilvy has restructured its accounting system before the next option is exercised.

Plan contract alternatives for Phase III of the Media Campaign.

ONDCP believes that the June 2001 GAO report fairly and accurately portrays the complexities of the contracting issues regarding the advertising portion of the Media Campaign, and agrees with the GAO's recommendations. At the time of the GAO report, the Navy had assumed administrative contract support responsibility and along with ONDCP had already taken significant action to address the report's concerns.

Working closely with the Navy contracting staff

Navy brings with it the Defense Contract Audit Agency (DCAA), an important addition to the existing measures used to manage and administer the Ogilvy contract. The DCAA works within a system of checks and balances that includes the Navy and the ONDCP. Each invoice must pass dual scrutiny and is simultaneously sent to the DCAA and ONDCP. DCAA reviews invoices for reasonableness, allowability and allocability in accordance with the Federal Acquisition Regulation. ONDCP also reviews invoices for reasonableness. Where costs are rejected, Ogilvy is informed of the reason therefor, and given an opportunity to respond. In addition to DCAA employing this dual scrutiny of invoices, the Navy instituted biweekly meetings to occur with representatives from Ogilvy, DCAA, Navy and ONDCP in order to work toward resolving any current of past billing issues.

Regarding satisfactory cost accounting, Ogilvy hired PricewaterhouseCoopers to review and modify Ogilvy's cost accounting procedures, and has concluded that the revised system is compliant with federal requirements. DCAA is working closely with PricewaterhouseCoopers and Ogilvy to ensure that the system will work as designed, and it is anticipated that DCAA and the Department of Navy contracting officer will have recognized Ogilvy's cost accounting system, in writing, shortly. Nonetheless, ONDCP believes it is prudent to review all the circumstances surrounding the advertising requirement to determine whether resolicitation or option renewal is the best course of action. ONDCP has developed a process with Navy that allows us to balance legal and programmatic concerns about Ogilvy's past and present actions and the benefits and detriments of resoliciting the contract. ONDCP and the Navy are conducting market research to determine whether the current contract terms meet the government's needs and whether Ogilvy is best suited to meet those needs.

Under the HHS administration of the contract, the COTR and the HHS contracting officer did not have an effective working relationship, which impeded contract administration. Although the COTR spotted questionable billings, and verbally alerted the HHS contracting officer of these questionable billing suspicions, the relationship with HHS did not provide for resolution of such billings. This has not been a problem under the Navy contract administration procedures. The DCAA and the COTR review the invoices. Where disagreement arises between Ogilvy, the DCAA or the COTR, the Contracting Officer is readily available to make the final decision.

I think it is important to underscore that since ONDCP began the practice of reviewing invoices submitted by media campaign contractors, ONDCP has consistently recommended that the contract administrative office only pay those bills that are both

allowable and adequately supported by invoices. This practice resulted in the withholding of approximately $7.5 million of billed costs. Additionally, these withholdings were instrumental in identifying the issues that are currently under investigation by several government agencies including DOJ's Civil Division, DCAA, and the Department of the Navy. As these ongoing investigations reach conclusions, ONDCP will factor their findings into decisions related to administration of the media campaign.

Conclusion

The Office of National Drug Control Policy appreciates the long-standing, broad, and bipartisan congressional support for the Media Campaign. We have worked closely with members, committees, and staff to ensure that we fulfill the congressional intent of creating and implementing a public-health communications campaign that has measurable effects on awareness, attitudes, and behavior. We believe we are seeing strong evidence that the Media Campaign is working as intended – attitudes are changing and drug use by adolescents is declining. We strive to create a campaign that reaches all Americans with science-based messages. We are implementing an integrated communications approach with advertising at the core supplemented by outreach efforts including partnerships and outreach of grass-roots anti-drug efforts.

We would be remiss if we did not recognize the enormous contributions of the Partnership for a Drug-Free America (PDFA). PDFA has developed some three hundred TV, radio, and print messages that have been precisely placed to target the right audience in the right media.

We look forward to working with the distinguished members of this subcommittee to ensure full accountability of all aspects of program and contract administration.

Mr. SOUDER. Thank you for your testimony.

Our second witness, from the General Accounting Office, is Mr. Bernard Ungar, who is Director of the Physical Infrastructure Team. Mr. Ungar will provide the GAO's testimony. He is joined by Mr. Robert Hast from the Office of Special Investigations, who will be available for questions. Mr. Ungar.

Mr. UNGAR. Mr. Chairman, Mr. Cummings, we're pleased to be here today to discuss our work with respect to the Anti-Drug Youth Media Campaign. Mr. Hast and I are also accompanied by our able staffs who assure us that they will help bale us out when the questions come, and they assure us they're right behind us. Hopefully, they'll stay there.

GAO, within the last 13 months or so, has looked at this program three times. The first report we issued was in July 2000, which looked at various programmatic aspects of the program. During the course of our work on that review, allegations came to the surface about potential overbilling by the contractor at that time, Ogilvy and Mather, as well as problems with the Government's award and management administration of the contract.

In October 2000 Mr. Hast presented the results of our first review that we completed with respect to those allegations. He advised the subcommittee of what we had found in connection with the extent to which ONDCP was aware of these allegations and what actions it had taken as a result of them, in particular, what actions with respect to an audit that had been recommended.

Our third review was just completed in July, at the request of a House Subcommittee on Appropriations, and it dealt specifically with the issue of the allegations; that is, the contractor overbilled the Government for time not worked. It also addressed the allegations concerning the management of the Government's part of the award and administration of the contract, at least those aspects that were related to the allegations of overbilling.

Indeed, as you and Mr. Cummings indicated, we had found in our report relative to our review that the contractor, Ogilvy and Mather, did overbill the Government for labor costs. The full extent of that is not clear yet, but we certainly found that there were some cases in which that did happen.

There were at least two types of situations, one in which certain Ogilvy employees were instructed by certain Ogilvy managers to add time to their timecards for hours they did not work on the contract. This apparently stemmed from discussions from within the company that the company was not earning as much as it had projected in terms of labor hours in the contract during the summer of 1999. A second set of overcharges, overbilling, resulted from employees who worked at Ogilvy whose timecards were changed; hours were added by somebody else other than the employees, not to their knowledge.

Both of these situations occurred. Again, we really feel that this was an improper situation, and as you know, we have referred this issue to the Department of Justice, and the Department of Justice is currently looking into that.

In addition to the overbilling issue on the contractor's part, we did look, as I mentioned, at the management of the contract. We focused in on the award of the contract. In this case it was HHS

who awarded the contract on behalf of ONDCP. Indeed, we did find that, unfortunately, HHS did award this contract without assuring that the contractor had an adequate accounting system to deal with a cost reimbursement contract of over a half a billion dollars. In addition, the contractor failed to provide to the Government, to HHS, a disclosure statement that would have identified its proposed accounting practices. These problems, in our view, contributed to the problem the Government had then subsequently without being able to prevent and detect the problems that were experienced with the overbilling.

Finally, another problem on the part of the Government in this particular case was the oversight and administration of the contract. In this particular situation we had a dilemma in that for a period of time the Government had disallowed a number of the costs claimed by the contractor and raised a number of concerns about the billing practices. In our view, there was plenty of warning to the Government that something was amiss.

In addition to that, allegations of fraudulent conduct came to the attention of the Government in the early part of 2000, and as we similarly reported, the Government decided at that point that there should be an audit but decided to put it off until the ONDCP transferred responsibility for the contract from HHS to the Navy. In our view, that was a substantial period of time that elapsed, and we really feel that action could have and should have been taken sooner to deal with the billing problems and the allegations of fraud.

Even as we were doing our review, as we completed our review, we did discuss our findings a number of times with ONDCP and with the contractor's representatives, and both have been quite responsive. In fact, both had started corrective actions before we had completed our review.

The most significant issue in our mind that remains today is whether or not the Government should recompete this contract. That really depends upon a number of issues on which I think information is yet to be fully obtained. It has to do with such factors as: What will be in the best interest of the Government in terms of the costs that would be associated with retaining the current contractor by exercising the next option or obtaining another contractor through a recompetition? What effect a recompetition might have on the program goals, the program objectives, and the timing of program services? Finally, the current integrity and responsibility of the contractor in a sense of while the contractor has taken certainly a number of corrective actions very aggressively, the question that still remains in our mind is: Who in the company is really responsible for these overbilling situations? That's still not clear, and I think, hopefully, the Department of Justice will help resolve that. But that is a question we think that really needs to be addressed at some point in the near future.

Thank you, Mr. Chairman. That concludes my summary.

[The prepared statement of Mr. Ungar follows:]

United States General Accounting Office

GAO

Testimony

Before the Subcommittee on Criminal Justice, Drug Policy and Human Resources
Committee on Government Reform
House of Representatives

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ANTI-DRUG MEDIA CAMPAIGN

Aspects of Advertising Contract Mismanaged by the Government; Contractor Improperly Charged Some Costs

Statement of Bernard L. Ungar
Director, Physical Infrastructure Issues

GAO-01-1017T

Mr. Chairman and Members of the Subcommittee:

We are pleased to be here today to discuss our report entitled *Anti-Drug Media Campaign: Aspects of Advertising Contract Mismanaged by the Government; Contractor Improperly Charged Some Costs* (GAO-01-623, June 25, 2001), which contains the findings from our most recent report regarding our review of the Office of National Drug Control Policy's (ONDCP) advertising contract for Phase III of the National Youth Anti-Drug Media Campaign. We first reviewed certain programmatic aspects of the media campaign in a July 2000 report.[1] During that review, allegations were made that the government was not adequately managing aspects of the Phase III contract relating to costs incurred by the contractor (the advertising agency of Ogilvy & Mather) and that the contractor was overbilling the government. In October 2000, at the request of former Chairman Mica, we testified before this Subcommittee about our initial investigation of ONDCP's actions after it received allegations that Ogilvy was overbilling the government.[2] We reported that the former ONDCP Director knew about these allegations, including possible fraudulent conduct, in April 2000. We also reported that the Director agreed with the need to audit the contract after ONDCP transferred contracting responsibilities from the Department of Health and Human Services (HHS) to the Navy.

Our June 2001 report discussed whether Ogilvy properly charged the government for labor costs incurred under this contract, and whether the government adequately managed aspects of the contract award and administration related to costs incurred by the contractor. We focused on labor charges submitted by Ogilvy because the allegations pertained to labor costs. We reviewed these costs by examining the labor invoices that were submitted to the government for work done under the ONDCP contract, and then interviewing a sample of Ogilvy employees whose time sheets were revised regarding the amount of time that was charged to the government. We asked these employees about why the time sheets were revised and who made the changes. We collected other information by conducting interviews and reviewing contract-related documentation at HHS, which awarded and administered the contract during the first 2 years for ONDCP; the Navy, which assumed responsibility for administering the contract for ONDCP in November 2000; the Defense Contract Audit Agency (DCAA), which was asked by the Navy to review Ogilvy's accounting system and audit

[1] *Anti-Drug Media Campaign: ONDCP Met Most Mandates, but Evaluations of Impact Are Inconclusive* (GGD/HEHS-00-153, July 31, 2000).

[2] *Anti-Drug Media Campaign: Investigation of Actions Taken Concerning Alleged Excessive Contractor Cost* (GAO-01-34T, Oct. 4, 2000).

the contract; ONDCP; and Ogilvy. We did not determine the contractor's actual costs incurred under this contract. Although we did not focus on the technical aspects of Ogilvy's performance, ONDCP officials said that they were very satisfied with Ogilvy's technical performance regarding the anti-drug media campaign.

Background

Phase III of ONDCP's National Youth Anti-Drug Media Campaign was initiated in January 1999 as a 5-year effort to reduce youth drug use. The campaign consists of nationwide print and broadcast advertisements that are to run through December 2003. Although paid advertisements are the centerpiece of the campaign, they are part of a broader ONDCP effort that includes partnerships with community groups, corporate participation, public information and news media outreach, collaboration with the entertainment industry, and use of interactive media. Paid advertisements for the campaign are to be supplemented by matching advertisements donated by media outlets.

In December 1998, on behalf of ONDCP, HHS competitively awarded a cost-reimbursement contract to Ogilvy, with performance to begin in January 1999. That contract has a base year and 4 option years, for a total estimated value of $684 million. Of the $128.8 million value of the contract award for the first year, $18.9 million was for Ogilvy's labor costs, and the remainder was for media and subcontractor costs. According to HHS, a cost-reimbursement contract was used primarily because ONDCP's specific needs for the advertising campaign could not be determined in advance and the cost of performing the work could not be forecast with a reasonable degree of accuracy, and therefore a fixed-price contract was impractical.

According to ONDCP officials, because the Executive Office of the President, of which ONDCP is a part, did not have the procurement resources to award and administer a large contract, ONDCP arranged for HHS' Program Support Center (PSC) to serve as its contracting agent. This arrangement gave HHS overall responsibility for awarding and administering the Phase III contract in return for a fee, and ONDCP was to monitor technical aspects of the contractor's performance.

In November 2000, attorneys representing Ogilvy disclosed to the Justice Department's Civil Division that they had conducted a preliminary review of Ogilvy's ONDCP contract costs, and found certain "slices of unreliability" in the company's accounting system and employee time sheets. The attorneys said that they disclosed to the Justice Department deficiencies in the company's timekeeping systems, which they said resulted in possible underbilling of labor costs from January through June 1999, and possible overbilling of labor costs for

the last quarter of 1999. Also, in November 2000, ONDCP transferred contracting responsibilities from HHS to the Navy after a breakdown in ONDCP's working relationship with HHS regarding the contract. In December 2000, the Navy asked DCAA to review Ogilvy's accounting system and conduct an historical audit of costs incurred under the contract. In January 2001, the Navy exercised the option to Ogilvy for the third year of the contract (Option Year 2), with an estimated value of $137 million.

Findings

Ogilvy Improperly Charged for Some Labor Costs

We found that Ogilvy did not properly charge the government for some of the labor costs claimed under the contract, and did not have an adequate accounting system that could support a cost-reimbursement government contract of this value. Although the government disallowed nearly $7.6 million out of about $24.2 million in total labor charges submitted by Ogilvy during the first 19 months of the contract, attorneys for the company have proposed that about $850,000 be disallowed for that period. The amount of money that the government overpaid or should reimburse the contractor for labor costs incurred cannot be determined until DCAA audits the costs claimed by Ogilvy. The Navy has asked DCAA to audit the media campaign costs for 1999 and 2000, which it plans to start soon.

Some of Ogilvy's labor invoices included charges for time that its employees did not work on the contract. According to Ogilvy officials and an internal company E-mail, after learning in the summer of 1999 that revenue on the ONDCP contract was about $3 million lower than projected, certain Ogilvy managers instructed some employees to review and revise their time sheets. Ogilvy's attorneys provided documents indicating that these revisions added about 3,100 hours to the ONDCP contract, which increased charges to the government by about $238,000. We interviewed some of these employees, who told us that they initially did not record all of the time that they worked on the ONDCP contract, and that they revised their time sheets to increase the number of hours that they claimed to have worked. However, some of the employees also told us that they did not work the amount of additional time that was added to their time sheets, or they could not fully explain why they increased the number of hours to the ONDPC contract. For example, one of the employees said that she did not work the 485 hours that she added to the ONDCP contract, and another employee generally could not recall the work that he did for ONDCP with respect to most of the 402 hours that he added to his time sheets.

In another audit step, we reviewed time sheets that Ogilvy submitted to ONDCP as support for the labor invoices in 1999, and found hundreds with scratch-outs, white-outs, and other changes to the amount of time billed to the ONDCP contract. These changes all lacked the employees' initials. We interviewed 12 Ogilvy employees whose time sheets were changed to add time to the ONDCP contract about why the changes were made.[3] Four of the 12 employees said that they did not make the changes indicated on their time sheets regarding ONDCP and did not know who made the changes, which added at least 55 hours to the ONDCP contract.[4] The other 8 employees said that they made the changes for various reasons, such as making corrections for mathematical errors, charging time to the wrong account, and recording the wrong office departure times.

We found other problems associated with Ogilvy's billing the government for its ONDCP work. Ogilvy inconsistently charged the government for paid absences and training and incorrectly billed fringe benefits for temporary contract employees. In June 2000, a consultant retained by Ogilvy to review the company's billing on the ONDCP contract reported that employee timesheets contained problems such as erasures, scratch-outs, and white-outs without the employees' initials on the changes. The next month, Ogilvy suspended billing the government for its labor and has not submitted another labor bill to the government from July 2000 to the present. We referred our findings regarding Ogilvy's improper billing under this contract to the Justice Department.

The Government Mismanaged Aspects of the Contract

The government did not adequately manage aspects of the contract award. HHS awarded a cost-reimbursement contract to Ogilvy before sufficiently determining whether Ogilvy had an adequate accounting system to support this type of contract. HHS also did not obtain a required statement from Ogilvy that would have disclosed the cost accounting practices that the company planned to use. The disclosure statement would have increased the likelihood that deficiencies in Ogilvy's cost accounting practices would have been identified and addressed earlier.

The government also did not adequately administer the contract by resolving billing problems when they arose or by auditing the contractor, despite clear indications that Ogilvy's cost accounting system and timekeeping procedures were deficient. The HHS contracting officer followed the technical

[3]These were not the same employees who revised their time sheets after certain Ogilvy managers instructed them to do so.

[4]More hours may have been added, but it was not possible to determine what numbers had been whited-out or marked-out on some time sheets.

representative's recommendations to disallow nearly one-third of the labor charges that Ogilvy submitted during the first 19 months of the contract without reviewing the appropriateness of those disallowances or arranging to audit the contract.

As we reported to this subcommittee last October, ONDCP's technical representative wrote a memorandum in April 2000 to the then-ONDCP Director about Ogilvy's billing irregularities, including a former Ogilvy employee's suspicions of fraudulent conduct. In this memorandum, the technical representative recommended an immediate audit of the base year of the contract. However, the HHS contracting officer informed us that ONDCP did not provide her with a copy of this memorandum or any other credible evidence of improper time charges and, therefore, an audit was not needed. The technical representative said that it was an ONDCP management decision not to share the unsubstantiated allegations of improper time charges with HHS contracting officials. ONDCP said that it lacked evidence substantiating the allegations and that an audit of the questioned billings was expected to occur immediately after the responsibility for contract administration was transferred from HHS to the Navy.

Contract administration was also impeded because the HHS contracting officer and the ONDCP technical representative did not have an effective working relationship, which eventually led to the transfer of contracting responsibilities from HHS to the Navy. The contracting officer said that the technical representative did not work within the boundaries of his appointment. However, ONDCP indicated that the technical representative started performing duties normally done by the contracting officer only because the contracting officer was not actively engaged in the administration of the contract, gave the technical representative permission, or acquiesced to the technical representative's performing the duties. Further, the technical representative said that his working relationship with HHS contracting officials deteriorated because he refused pressure from the contracting officer to recommend payment for costs that he believed to be questionable or unsupportable. In some instances, we found documentary evidence to support the different parties' accounts of events, although with regard to other incidents, we found no documentation to resolve the differing views.

Actions Taken Since the October 2000 Hearing

In November 2000, Ogilvy hired PricewaterhouseCoopers to restructure its accounting system to meet government contracting standards. This included developing a disclosure statement regarding Ogilvy's accounting system, which was required to be submitted at the beginning of the contract. On March 9, 2001, more than 2 years after the contract award, Ogilvy submitted a disclosure

statement. Ogilvy was also required to submit an incurred cost proposal to establish final costs incurred for 1999, which was originally due no later than June 30, 2000, and an incurred cost proposal for 2000, by June 30, 2001. On March 2, 2001, Ogilvy provided an "advance copy" of an incurred cost proposal to the Navy, which was not certified, for 1999. On July 11, 2001, Ogilvy provided a certified incurred cost proposal for 1999 and 2000.

Ogilvy also indicated that it has taken actions to improve the preparation of employee time sheets. In January 2001, Ogilvy issued its employees revised time sheet guidance prepared by PricewaterhouseCoopers containing detailed time sheet procedures and penalties for falsifying them. Also in January 2001, PricewaterhouseCoopers began providing time sheet training to Ogilvy employees.

For its part, ONDCP indicated that it has taken actions to improve the administration of the contract with Ogilvy, such as transferring the contracting responsibilities from HHS to the Navy. ONDCP also indicated that it split the technical representative's duties so that the Media Campaign Office will have various technical representatives, rather than having one technical representative, handling all of the media campaign contracts. In addition, ONDCP said that its media campaign staff have been trained and certified as technical representatives. According to ONDCP, since contracting responsibilities were transferred to the Navy, communication has been substantially enhanced between the technical representatives and the contracting officer, and regular meetings are scheduled with the technical representatives, the contracting officer, and the contractor to resolve issues.

With regard to the next contract option year, which begins in January 2002, ONDCP officials said that they are considering options and contingencies. In late July 2001, ONDCP officials said that they are conducting market research with the Navy to determine whether the contract should be resolicited, are developing a statement of work for a possible new contract, and are considering whether any new contract should be fixed-price. ONDCP expects to decide by August 30, 2001, whether to exercise the next option year or whether reprocurement should be initiated.

DCAA, which began reviewing Ogilvy's accounting system in March 2001, determined last week that the company's accounting system was adequate with regard to the ONDCP contract. DCAA also plans to routinely review Ogilvy's future labor invoices when the company resumes submitting them, and soon will begin to audit Ogilvy's 1999 and 2000 costs.

Conclusions

Ogilvy did not properly charge the government for some of its labor costs incurred under this contract. Its submission of time sheets claiming hours that some employees said they did not work on the anti-drug media campaign was clearly improper. In addition, the company did not make substantial progress toward restructuring its accounting system to meet government requirements until nearly 2 years after the contract was awarded.

The government poorly managed aspects of the award and administration of the contract. HHS should not have awarded this cost-reimbursement contract without determining whether the contractor had an adequate cost accounting system. In addition, HHS should have reviewed the appropriateness of the large amount of money that the technical representative recommended be disallowed from the contractor's invoices, or arranged for an audit of the contract. The technical representative appropriately brought allegations of improper billing to the attention of ONDCP management, but ONDCP management did not take prompt action to investigate the allegations.

Because the contract has not yet been audited, the appropriateness of the disallowed charges and Ogilvy's actual incurred costs under this contract remains unknown. In assuming contracting responsibilities for the ONDCP contract, the Navy must determine the allowability of costs charged to the contract, including Ogilvy's nonbillable hours. We believe that the government should not exercise the next contract option year with Ogilvy unless substantial progress has been made toward resolving these issues and ONDCP has considered both Ogilvy's administrative and technical performance under the contract to date.

Recommendations

In our June 2001 report, we recommended corrective action to ONDCP and HHS to address the problems we identified. We recommended that the ONDCP Director should direct ONDCP staff to work with the Navy to

- review the appropriateness of the disallowed costs and temporary contract employee labor charges from Ogilvy's invoices and determine the amount of money that the government overpaid or should reimburse the contractor regarding these invoices;
- ensure that Ogilvy has an adequate cost accounting system for continued performance under the contract;
- coordinate the roles and responsibilities of the contracting officer and the technical representative and ensure that these roles and responsibilities are effectively carried out.

Further, we recommended that ONDCP request that the Navy not exercise the next contract option year with Ogilvy until the company has adequately

restructured its accounting system to meet government requirements and ONDCP has considered the contractor's administrative, as well as technical performance, under the contract to date. In this regard, ONDCP and the Navy should immediately begin to plan contracting alternatives for the subsequent Phase III media campaign should they decide not to exercise the next contract option year with Ogilvy.

To improve HHS' compliance with contracting procedures and prevent the awarding of cost-reimbursement contracts covered by the Cost Accounting Standards (CAS) to companies lacking adequate accounting systems to support that type of contract, we recommended that the Director of the HHS Program Support Center (PSC) direct that PSC's controls over contracting procedures be assessed to ensure that they are adequate for awarding and administering CAS-covered cost-reimbursement contracts. These controls would include ensuring the adequacy of potential contractors' cost accounting systems, obtaining the required disclosure statements, arranging for audits of contracts when significant billing problems arise, and resolving billing disputes involving substantial disallowances on a timely basis.

Agency Comments

In providing comments on our draft report, ONDCP agreed with our recommendations and said that significant progress has been achieved toward resolving the problems that we identified. The HHS Program Support Center agreed with our recommendation that controls over contracting procedures should be reexamined, particularly with respect to assessing an offeror's accounting system. Ogilvy's attorneys did not comment on the recommendations.

Recent Actions Taken on Recommendations

We met with ONDCP officials on July 25, 2001, to discuss additional progress made since our report was issued and incorporated in this statement what ONDCP officials told us. ONDCP officials indicated that they are working to implement our recommendations and provided a July 20, 2001, letter from the ONDCP Acting Director to the Navy stating that ONDCP and the Navy should jointly conduct market research as a basis for deciding whether to exercise the next option year with Ogilvy or resolicit the contract. The letter also indicated that unless market research indicates that the contract should remain cost-reimbursable, either in full or in part, the contract should be fixed-price. In addition, ONDCP informed the Navy that Ogilvy cannot be retained under a cost-type contract unless it has an accounting system that complies with the Federal Acquisition Regulation.

Although ONDCP is working to implement our recommendations, much remains to be done to settle the problems existing with this contract. The 1999 and 2000 costs need to be audited, the amount of labor costs to be paid for those years must

be determined and possibly negotiated, and labor costs incurred since July 2000 have to be billed and determined. Moreover, the government has to decide if it is prudent to continue this contract or seek other contractual means to carry out the media campaign.

Contacts and Acknowledgments

For information about this testimony, please contact Bernard Ungar, Director, Physical Infrastructure Issues, on (202) 512-8387. Individuals making key contributions to this testimony included Bob Homan, John Baldwin, and Adam Vodraska.

This concludes my prepared statement. I will be happy to respond to any questions you or other Members of the Subcommittee may have.

Mr. SOUDER. Thank you very much.

Our next witness is from the Department of the Navy, which now administers the contract for the media campaign. We are joined today by Captain Mark Westin. Captain Westin, you are recognized for 5 minutes.

Captain WESTIN. Mr. Chairman, distinguished members of the committee, thank you for the opportunity to discuss the Navy's role in providing contract administration support to the Office of National Drug Control Policy's Youth Media Campaign. I'm Captain Mark Westin. I'm the Officer in Charge of Navy Fleet and Industrial Supply Center in Norfolk's Washington Detachment. We provide logistics support, including contract services, to Navy and some non-Navy customers, primarily in the National Capital Region.

As a field contracting office under the Naval Supply Systems Command, we also leverage expertise from throughout the Command to deploy the best service possible to our customers. As a DOD contracting office, we follow applicable Federal contracting statutes and agency regulations, including the Federal Acquisition Regulation [FAR]; the DOD Supplement to the FAR, and implementing DOD and Navy guidance.

ONDCP previously obtained their contract administration support for the Youth Media Campaign from the Department of Health and Human Services, and they awarded three contracts for this effort. One contract was awarded in March 1999 to the Advertising Council for media match coordination of pro bono public service announcements to match paid advertising. A contract for media outreach and partnership and alliance-building was awarded to Fleishman-Hillard in December 1998 to coordinate non-advertising communications strategies and activities. A third contract was awarded to Ogilvy and Mather in December 1998 for the overall management of the advertising component of the campaign. A June 25, 2001 General Accounting Office report cited several problems with the Ogilvy contract.

In October and November 2000 several meetings were held with ONDCP about the Navy assuming contract administration over these three contracts. We were informed by ONDCP and HHS that there were payment delays with all the contracts and a number of other issues with the Ogilvy contract. We agreed to this request because we felt that our professional Navy staff, with the availability of the services of the Defense Contract Audit Agency [DCAA], and the Defense Contract Management Command, had the ability to improve this contract administration. We also have experience with Navy advertising contracts. On November 29, 2000, at the request of ONDCP, HHS transferred all the contracting responsibilities and files for these three contracts to the Navy.

Since assuming contracting responsibility, the Navy has made notable improvements in contract administration. We have worked to correct previous discrepancies and establish controls relating to the contractor's accounting and billing systems. There has been significant progress in these areas, allowing us to resolve a backlog of unpaid bills with the help of DCAA. We clarified the role of the contracting officer and increased the number of trained Contracting Officer's Technical Representatives at ONDCP. The contracting of-

fice has established proactive communication and coordinated actions between the Government and all of the contractors.

One contract was for media match coordination with the Advertising Council. We obtained a favorable DCAA audit of the contractor's internal controls and compliance with the requirements applicable to Federal public service campaigns. In March 2001, at the request of ONDCP, we exercised the next contract option extending this contract through March 21, 2002. DCAA audited the unpaid backlog of 11 invoices and authorized payments of more than $340,000. In summary, the administration of this contract is on track.

A second contract with Fleishman-Hillard covered media outreach, as well as partnership and alliance-building. Upon request of ONDCP, we exercised the option to extend that contract through December 3, 2001. We obtained favorable DCAA audit reports on the adequacy of the contractor's accounting system, related internal controls procedures, and the billing system. DCAA audited 19 backlogged invoices and authorized payments of more than $6.1 million to Fleishman-Hillard. Significant progress has been made on this contract, including the resolution of longstanding payment delays.

A third contract was with Ogilvy and Mather for advertising management. On January 4, 2001, the contracting officer exercised option II to extend this contract through January 3, 2002, as requested by ONDCP. We instituted regular biweekly progress reviews with the contractor, ONDCP, and DCAA. We requested an audit of the contractor's accounting and billing systems and all past unpaid invoices. The contractor hired PricewaterhouseCoopers in November 2000 to restructure its accounting system to meet Government contracting standards for a cost-reimbursable contract. The DCAA audit of the accounting system was completed on July 25, 2001, and the report received July 31, 2001, yesterday, stated that Ogilvy's accounting system and related internal control policies and procedures were adequate. A review of the billing system is underway. DCAA is performing a 100 percent audit of all invoices before authorizing payments.

In March 2001 Ogilvy made a disclosure to the Navy, DCAA, ONDCP, and the Department of Justice regarding costs that they could not certify. Due to this disclosure, the Navy contracting officer referred the matter to the Navy Criminal Investigative Service to coordinate with the Department of Justice and the investigative arm of DCAA. On July 11, 2001, Ogilvy certified their incurred cost proposals for 1999 and 2000, and DCAA has not yet provided a final report on these.

It is our intention to comply with all Federal Acquisition Regulation requirements regarding the exercise of any future options under the contract to include, among other things, all requirements related to the adequacy of accounting systems. We are working with the customer to plan for contracting alternatives to ensure continuity of the media campaign services.

The Navy's Fleet and Industrial Supply Center Norfolk, Detachment Washington, has provided a valuable service and significantly improved contract administration. We implemented a structured approach to acquisition planning and contract management. This included improvements in financial controls, payment processing,

training, and Government and contractor relations. These actions are consistent with our mission to provide quality services and supplies to a wide range of customers.

This concludes my statement. I am prepared to answer your questions.

[The prepared statement of Captain Westin follows:]

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RELEASED BY THE

HOUSE GOVERNMENT REFORM COMMITTEE

STATEMENT OF

CAPTAIN MARK D.WESTIN

OFFICER IN CHARGE

FLEET & INDUSTRIAL SUPPLY CENTER NORFOLK

DETACHMENT WASHINGTON

BEFORE THE

SUBCOMMITTEE ON CRIMINAL JUSTICE, DRUG POLICY AND HUMAN RESOURCES

OF THE

HOUSE GOVERNMENT REFORM COMMITTEE

HEARING ON

OFFICE OF NATIONAL DRUG CONTROL POLICY

ANTI-DRUG MEDIA CAMPAIGN

AUGUST 1, 2001

NOT FOR PUBLICATION UNTIL

RELEASED BY THE

HOUSE GOVERNMENT REFORM COMMITTEE

INTRODUCTION

Mister Chairman and distinguished members of the Committee. Thank you for the opportunity to discuss the Navy's role in providing contract administration support to the Office of National Drug Control Policy's (ONDCP's) National Youth Anti-Drug Media Campaign. I am Captain Mark Westin, Officer in Charge of the Navy's Fleet & Industrial Supply Center Norfolk, Detachment Washington. We provide logistics support, including contracting services to Navy and some non-Navy customers primarily in the National Capital Region. As a field contracting office under the Naval Supply Systems Command, we also leverage expertise from throughout the command to deploy the best service to the customer. As a DoD contracting office, we follow applicable federal contracting statutes and agency regulations including the Federal Acquisition Regulation (FAR), the DoD FAR Supplement, and implementing DoD and Navy guidance.

BACKGROUND

ONDCP previously obtained contract administration support for their youth media campaign from the Department of Health and Human Services (HHS) who awarded three contracts for this effort. One contract was awarded in March 1999 to The Advertising Council for media match coordination of pro-bono public service announcements to match paid advertising. A contract for media outreach and partnership and alliance building was awarded to Fleishman-Hillard in December 1998 to coordinate non-advertising communications strategies and activities. A third contract was awarded to Ogilvy & Mather in December 1998 for the overall management of the advertising component of the campaign. A 25 June 2001 General Accounting Office Audit Report cited several problems with the Ogilvy contract.

In October and November of 2000 several meetings were held with ONDCP about the Navy assuming contract administration over these contract. We were informed by ONDCP and HHS that there were payment delays with all the contracts and a number of other issues with the Ogilvy contract. We agreed to this request because we felt that our professional Navy staff, with the availability of the services offered by the Defense Contract Audit Agency (DCAA) and the Defense Contract Management Command, had the ability to improve contract administration. We also have experience with Navy advertising contracts of this magnitude. On 29 November 2000, at the request of ONDCP, HHS transferred all contracting responsibility and files for these three contracts to the Navy.

NAVY ACTIONS AND RECENT EVENTS

Since assuming contracting responsibility, the Navy has made notable improvements in contract administration. We have worked to correct previous discrepancies and establish controls relating to the contractors' accounting and billing systems. There has been significant progress in these areas, allowing us to resolve a backlog of unpaid bills with the help of the DCAA. We clarified the role of the contracting officer and increased the number of trained contracting officer's technical representatives at ONDCP. The contracting office has established proactive communication and coordinated actions between the government and all the contractors.

One contract was for media match coordination with The Advertising Council. We obtained a favorable DCAA audit on the contractor's internal controls and compliance with requirements applicable to federal public service campaigns. In March 2001, at the request of ONDCP, we exercised the next contract option extending the contract through 21 March 2002. DCAA audited the unpaid backlog of 11 invoices and authorized payments of more than $340,000. In summary, the administration of this contract is on track.

A second contract with Fleishman-Hillard covered media outreach, as well as partnership and alliance building. Upon request from ONDCP, we exercised the option to extend the contract through 3 December 2001. We obtained favorable DCAA audit reports on the adequacy of the contractor's accounting system, related internal controls procedures, and the billing system. DCAA audited 19 backlogged invoices and authorized payments of more than $6.1 million. Significant progress has been made on this contract, including resolution of long-standing payment delays.

A third contract was with Ogilvy & Mather for advertising management. On 4 January 2001, the contracting officer exercised option II to extend the contract through 3 January 2002 as requested by ONDCP. We instituted regular bi-weekly progress reviews with the contractor, ONDCP, and DCAA. The Navy requested DCAA to audit the contractor's accounting and billing systems, and all past unpaid invoices. The contractor hired PricewaterhouseCoopers in November 2000 to restructure its accounting system to meet government contracting standards for a cost-reimbursement contract. The DCAA audit of the accounting system should be completed in the near future, at which time a review of the billing system is scheduled to commence. While the accounting and billing systems are under review, DCAA is performing a 100% audit of all invoices before authorizing payments.

In March 2001, Ogilvy made a disclosure to the Navy, DCAA, ONDCP and the Department of Justice regarding costs that they could not certify. Due to the disclosure, the Navy contracting officer referred the matter to the Navy Criminal Investigative Service to coordinate with the Department of Justice and the investigative arm of DCAA. On 11 July 2001, Ogilvy certified their incurred cost proposals for 1999 and 2000. DCAA has not yet provided a final report on these.

It is our intention to comply with all Federal Acquisition Regulation requirements regarding the exercise of any future options under this contract to include, among other things, all requirements relative to the adequacy of accounting systems. We are working with the customer to plan for contracting alternatives to ensure continuity of media campaign services.

CONCLUSION

The Navy's Fleet & Industrial Supply Center Norfolk, Detachment Washington has provided a valuable service and significantly improved contract administration. We implemented a structured approach to acquisition planning and contract management. This included improvements in financial controls, payment processing, training, and government and contractor relations. These actions are consistent with our mission to provide quality supplies and services to a wide range of customers. This concludes my statement. I am prepared to respond to your questions.

Mr. SOUDER. Thank you very much.

Our final witness this afternoon is from NIDA, and we're joined by Ms. Susan David, the Deputy Chief of Prevention Research. Ms. David, you are recognized for 5 minutes.

Ms. DAVID. Mr. Chairman and members of the subcommittee, good afternoon. I am pleased to be here on behalf of the National Institute on Drug Abuse to discuss the status of the phase III evaluation of the ONDCP Media Campaign. I am Susan David, the NIDA project officer for the evaluation. Today I would like to provide some background, present some early findings, and discuss plans for future reporting on evaluation results.

In January 1998, ONDCP, in response to a congressional mandate, asked NIDA to develop an independent science-based evaluation to assess the outcomes and impact of the phase III campaign on parents and children. After an open competitive process, NIDA awarded the contract in September 1998 to the nationally known health survey research company, Westat. Westat and its subcontractor, the Annenberg School at the University of Pennsylvania, one of America's leading communications research centers, assembled a team of scientists and survey experts to work on the project.

The overall objective of the phase III evaluation is to measure the impact of the television and radio advertising in the campaign on the knowledge, beliefs, attitudes, and behaviors of parents and children in regard to drug use. A rigorous research design was developed that focuses on the specific targets, messages, and content of the ONDCP campaign. The evaluation will also tell us whether any attitude or behavioral changes that occur can be linked to campaign exposure.

To accomplish this, we developed a new evaluation survey, the National Survey of Parents and Youth, which was approved by OMB in the summer of 1999. The survey involves interviews conducted in the home with youth and their parents or caregivers three times over the course of the evaluation. Interviewers bring laptop computers to each household and ask about some of the following: the drug use, knowledge, beliefs, attitudes, and behaviors of youth; the attitudes and behaviors of parents toward preventing drug use among their children; family and other demographic factors, and exposure to the media campaign.

Exposure to the campaign is measured by asking parents and youth if they can recall seeing specific campaign ads which are shown to them on the computer. Linking this exposure to changes in attitudes and behaviors is the key to this evaluation approach. The data collection, while continuous, is divided into seven waves over a 3½ year period. This allows NIDA to report results at the end of each wave as feedback to the campaign. Since the beginning of the project, we have been pleased to keep this committee informed about all of these activities by submitting copies of our monthly progress reports.

Now I would like to talk about some early results of the evaluation. So far two semi-annual reports have been released. Based on the first and second waves, here are some of the things we found.

About 70 percent of parents and youth across the country report that they see anti-drug ads on a weekly basis. Between these two

waves, one and two, we have not yet seen changes in marijuana use so far. We are starting to see, however, a positive shift in anti-drug attitudes, beliefs, and intentions among teens, but we cannot yet attribute these changes to the campaign.

For example, between waves, we saw a 4 percentage point increase among 14 to 18-year-olds who said they have no intention of using marijuana in the next year. There was also an increase in this group in the belief that parents would strongly disapprove of their trying marijuana, from 92 percent to 97 percent.

The next report, covering January through June of this year, will be released in October. This report will include expanded data information on effects for different populations such as ethnic minority youth. Future reports, due in May and October of next year, will yield more definitive results as the report on followup interviews with youth and parents.

NIDA has also asked the Westat Annenberg team to prepare data on a variety of influences that may have some effect on campaign impact, such as news coverage of drug issues and events that are happening at the community level.

To conclude, I would like to thank you on behalf of NIDA for providing us with this opportunity. I would be happy to answer questions.

[The prepared statement of Ms. David follows:]

DEPARTMENT OF HEALTH AND HUMAN SERVICES

National Institutes of Health

Statement for the Record

Susan L. David, MPH
Division of Epidemiology, Services, and Prevention Research

National Institute on Drug Abuse

Before the

House Government Reform
Subcommittee on Criminal Justice, Drug Policy and Human Resources

Wednesday, August 1, 2001

Washington, D.C.

Mr. Chairman and Members of the Subcommittee, I am Susan David, Deputy Chief of the Prevention Research Branch at the National Institute on Drug Abuse (NIDA) and the NIDA Project Officer for the Evaluation of the Office of National Drug Control Policy's (ONDCP's) National Youth Anti-Drug Media Campaign. I am pleased to be here on behalf of NIDA to discuss the status of the Phase III Evaluation of the Campaign. While it is this final stage of the campaign (Phase III) in which NIDA is most closely involved, we have provided technical input from the Campaign's onset to ensure its strong scientific foundation. I would like to start by bringing you up to date on the quality and breadth of the evaluation that we are currently undertaking; then provide you with some preliminary findings; and finally discuss future directions for the evaluation.

The Evaluation Design and Methodology

As the Nation's leading research experts in drug abuse and addiction, NIDA was asked by the Office of National Drug Control Policy (ONDCP) in January 1998 to evaluate the outcomes and impact of the television and radio components of the Campaign on parents and children. The following September, NIDA awarded a contract through a fair, open and competitive process to the nationally known health survey research company, Westat. Westat teamed with communication research experts at the Annenberg School for Communication at the University of Pennsylvania, and substance abuse experts at the National Development and Research Institute to assemble a team of nationally recognized experts to lead various aspects of the evaluation.

As I stated earlier, NIDA and the Westat team are currently involved in the Campaign's third fully operational phase. The Phase III evaluation uses a very different methodology from that used for Phases I and II. To ensure a strong science-based evaluation, NIDA and Westat sought

guidance from panels of experts on program evaluation, survey research, and communications research, while also building on the knowledge and lessons learned from the earlier phases of the campaign.

Since most of the country was exposed to a national campaign in Phase II, it was recognized in planning the Phase III evaluation that there would be no opportunity to use a more standard evaluation approach where it would be possible to compare those exposed to the campaign against those who were not. Consequently, Westat developed a complex research design that depended heavily on the specific targets, messages, and content of the ONDCP campaign, while also carefully measuring the differences in outcome associated with different levels of exposure to the media.

The overall objective of the Phase III evaluation is to measure the extent to which the television and radio advertising in the Campaign impacts the knowledge, beliefs, attitudes, and behaviors of parents and their children in regard to illegal drug use. The evaluation will also provide information on overall cumulative changes in these factors related to drug abuse as well as exposure to campaign media messages.

Because the media campaign is only one piece of a larger effort that involves a multitude of federal, state and local agencies, and public and private organizations that are working to prevent and reduce drug use in this country, it is extremely challenging to determine the exact causes for any changes in drug abuse rates. To ensure that changes can be attributed to the Campaign, the evaluation was designed to go well beyond the analysis of trends from existing data. The researchers developed a new evaluation survey that uses state-of-the art technology, named the

National Survey of Parents and Youth (NSPY). Over the life of the Campaign, NSPY will measure changes among youth, in knowledge, beliefs, attitudes and intentions related to drugs; family and other risk factors; drug use behaviors; and exposure to the Media Campaign. Among parents, the NSPY measures beliefs and attitudes about drugs; behaviors directed at preventing drug use among their children; and exposure to the Media Campaign. Other long-standing national surveys such as NIDA's own Monitoring the Future Survey and the Substance Abuse and Mental Health Services Administration's (SAMHSA's) National Household Survey on Drug Abuse will continue to be used to monitor overall drug use trends.

The NSPY involves conducting interviews of both youths and their parents or caregivers from the same household three times over the course of the 3 ½ year evaluation period. The first, baseline recruitment phase consists of three national cross-sectional surveys, or Waves, that each last about six months. The follow-up phase begins with Wave 4, and consists of two additional follow-up interviews with the same youths and their parents.

The NSPY is designed to assess the effect on knowledge, beliefs, attitudes and behaviors that are caused by exposure to the messages in the Campaign advertisements. Because these messages are quite specific, our questions attempt to capture that specificity. For instance, we try to determine and measure whether parents talk to their children, whether children's attitudes about marijuana are positive or negative, and whether teens think their friends approve or disapprove of drug use. Parents and children are also asked whether they recognize specific television and radio advertisements from the Campaign and other general anti-drug advertising, as a self-reported link to Campaign exposure. Since the evaluation is utilizing state-of the-art technology, in this case

computers with audio and visual displays, the evaluators can actually show the study participant the media ads that are currently running in the Campaign. This computer technology also allows the subjects more privacy while responding to questions that are prompted by the computer.

One of the unique features of the evaluation is that we are interviewing parents and children in the same household. This improves our ability to measure how parents and children respond to Campaign messages, and how that in turn affects youth drug use. For instance, in response to the Campaign, when parents start talking to their children more about drug abuse, how does that affect their children's attitudes and behavior? How do those attitudes and behaviors change over time?

The analysis of the results will compare groups with high exposure to the campaign with groups who have had lower exposure to assess differences in outcome. To determine if there are any pre-existing differences between high- and low-exposure groups, the survey also includes questions that help to define their risk for drug use, including personal and family history, beliefs, attitudes, perception of social norms, and sensation seeking behaviors.

Evaluation Findings to Date

To keep this committee up-to-date on the status of the evaluation, NIDA has been submitting monthly contractor progress reports. In addition, the Westat evaluation team has completed three in-depth reports: The first was a special report on the overall design of the evaluation, and the others, two semi-annual reports on evaluation results. All three reports have been submitted to Congress by ONDCP, and are displayed on the ONDCP web site. Because there are many researchers interested in this evaluation, NIDA has also posted the reports on the NIDA web site

(http://www.nida.nih.gov/DESPR/Westat/index.html).

The first Semi-Annual Report was released in November 2000. It is based on data collected between November 1999 and May 2000 and serves as the baseline for the Phase III evaluation. Although data collection actually began in November 1999, respondents were asked about advertising they had seen that preceded their interview by two months—i.e., September 1999, when the first Phase III advertising appeared. In this wave, approximately 5,600 interviews were conducted to obtain early estimates of exposure to the Campaign and to identify the beliefs and drug use behaviors that we will be observing and measuring throughout the evaluation.

The Second Semi-Annual Report was released in April 2001. Approximately 4,000 interviews were conducted with parents and youth during this Wave 2 data collection which began in July 2000 and ran through the end of that year. The results were compared to Wave 1 data to analyze changes since that time. Since there were only six months between Waves 1 and 2, we were not surprised that we found few differences in results in that short time frame. Although at this time there is insufficient data to determine if the following results can be directly attributable to the Campaign, here are some of the preliminary findings:

- For both waves, approximately 71% of youth and 70% of parents reported seeing general anti-drug advertisements on a weekly basis.
- Reported marijuana use among youths remained stable over the two waves, which is consistent with data in the Monitoring the Future Survey.
- Among 14-18 year old non-users, several measures showed a movement toward anti-drug attitudes, beliefs, and intentions; one measure, not intending to use marijuana in

the next year, increased from 83% in Wave 1 to 87% in Wave 2 in this group; while 12-to-13 year olds did not change significantly in this measure, their intentions were already at a very high level, 92% in Wave 1 and 93% in Wave 2.

- Among 14-18 year old non-users, there was an increase in the belief that their parents would "strongly disapprove" of their trying marijuana, from 92% in Wave 1 to 97% in Wave 2.
- Among parents, there was an increase in the percentage reporting "hearing a lot about anti-drug programs in the community" in the past year, from 32% in Wave 1 to 36% in Wave 2.

Completing the Evaluation

The next Semi-Annual Report, #3, which is scheduled for release in October 2001, will reflect data collected from 4,200 parents and youth during the last wave of new NSPY parents and youth to enter the study. We expect to be able to report on effects for subgroups, such as rural youth and African-American and Latino populations. Because of the additional Campaign exposure time, we will have a greater possibility of detecting change in knowledge, attitudes, beliefs and behaviors than we did for previous waves.

Starting with Wave 4, we will be conducting the follow-up interviews with the respondents who were first interviewed in Wave 1 to determine any changes since that first interview session. The Semiannual Reports for Waves 4 and 5, due in May and October 2002, will yield more definitive results than those from earlier waves. These reports will be based on comparisons between the baseline survey and the first follow-up interview with all respondents and will allow us

to more clearly associate changes in drug use attitudes, beliefs, intentions, and behaviors with the exposure to Campaign messages over this time period.

NIDA has also asked the Westat/Annenberg team to prepare data on a variety of environmental influences that may have some effect on Campaign impact. Examples include key informant discussions with leaders of national organizations and State prevention coordinators about major policy and programming initiatives, monitoring media coverage of drug abuse prevention, and special neighborhood analyses based on Census data.

To conclude, I would like to thank you on behalf of NIDA for providing us with this opportunity to personally keep this Committee informed about the progress of the Phase III evaluation. By relying on proven research models, state-of the art survey instruments, and technical expertise in an array of disciplines, this evaluation should be able to meet everyone's overall objective – that is, to assess the impact of the national Campaign on preventing youth drug use nationwide. I will now be happy to answer any questions.

Mr. SOUDER. I thank you each for your testimony.

Mr. Gilman has an opening statement he would like to give when he gets back, and I believe Mr. Barr said he wanted to do his in the record.

[The prepared statement of Hon. Bob Barr follows:]

Opening Statement
Congressman Bob Barr
Oversight Hearing on the National Youth Anti-Drug Media Campaign
August 1, 2001

Mr. Chairman, I thank you for convening this hearing today.

In response to surging youth drug-use rates, Congress approved funding for the National Youth Anti-Drug Media Campaign in 1997. The legislation requires the Office of National Drug Control Policy to conduct a national media campaign to inform our nation's children about the dangers and consequences of illegal drug use, as well as to change adolescent attitudes and behaviors toward illegal drugs.

The Campaign will spend about $180 million per year in advertising. That is one of the largest public relations campaigns the federal government has ever undertaken to combat illegal drug use. While the Youth Anti-Drug Media Campaign contains a number of components, the largest is a series of television, radio and print media advertisements aimed at educating American youth about the dangers of illicit drugs.

This Subcommittee has been conducting oversight on the Youth Anti-Drug Media Campaign since its inception. Under the Chairmanship of Rep. Mica, and now under the leadership of Chairman Souder, this Subcommittee has carefully followed implementation of the program to ensure the billions of taxpayer dollars invested in this campaign are spent judiciously, efficiently, and legally.

One of the world's largest advertising firms, Ogilvy & Mather, was hired at the onset; entrusted with carrying out the goals of America's Anti-Drug Campaign. From the very beginning, however, allegations of fraud have surrounded this contract. Last year GAO reported to this very Subcommittee incidents of false billing practices, sloppy contract management and lax oversight. In response, it was decided HHS should no longer manage the contract, but the Department of Defense would be a more rigorous contract manager.

Yet, here we are, close to two years and tens of millions of dollars later, and it appears nothing has changed. The GAO is again reporting problems with Ogilvy & Mather, as well as the contract managers. Some of the findings we will hear today from GAO:

1. Ogilvy Mather did not properly charge the government for some labor costs; the government disallowed nearly $7.6 million out of $24 million in total labor charges for the first 19 months of the contract.
2. Ogilvy's labor charges included time for employees not working on the contract, after being instructed by management to "revise" the number of hours they worked.
3. The government did not adequately manage aspects of the contract award.
4. The government did not adequately administer the contract by resolving billing problems when they arose, or by auditing the contractor.

I am amazed this company is still on the government payroll. GAO has reported $1 million in suspect charges, falsified time sheets, and $7 million in disallowable costs, among other things. It is incomprehensible that Ogilvy & Mather, one of the largest media companies in the world, would have such wide-reaching accounting and oversight difficulties with this contract. Surely this company enters into multi-million dollar contracts on a regular basis, requiring an established, sophisticated cost accounting and time management system to track billing and spending. Has Ogilvy Mather never entered into a cost allowable contract?

To add further insult to injury, Mr. Chairman, is the fact that we now have hired Price Waterhouse to come in and "make things right" with the contract. In essence, we are spending even more money on this mess of a contract.

Mr. Chairman, why is the United States government continuing to do business with Ogilvy & Mather? Why are taxpayer dollars – which will ultimately reach the billion-dollar range -- still being spent on a contract rife with such problems? Why did ONDCP choose to renew the contract? Why is it even today, seriously considering renewing the contract yet again? I hope both the ONDCP and Navy are able to explain why the contract was renewed with Ogilvy & Mather, and why implementation of this contract has proved to be so difficult.

The government is by no means absolved of its share of responsibility. The ONDCP, the Navy and HHS should have been far more careful and could have done a far better job to diligently protect the public's purse. It is my

firm belief this contract should have been suspended following the first allegations of fraud and mismanagement. At the very least, the ONDCP and the Navy should not have re-entered into the contract for Phase III of the campaign.

Is the public being gouged?

The answer is yes.

What should be done about it?

GAO has already referred its findings regarding improper billing by the contractor to the Department of Justice and the FBI.

I call on the ONDCP and the Navy, serving as contract manager, to immediately suspend the contract with Ogilvy & Mather, until the investigation is resolved. The illegal drug problem is too important to the citizens of this country and to this body to allow this wasteful, and apparently fraudulent, contract to continue.

Mr. SOUDER. So we'll go to questioning, and I presume we will do several rounds because I know I have a number of questions.

One, just off the top of my head, that I don't fully understand, and I ask Captain Westin: Do you know if the Navy was approached originally to do this contract administration?

Captain WESTIN. To my knowledge, sir, no, we were not. Do you mean before HHS, sir?

Mr. SOUDER. Yes.

Captain WESTIN. No, sir.

Mr. SOUDER. Mr. Jurith, you said that you felt that they were clearly the best choice to do it. So why weren't they contacted the first time then?

Mr. JURITH. Mr. Chairman, in all honesty, I'm sorry, Mr. Chairman, when the initial coverage of this campaign was given to HHS, I was on sabbatical overseas, so I can't answer why it didn't initially go to Navy.

Early in the year 2000, after we ran into a number of difficulties with HHS, ONDCP looked at a number of different vendors—Navy, other Government agencies—that would be able to provide us with good service on this contract. The decision was made within ONDCP between our legal shop and the program agency. The program office said the Navy was the best vendor to assist us in this contract. It was done through an analysis of which contracting shop in the Government could give us that service.

Mr. SOUDER. Would you see if, for the record, you can give us a statement—we may have that from our previous hearings—of why ONDCP, provide that?

Mr. JURITH. Absolutely. I'd be happy to.

Mr. SOUDER. Mr. Ungar, my understanding is that there is approximately $850,000 in billings in question, is that correct?

Mr. UNGAR. Mr. Chairman, it is a little more than that. The $850,000 is the amount of money that Ogilvy and Mather believes ought to be disallowed. The Government actually disallowed over $1 million in the process of going through the billings. And what yet is to be determined is exactly how much should be disallowed, based on costs, either the billings for time that was not actually spent on the contract or for other bills that would have been submitted for items that would not be appropriately reimbursed by the Government. So until DCAA finishes its audit, I don't think it will be clear how much actually ought to be paid back—or one way or the other.

Mr. SOUDER. So they admit $850,000, but it could be higher, basically?

Mr. UNGAR. Ogilvy has suggested $850,000, but it could be more, that's correct.

Mr. SOUDER. And this is predominantly labor or production costs? It's not media purchase time?

Mr. UNGAR. That's correct. The issues that we're aware of have to do with the labor charges. Now there's also an overhead issue that needs to be resolved in terms of what overhead rate. Perhaps the Navy would be in a better position to address that specific question.

Mr. SOUDER. Do you know what percent commission they were getting on the contract?

Mr. UNGAR. Excuse me, sir? What?

Mr. SOUDER. Often, when you buy TV time, you get 15 percent, and your amount of overhead you factor in depends how much of that, in fact, gets rebated by the stations. Do you know what percent they were working on, the 15?

Mr. UNGAR. That I don't know, sir.

Mr. SOUDER. Does anyone else know the answer to that question?

Mr. JURITH. Mr. Chairman, I don't think this concept works that way. I think that at least what we're looking at is a 7 percent labor rate. This is not a fixed-price contract. In fact, one of the things that——

Mr. SOUDER. I understand the answer to that then. Because if you are working on a fixed-rate, that means, in effect, the Government got the 15 percent discount. That is the standard way it works. I want to ask a direct followup to that. If you are working on a 7 percent fixed rate, is that 7 percent then cost-plus on top of the 7 or how does that work?

Mr. JURITH. Well, I'm not sure. Right now this is for our own staff to look at the possibilities. I think we need to change that. OK? So you get better value to the Government. So as you go about exercising next year's option, I think Navy and ONDCP need to look at that issue. We have market research going on right now to look at that before we decide the option in December. I think that's the best thing to do for the Government, the best thing to do for this campaign.

Mr. SOUDER. Thank you.

Mr. Cummings.

Mr. CUMMINGS. Thank you very much, Mr. Chairman.

Mr. Ungar, let me just go to you. You have said some things here this morning, this afternoon, which should concern everybody in this room. I think, as I understand it, we have a situation where you did an investigation, you and your staff, and you made a determination, and it seems to be unequivocal that the Government, the U.S. Government, paid for some work that was not performed. Is that a fair statement?

Mr. UNGAR. Yes, sir, it is.

Mr. CUMMINGS. Now if Ogilvy—I mean, is there any room there for—first, let's go back for a moment. I find it phenomenal that we would have a contract worth a quarter or a fifth of a billion and in the RFP process—I mean, I have done small RFPs, I think, when I was practicing law and worked with clients in preparing responses, and whatever, to like million dollar contracts. They really laid out every single thing you needed. I'm just wondering what happened here. I mean, this is a lot of money.

Mr. UNGAR. Right.

Mr. CUMMINGS. So I was just wondering—I was trying to start from the very beginning of how this process started. Do you see a problem in that part of it?

Mr. UNGAR. Yes, sir.

Mr. CUMMINGS. What would your comments be?

Mr. UNGAR. Yes, sir. Unfortunately, let me start: The RFP for this particular procurement did specify that this contract would be subject to the cost accounting requirements in the FAR, in the Fed-

eral Acquisition Regulation, and that there would be the need for an accounting system that met those requirements, plus there would be the need for a disclosure statement under which the prospective—the bidder, and eventually the contractor, would have provided to the Government what is called a disclosure statement which would lay out the critical parts of the accounting system that the contractor would use, that the bidder would use, if the contract were awarded.

Now in this case, again, unfortunately, it was clear that it was required, but HHS did not adequately address those issues. It allowed in this case Ogilvy to come forward, get the contract, before it had adequate assurance that the contractor had an adequate accounting system and without requiring the disclosure statement. There was an individual in HHS who was charged with the responsibility of looking at the accounting system of Ogilvy on behalf of the contracting officer. Unfortunately, he did not do a good job. He basically fell down on the job, in our opinion.

Second, with respect to the disclosure statement, it clearly should have been required, but the HHS contracting officer just didn't enforce that requirement. It came up a couple of times during the course of the contract, and it still wasn't required. Had the accounting system been looked at appropriately initially, had the disclosure statement been filed timely, it's fairly obvious that some of these problems with Ogilvy's accounting system would have been identified—and noted now, it may not have prevented inappropriate billing intentionally, but at least other problems with the accounting system would and should have been identified.

Mr. CUMMINGS. We had a situation with Ogilvy where they said, "OK, we didn't have an appropriate accounting system in place, but what we did was we decided—and our people were a little negligent. They did the work and they didn't put their time down, and when we went back, we went back and said, 'Joe, you know we spent 15 hours on this thing and you only put 5 because you were busy, and I understand that. Now let's correct that.'" Are these the kind of allegations that you—I mean, is this the kind of stuff you found or did you find something else?

Mr. UNGAR. Mr. Cummings, we found that, plus something else. There were situations here on both sides. On the one hand, there were employees at Ogilvy who said, "Yeah, we aren't very fastidious, meticulous about our time," because most of their contracts were not cost reimbursement contracts. So they had a situation where they really weren't accustomed to keeping time meticulously. They didn't have good procedures for that and policies/procedures at the time at Ogilvy. They did have employees who came and said, "Yes, I forgot. I did work some time I didn't charge, and so we need to go back and do that." But they also had a situation——

Mr. CUMMINGS. Would that have bothered you a lot, that what you just said? Would that have bothered you as far as your investigation is concerned? Would that have been of great concern?

Mr. UNGAR. I think the problem here is that the company got a fairly hefty Government contract without having an adequate time and attendance system in place which it should have had. On either side of the coin, whether it be undercharging for time or over-

charging, I think the Government wants to fairly reimburse the contractor for the costs that the contractor is entitled to.

What this situation did is create additional work for everybody—the auditors, the managers—because now somebody's going to have to go through like DCAA is and go through each and every invoice and try to decipher from the T&A records and the other records what an appropriate amount to pay Ogilvy is.

Mr. CUMMINGS. You said there is something else, but I'll get to that when I come back. Please make a note. I want to get back to that.

Mr. UNGAR. Sure.

Mr. CUMMINGS. Time has run out.

Mr. SOUDER. Mr. Gilman.

Mr. GILMAN. Thank you, Mr. Chairman. I regret we have had another hearing in our International Relations Committee at the same time.

I want to welcome our panelists, and I want to thank you, Chairman Souder, for holding today's hearing to further evaluate the effectiveness of our National Youth Anti-Drug Media Campaign.

National Youth Anti-Drug Media Campaign serves as an important component of a key pillar in our war against drugs. For years we have heard from the supply source countries that America needs to do its part in reducing demand and providing drug education prevention programs to meet our goals.

The National Media Campaign proposal was born during the Reagan administration, which was fighting a wave of drug use among adolescents and an unforgivably tolerant attitude toward drug use from the entertainment industry. The resulting creation of a Partnership for a Drug-Free America in 1987 helped to usher in a longstanding series of anti-drug ads which proved to be effective at no cost to the taxpayer. That, in part, helped lead to a steady decline in adolescent drug use from 1987 to 1993.

While the original anti-drug media campaign relied on donated air time from the three primary TV networks, increased competition from deregulation of the industry led to sharp cutbacks in that area. Since 1997, the anti-drug media campaign has relied on a combination of congressional funding and private sector donations of air time and print space.

The drug abuse environment facing today's teenagers, though, has changed drastically from that of a decade ago. Drugs today are much cheaper with a higher purity, more readily available than ever before. Furthermore, unlike a decade ago, the media today doesn't emphatically communicate the dangers of drug use. This situation presents a greater challenge to the organizers of the drug media campaign than that faced by the predecessor. They are fighting an uphill battle, but it is a battle that we cannot afford to lose.

Far too much attention is being paid today to create a culture of tolerance for drug use. More emphasis is needed to convey the point that the road to hell is paved with good intentions and that the culture of tolerance is sowing the seeds for a greater social problem down the road.

However, let's get to an important part of this hearing. During our last oversight hearing, held by this committee in October of last year, on the Anti-Drug Media Campaign, we learned of the

possibility of excessive and irregular contractor costs resulting from improper billing practices conducted by the campaign's advertising agency, Ogilvy and Mather.

I am interested in learning today from our witnesses on the progress of the audits being conducted on this contract and whether additional remedies are warranted. I am interested also in where we are going on the future advertising campaign.

Let me ask a question of the GAO people. Is the audit completed at this point?

Mr. UNGAR. Sir, our audit is. The audit, though, by the DCAA is still ongoing.

Mr. GILMAN. What is the difference between your audit and the DCAA audit?

Mr. UNGAR. Sir, we look specifically at whether or not the contractor overbilled and we looked at the Government's management of the award and administration of the contract——

Mr. GILMAN. Could you put the mic a little closer to you? You are fading away from me.

Mr. UNGAR. Yes, sir. We did not look at the actual total cost charged and the allowability of those costs to the contract. We focused our review on some fairly narrow issues, but we did not do a comprehensive audit.

Mr. GILMAN. Well, what did you find?

Mr. UNGAR. Well, sir, we found, as I had indicated, that, one, there was overbilling by the contractor for labor hours not worked. In other words, the Government was billed for——

Mr. GILMAN. By how much?

Mr. UNGAR. The full amount, sir, is not clear at this point.

Mr. GILMAN. Well, roughly, what was it?

Mr. UNGAR. Well, the contractor, Ogilvy, estimates $850,000 at the max.

Mr. GILMAN. What did you estimate?

Mr. UNGAR. Well, we didn't come up with the total dollars, sir. We identified a sample of people who we questioned——

Mr. GILMAN. Well, I understand. You audited this and you don't know what the total of overbilling is?

Mr. UNGAR. No, sir, we didn't look at the total cost. All we were focused on was to determine whether or not overbilling took place. In this particular situation, because of the problems with the accounting system of the contractor and the problems with the billings and the problems with the time and attendance records, we really would not have had the time to complete our major focus in a reasonable amount of time had we focused on the entire issue——

Mr. GILMAN. Are you going to continue with your auditing?

Mr. UNGAR. No, sir. Actually, DCAA is going to do that. That's more of its role than our role. There's a defense contract——

Mr. GILMAN. OK. Let me turn to DCAA. What are you doing on the additional billing?

Mr. UNGAR. Excuse me?

Mr. GILMAN. What is DCAA doing on a further audit of the billing?

Mr. UNGAR. Right.

Mr. GILMAN. Can I ask the DCAA——

Mr. UNGAR. They're doing what they would typically do, sir, in the course of a contract audit, making sure that the bills are appropriately——

Mr. GILMAN. Is there someone here from DCAA?

Mr. UNGAR. No, sir, but the Navy is here and maybe he would like——

Mr. GILMAN. Well, Captain Westin, you are doing the investigation, I take it?

Captain WESTIN. Sir, I am at the Navy Contracting Office.

Mr. GILMAN. I realize that.

Captain WESTIN. DCAA is working for us.

Mr. GILMAN. They contracted you to pursue it? Is that right? Are you fulfilling the investigation now?

Captain WESTIN. Our office has asked DCAA to conduct the investigations for us as the contracting officer. DCAA completed just yesterday a 3-month investigation of the accounting system and certified it as adequate.

Mr. GILMAN. Could you put the mic a little closer, please?

Captain WESTIN. Sure. The DCAA completed just yesterday a 3-month audit of the accounting system to indicate that it was compliant with cost accounting standards for this type of contract. They are looking at the billing system now and expect to complete that shortly.

Mr. GILMAN. Well, Captain, what is taking so long? We had a hearing in October of last year, and here it is we're in August already and still the audit isn't completed. Why is that?

Captain WESTIN. The Navy first took over the administration of these contracts in December, and we asked the DCAA to conduct a number of audits, including this one.

Mr. GILMAN. All right, from December until now, what is that, 8 months, 9 months? Why aren't we complete?

Captain WESTIN. They completed audits of this accounting system as well as the other contractors. However, in November the accounting system or ONDC—excuse me, Ogilvy and Mather hired PricewaterhouseCoopers to construct a Government-compliant accounting system, and they didn't complete that until March.

Mr. GILMAN. I am not talking about internal construction. I am asking about the audit to find out were there some overcharges or weren't there some overcharges. Who's working on that? I notice the Navy turned this over for criminal investigation, from your remarks.

Captain WESTIN. Sir, the criminal investigation was to coordinate with the office of the Justice Department for us. The accounting system review began in March because Ogilvy and Mather had to construct a compliant accounting system before it could be audited. They didn't have one at the beginning.

Mr. GILMAN. Well, tell me specifically now, when will we have a final audit of all of this?

Captain WESTIN. I don't have that date, sir. However, they are proceeding with—now that they have completed the audit of the accounting system, they're going right to the billing system and beginning to look at the——

Mr. GILMAN. Well, how long do you expect it to take to complete all of this?

Captain WESTIN. I don't have——

Mr. GILMAN. It's now taken 10 months. Is it going to take another 10 months?

Captain WESTIN. I don't believe it will take 10 months for them to complete their audit. However, it may take longer than that for the Department of Justice to complete their work, but we're not——

Mr. GILMAN. Mr. Jurith, you are about to engage in another renewal of the contract, are you not?

Mr. JURITH. That's correct, sir.

Mr. GILMAN. Are you going to do that before these audits are completed?

Mr. JURITH. Absolutely. Mr. Gilman, what we're doing right now is looking at under—we have the obligation right now between ONDCP and Navy to exercise an option before December. Under the Federal Acquisition Regulation, what we're doing right now is looking at whether or not it makes sense for the Government to continue with Ogilvy. That's based upon whether or not Ogilvy can give us the best value for the dollar, based upon market research. Navy and ONDCP is engaging——

Mr. GILMAN. Let me interrupt. Despite the fact that they may have overbilled or may have not——

Mr. JURITH. Mr. Gilman, under the law right now, that's a separate issue. That goes to the issue of whether or not their past performance was not acceptable. Whether or not——

Mr. GILMAN. Do you consider the performance acceptable if they overbill the Government?

Mr. JURITH. The question is whether or not to exercise the option or whether or not it makes sense for the Government to do that, OK, but whether or not past performance goes to the assessability of that corporation; it goes to true to performance. In terms of whether or not we should exercise the option goes to the issue of whether or not they can perform the service to the Government.

Mr. GILMAN. Well, I am not too sure I understand your delineation between the overbilling and whether they can provide the services.

Mr. JURITH. Sure, yes, sir.

Mr. SOUDER. Mr. Gilman, we're going to have additional rounds, and we all share that concern right now.

Mr. GILMAN. Thank you, Mr. Chairman.

Mr. SOUDER. Mr. Barr.

Mr. BARR. The FBI is investigating Ogilvy/Mather, is that correct, Mr. Hast?

Mr. HAST. Yes, it is.

Mr. BARR. The U.S. Attorney's Office is investigating, is that correct?

Mr. HAST. Yes, that is correct.

Mr. BARR. When was the most recent check written to Ogilvy/Mather by the U.S. Government? Anybody know?

Mr. UNGAR. Sir, for labor charges Ogilvy has not billed the Government since, I believe it was, July of last year because of the problems with its accounting system. It now does have an accounting system that has passed muster. So I presume they will begin

billing. Now for media buys, I believe they have been billing and being paid.

Mr. BARR. And when was the most recent check cut to them?

Mr. UNGAR. That I don't know, sir.

Mr. BARR. Does anybody know?

Captain WESTIN. No, sir.

Mr. BARR. Is it unreasonable to expect somebody to know?

Mr. UNGAR. Well, probably we should, sir, but media buys haven't really been an issue that we're aware of with this particular contract. It's been the labor issue that's been in question, not the media buys, at least to our knowledge.

Mr. BARR. So we can take a company that is under investigation by the FBI, under investigation by the U.S. Attorney's Office for the Southern District of New York for fraud, and we can say there is no problem giving them a great deal of money, simply because we compartmentalize that aspect of their work and they're doing just a fine, bang-up job on getting those ads out, while in another part of their work they may very well be or have defrauded the Government? And, Mr. Jurith, you apparently are perfectly happy with that? You're ready absolutely to go out and renew their contract?

Mr. JURITH. No, no, Mr. Barr. We're looking at the exercise of the option under the FAR. Whether or not the FAR requires determination of costs and the issue of continuity of service, that's the test under the law.

Mr. BARR. No, the test under the law is whether or not you believe that they've committed fraud.

Mr. JURITH. No.

Mr. BARR. If you believe, as a Government official, if any of you believe that this company has committed fraud, you can move to suspend that contract. You all are sitting there saying, not only have you not done that, but you are ready to just go out there and renew a contract with this company——

Mr. JURITH. No, sir.

Mr. BARR [continuing]. Even while they are being investigated by the FBI and the U.S. Attorney's Office.

Mr. JURITH. No, as I understand it, sir, Justice is investigating the allegations. They have consistently updated ONDCP on the progress of their investigation, and they have not made any decision one way or the other. We're waiting to hear back.

Mr. BARR. Why can't you—isn't it—aren't any of you indignant about what this company has done?

Mr. JURITH. Sir, the——

Mr. BARR. Doesn't it bother you, Mr. Jurith? You are a sworn official. You are upholding our criminal laws. Doesn't this bother you what this company has done? Don't you have any regard for the taxpayer moneys that have been given to this company?

Mr. JURITH. That is under investigation by the Department of Justice, sir. The issue from OND——

Mr. BARR. Well, why can't you move to suspend the contract?

Mr. JURITH. The issue from ONDCP——

Mr. BARR. There is clear evidence that they have committed fraud, isn't there?

Mr. JURITH. I have not seen that.

Mr. BARR. Oh, you haven't?

Mr. JURITH. That's under investigation by the Department of Justice.

Mr. BARR. How about this? Have you seen this report, Mr. Jurith?

Mr. JURITH. Yes, sir.

Mr. BARR. And you don't consider that evidence that they have committed fraud?

Mr. JURITH. The issues in that report are under review by the Department of Justice. The issue is——

Mr. BARR. What are you going to wait, for a final conviction upheld on appeal before you do something?

Mr. JURITH. No. No, sir. We're in constant contact with DOJ, waiting for their report.

Mr. BARR. And how long are you going to wait, Mr. Jurith? How many more millions of dollars of taxpayer money are going to go out before you do something?

Mr. JURITH. Sir, in terms of exercising the option, the issues under the FAR are very clear: Are the funds available? Is there a continuing need?

Mr. BARR. It is very clear that if there is evidence of fraud you can suspend it. Why haven't you done that?

Mr. JURITH. That's a decision to be made by the Department of Justice. Neither GAO——

Mr. BARR. What have you recommended to them? You are with the Department—excuse me——

Mr. JURITH. No, I'm not, sir.

Mr. BARR. Why haven't you recommended that take place?

Mr. JURITH. I'll defer to the Navy on that issue.

Mr. BARR. No, I'm asking you. Why have you, based on what you have before you, which is clear evidence of fraud, why haven't you at least recommended to the Department of Justice that they move to suspend the contract?

Mr. JURITH. I'm not going to—because the Department of Justice is still looking at that matter, sir.

Mr. BARR. OK. When will there be sufficient evidence of fraud to satisfy the high burden that you set for yourself as a Government official?

Mr. JURITH. It's not a question of a high burden. It's a question of what is the burden.

Mr. BARR. You have apparently set a very high one.

Mr. JURITH. There's a process in the Department of the Navy, as our contracting officers, that they're looking at in that regard. Captain Westin——

Captain WESTIN. If I may, sir, I'd like to——

Mr. BARR. No, I'm not finished. I'm not finished with you, Mr. Jurith.

Mr. JURITH. Thank you.

Mr. BARR. You reviewed a memo and made changes to it on April 12, 2000, correct, regarding the Ogilvy contract?

Mr. JURITH. What memo is that, sir?

Mr. BARR. Your memo?

Mr. JURITH. Not my—what memo?

Mr. BARR. You want to do some other things? OK, we will see you in a few minutes, Mr. Jurith.

Mr. JURITH. Thank you.

Mr. SOUDER. In starting a second round of questioning, I want to point out for the record, because I think we all find this troubling, that there are several questions here. One, this is not a question about the media campaign, but how we administer the media campaign, but it does potentially put the whole media campaign at risk when the taxpayers and representatives of the taxpayers have doubts, and that is why it is important to do this.

A second point is that Ogilvy is one of the most distinguished advertising firms in the United States and has been for years. They obviously have many other contracts. Whatever caused this, possibly lack of oversight combined with a contract proposal that wasn't reasonable, there may be pressures that resulted in misbilling, but the fact is that it is not in dispute whether there was misbilling. Ogilvy admits to at least $850,000. We don't really have to wait for the Justice Department to find that out because Ogilvy has already admitted, and we have in the record today—and I don't think anybody is disputing—that they admit that they overbilled, based on Government contracts, $850,000.

We also know from this committee and this subcommittee, and we sit on other subcommittees here, that this is not the only case that this has happened in the Government. I know in Medicaid/Medicare oversight that we have had similar problems in Medicaid with companies billing and overbilling, and that, in fact, sometimes we suspend contracts and sometimes we don't, and that the variables that have been stated here, which are continuation of contract, costs—for example, we sat in one miserable hearing where the Department of Justice wanted the contract suspended because there had been $1 billion of fraud, but we didn't know what to do with the senior citizens if their homes closed down. So there can be extenuating circumstances.

But, generally speaking—and if I may ask Mr. Ungar this—in your experience in GAO, if there was an admitted case of $850,000 in overbilling, which may be more, would it not be typical for the Government to at least show uncommon restraint before they would allow that company to continue? In other words, it would be a factor?

Mr. UNGAR. Yes, sir, it would be a factor. In this particular case, there's no question that the company overbilled. It acknowledges that. Now it does not say it was fraud. I mean, it doesn't say that it was intentional overbilling. Nonetheless, it does acknowledge that. In this particular case, we're saying in our report that we think that the ONDCP and the Navy really do need to look at this option and whether it ought to be extended, to consider both the technical performance and the administrative performance, including the issue of whether it feels comfortable that this company has really cleaned up its act and is in a position to do the work in the future in an appropriate manner, including the billings.

Mr. SOUDER. Captain Westin, if the Defense Department in other areas in contract billing had contractors who came forth and said, "We admit to at least $850,000 errors," which in the labor portion

of this—let me ask Mr. Ungar first. The $850,000 is roughly what percent that they overbilled?

Mr. UNGAR. I believe the labor charges——

Mr. SOUDER. And that's the low number.

Mr. UNGAR. Yes. I think the labor charges were somewhere around $24 million for the period that we were looking at.

Mr. SOUDER. At least 4 percent that they were——

Mr. UNGAR. So it's a small percent.

Mr. SOUDER. But that is 4 or 5 percent.

Mr. UNGAR. Yes. I think to be fair, sir, to Ogilvy, if one wants to be, I think what Ogilvy did is they took a look at the information that we reported to them and extrapolated from that, and then they took a number of other cases which they felt would be questionable and erred, in their view, on the side of upping the amount of money. So, in their view, the $800,000 would be more than probably they would say was definitively overcharged.

Mr. SOUDER. OK.

Mr. UNGAR. Our view of that is we're not really sure of that, sir.

Mr. SOUDER. So there could be a range. Captain Westin, if somebody admitted, or at least attempted to try to establish that number, and they were 5 percent off, would the Navy continue that contract if there were alternatives?

Captain WESTIN. Sir, the continuation of the contract would be OK under the FAR. What we have the responsibility to do, if we get information similar to the GAO report here, is that we would refer that to the suspension and debarment officials within the Department of Defense. In the Navy in this case it's at the Office of the General Counsel. In fact, we have done that in this case. We referred this GAO report through our chain of command to what's called the Office of Procurement Integrity within the Navy.

Mr. SOUDER. And if this goes on in a weapons procurement case, for example, and for 2 years somebody has admitted that they had billing errors, how long would you wait until you did something?

Captain WESTIN. Well, those decisions as to whether to suspend or debar are made by those procurement officials. However, the purpose of suspension and debarment is to protect the Government and the issuance of future contracts. In this case the DCAA's mission is to take a look at the billings and the accounting system and determine what the correct amount that the Government should be paying, and whether that's $850,000 or some larger amount or some smaller amount, that's what they're going to try to do, and then they'll let us know, authorize the right amount of payments.

Mr. SOUDER. This is an important thing because in our drug-free communities bill that we just passed through last week, I mean the $850,000 is 8½ communities' programs for a whole year. It is not an insignificant sum.

Mr. Cummings.

Mr. CUMMINGS. Thank you very much, Mr. Chairman.

Mr. Ungar, I listened to Mr. Barr and his questions. I guess it goes—the question becomes, when you made the determinations that you made with regard to overbilling, you in answering an oral question of mine, you said you saw one type of overbilling where they had said, well, you know, the employee said, "Well, maybe I

did something, just forgot to put it down." The other type of overbilling was what? What was that?

Mr. UNGAR. There were two situations, sir. One set of circumstances was such that there were some employees who said they were instructed by their supervisors to increase the time, go back and adjust the time that they charged to the contract. In fact, they did not work—some of those employees had not worked those hours. So we have some employees being instructed to add time to this account, the ONDCP account, that they did not actually work. That's one set of circumstances.

Another set of circumstances is there is another group of employees whose timecards were changed after they prepared them initially and time was added to the ONDCP account by people other than the employees. We don't know the full extent of that, but we know that it did happen. So that's one of the issues that, hopefully, DCAA may try to get a handle on.

So you have two different situations: employees being instructed to change their timecards to add time and employees whose timecards were changed by somebody else to add time to this account that was not worked.

Mr. CUMMINGS. In your judgment, were you left with questions as to whether or not—and this is just your opinion—whether or not criminal activity took place? Did you have questions or did you feel——

Mr. UNGAR. Yes, sir.

Mr. CUMMINGS. You are a professional.

Mr. UNGAR. Yes.

Mr. CUMMINGS. You know what a crime is.

Mr. UNGAR. Yes, sir.

Mr. CUMMINGS. I mean, so——

Mr. UNGAR. In our view, charging the Government, in effect, falsifying time records and charging the Government for time not worked is fraud in our view. And that is why we did refer this to the Department of Justice for further followup and action.

Mr. CUMMINGS. Then when we go to Mr. Jurith and this whole discussion here, this discussion of whether to suspend the contract and all of that kind of thing, does GAO make recommendations? Let's say you are in the middle of an investigation and you say, "My God, what has happened here?" I mean, is there ever any time you go and you say, "Look, red flags, we've got to stop this right now"? I mean, does that ever happen? I'm sorry, I'm talking to you, Mr. Ungar. I apologize.

Mr. UNGAR. Oh, yes, sir. Actually, we did recommend that ONDCP should work with the Navy to—actually, we said, don't award this next option, first, unless the contractor cleans up its accounting system and has an adequate accounting system and takes appropriate action. Then, second, we said, in making its decision, ONDCP needs to take into consideration both the technical performance, which it's been very pleased about, and the contractor's administrative performance, which is the billing practices, in deciding whether or not to recompete this contract.

So we certainly think that this is an issue that ONDCP needs to deal with, and it does have discretion. It is not under any obligation under the FAR to award this option.

Mr. CUMMINGS. I am running out of time. Did you read the report, this report that just came out yesterday? Did you read it? The report that just—oh, you did it?

Mr. UNGAR. No—which—yesterday?

Mr. CUMMINGS. The report that somebody said was completed yesterday.

Captain WESTIN. DCAA.

Mr. CUMMINGS. Yes, the DCAA, have you seen that report?

Mr. UNGAR. No, sir, I have not seen that.

Mr. CUMMINGS. OK. All right. Well, they say that they have cleaned up their act, Ogilvy has cleaned up their act. You are saying that is not enough to say, OK, guys—you know, as I am sitting here, I am thinking about, as a lawyer, if I screwed up as a lawyer, let me tell you something, if I overbilled as a lawyer, I am disbarred for the rest of my life. I mean that is deep.

Mr. UNGAR. Right.

Mr. CUMMINGS. If I screw up on one client one time—I can be the greatest lawyer in the world—I am disbarred.

Mr. UNGAR. Right, sir.

Mr. CUMMINGS. So I am just wondering, the cleanup factor, how much does that play? If I am caught and then I clean up, the Bar Association is going to say, "Sorry."

Mr. UNGAR. There's a couple of different issues here, maybe more than a couple, sir. One is these formal suspensions, the debarment proceedings which were talked about, that's a formal process that has to take place. The other issue is whether to recompete this contract. Unless the contractor is suspended or proposed for debarment, if that happens, then ONDCP could not recompete the contract—or excuse me, exercise the option. But if that doesn't happen, then ONDCP does have discretion as to what to do when this contract expires at the end of the year.

There's a number of things that ONDCP needs to take into consideration. One is this accounting system, because obviously if the contractor didn't fix the accounting system, it would be impossible to tell how much it was appropriately paid. The contractor has done that, according to the Navy and DCAA. So that's taken care of.

Now the other issue is, that we talked about is, the situation of the overbilling. The contractor has taken action to fix its time and attendance system, put in a new system. It has provided, through contractual help, training to its employees. It has certainly taken corrective action. It also, as has been indicated, came forward to the Justice Department and acknowledged that it overbilled and said, "Yes, we did make mistakes."

The one issue that still remains for us in this case I think that we think as a very minimum needs to be considered: What was the real start of this process? We know that the overbilling came after a discussion that the president of the company had with certain employees saying he was disappointed with the revenue.

Mr. CUMMINGS. Can we pick up on that?

Mr. UNGAR. OK, sure.

Mr. CUMMINGS. I mean, we are running out of time, unfortunately. I hope you won't forget that though.

Mr. SOUDER. The subcommittee now stands in recess.

[Recess.]

Mr. SOUDER. I call the subcommittee back to order and would now yield to Mr. Gilman for further questioning.

Mr. GILMAN. Thank you, Mr. Chairman.

Let me ask GAO, was Ogilvy cooperative and helpful to your team in collecting information for your report?

Mr. UNGAR. Sir, during our review, generally, it was cooperative. We had a few wrinkles along the way, but I'd say overall it was cooperative and it did provide us the information that we had asked for for the most part.

Mr. GILMAN. Does GAO have any recommendations? Considering your findings of the improper billing by Ogilvy, what should ONDCP do now regarding the remaining 2 years of the campaign contract?

Mr. UNGAR. We think that the most urgent action that ONDCP needs to take is to decide whether or not to recompete this contract, and, of course, in doing so, it needs to consider all the factors that have been brought forward in terms of the performance of the contract, both technically and administrative-wise, including the overbilling. It needs to take into consideration the corrective action that has been taken, the situation with respect to what's in the best interest of the Government, both cost-wise and program-wise.

It also needs to work with the Navy to resolve the billing questions that are outstanding. There's been somewhere between $6 and $7 million disallowed of the contractor's billings so far, and there needs to be determination of what was an appropriate amount to have been disallowed. So it certainly needs to do that.

It needs to make sure that there is a continued effective relationship between its folks, the Contracting Officer's Technical Representatives, and the Navy contracting officers, to make sure that there's not a repeat of the problem that existed when HHS had the contract.

Mr. GILMAN. Has Ogilvy undertaken any corrective actions, do you know, regarding this contract?

Mr. UNGAR. Yes, sir. It had retained consultant help to come up with, develop, an accounting system for it that would meet the Government standards. That's been done. It also got contractual help to look at its time and attendance system and develop a new system and help train its employees. It certainly did come forth to the Justice Department on its own earlier and acknowledged that there were problems with its accounting system and its billings.

Mr. GILMAN. And to what extent were the improprieties—how much did that add up to?

Mr. UNGAR. Sir, Ogilvy and its representatives suggest $850,000 be disallowed as a result of the problems with the time charges. We are not in a position to determine whether or not that's an appropriate amount. We think that's really up to the Defense Contract Audit Agency to look at in its audit.

Mr. GILMAN. Well, Captain Westin, you are the contract agency, right?

Captain WESTIN. Yes, sir.

Mr. GILMAN. What did you find to be the amount that was overcharged?

Captain WESTIN. Again, we received that $850,000 number and did not feel that we had enough information to make that judgment and referred that to the Defense Contract Audit Agency. They are looking—they received from Ogilvy just on July 11th incurred cost reports for 2000 and—or 1999 and 2000, the timeframe of these billings, alleged billing irregularities, and they are auditing those to determine appropriate overhead rates. Then they'll use that information to figure out what the right number is.

Mr. GILMAN. Well, Captain Westin, when did the Defense agency become involved in this? At what date?

Captain WESTIN. We asked them—they became involved almost immediately when we took over the contract administration on the first of December. Their initial task was to look at the accounting system of the other contractors who already had accounting systems, and immediately upon Pricewaterhouse completing work on Ogilvy's accounting system so that it could be audited, they undertook that work and completed that just yesterday. They've also been looking at 100 percent audit of all billings that were presented. Because of the lack of an adequate accounting system, they did extra auditing to ensure that any money that was paid to them, which has been only non-labor charges or media buys primarily, were proper for payment. As soon as Ogilvy begins to rebill using an adequate accounting system for labor charges, then they will audit those as well to ensure that then the Government only pays for supportable labor.

Mr. GILMAN. Did you state that it was just a few weeks ago that some important documents were turned over to the Defense agency?

Captain WESTIN. Ogilvy and Mather, it was previously stated by GAO that they stopped billing for labor in, I think it was July 2000. They also did not present any cost reports until July 11th here.

Mr. GILMAN. This July?

Captain WESTIN. Yes, sir, just a couple of weeks ago. Those are the documents which are used to establish appropriate overhead rates to apply to direct labor amounts.

Mr. GILMAN. Well, what took so long between December and July of this year for them to bring the information to the attention of the Defense agency?

Captain WESTIN. I don't know, sir, exactly, but my suspicion is because they didn't have an adequate accounting system to, in their own mind, be able to certify their labor—incurred cost reports. In other words, they have, before DCAA can audit them, they have to be certified by the company themselves as an accurate representation of their labor.

Mr. GILMAN. Well, Captain Westin, it was my impression this is one of the largest and one of the older advertising agencies in the country, is that right?

Captain WESTIN. It's my understanding one of the world's largest, yes, sir.

Mr. GILMAN. Is there some question in your mind about why they haven't got an accounting system that could tell them what is wrong with their oversight or their overpayments?

Captain WESTIN. Yes, sir, it was a surprise.

Mr. GILMAN. Well, I am concerned that we still, 10 months later, don't have any answers to all of this, and at this point ONDCP is unwilling to cancel the contract apparently and is considering the possibility of a further renewal. Is that right, Mr. Jurith?

Mr. JURITH. Mr. Gilman, these matters are under inquiry right now by DCAA, by the Department of Justice. We have a very technical issue to examine right now: whether or not that option is in the best interest of the Government, and the law spells out whether or not we should do that. Are the funds available? Is there continuing need for the service? And is exercising that option in the best interest of the Government? Now you balance that which is overriding and true about whether or not there is wrongdoing here, which is in the purview of DOJ and DCAA. But, they are two—unfortunately, Mr. Gilman, they're two—not unfortunately—the fact is, under the law, they are two separate inquiries.

Now we're going on two tracks. I've told Navy I want to do market research as long as I'm the Acting Director, pending the confirmation of the President's nominee. I want to do market research to make a determination whether or not we should continue with Ogilvy, whether it's in the best interest of the Government to carry out the terms and objectives under the contract. That's my responsibility.

The issue of whether or not there's wrongdoing, that's in DOJ, and I'm willing to be bound by that decision. And the Navy is going forward with their recommendation based on the DOJ report as to what should be done. But, again, Mr. Gilman, I think you've got to segregate the two decision processes that are ongoing right now, and that's what we're doing.

Mr. GILMAN. Mr. Jurith, do you feel that you have any responsibility, once an agency of this nature has been charged with the fact that they have overcharged and there's a criminal investigation pending in the Department of Justice, do you think you have any responsibility—please listen to me.

Mr. JURITH. Sure.

Mr. GILMAN. Do you think you have any responsibility of terminating that contract?

Mr. JURITH. Termination is a dramatic response, is a dramatic action by the Government. You're saying, then, to the contractor, "We no longer need your services." DCAA has found out that Ogilvy——

Mr. GILMAN. Could you put the mic a little closer to you?

Mr. JURITH. I'm sorry, Mr. Gilman. DCAA has found out a contractor—it's the only given contractor who we have. The contractor—yesterday's report by DCAA has found that the contractor had developed excellent ethics, timekeeping, and training program. Training was presented to its employees in the first half of 2001. Ogilvy had also provided training to all new hires. Now that's current.

If you're going to use debarment and suspension, it goes to whether or not in the future the Government can rely on the credibility of that contractor. It's a future determination. There are 10 points laid out in the FAR that Government agencies need to look to whether or not that vendor is capable of fulfilling those requirements. We're not there. We haven't found out about——

Mr. GILMAN. But, Mr. Jurith, if I might interrupt——

Mr. JURITH. Yes, sir.

Mr. GILMAN [continuing]. You have the responsibility now of determining, are you going to rehire this company or are you going to suspend their contract? How do you—and you say it might be in the best interest of Government to continue working with this company, but how would it be in the best interest of working with a company that has defrauded the Government?

Mr. JURITH. There's been no finding of defrauding the Government. That's a matter——

Mr. GILMAN. Well, they're being charged with it in a criminal investigation by the Department of Justice.

Mr. JURITH. It's a different——

Mr. GILMAN. Does that lead you to have some reservations?

Mr. JURITH. There's a matter going on within the Civil Division of the Department of Justice that my staff is in constant communication on. We're being monitored. Whether or not——

Mr. GILMAN. Wait a second. Captain Westin said——

Mr. SOUDER. Mr. Gilman——

Mr. GILMAN. Captain Westin said there's a criminal investigation pending.

Mr. SOUDER. Mr. Gilman——

Mr. JURITH. Well, they referred it up to the——

Mr. GILMAN. Is that right, Captain Westin? Is there a criminal investigation pending?

Captain WESTIN. I, sir, don't know whether—I know it's in the hands of the Department of Justice. I think I mentioned that the Navy Criminal Investigative Service is what the Navy uses to coordinate investigations, our side of any investigation with the Department of Justice.

Mr. GILMAN. Well, in your testimony——

Mr. SOUDER. Mr. Gilman——

Mr. GILMAN [continuing]. Didn't you say, Captain Westin——

Mr. SOUDER. Mr. Gilman——

Mr. GILMAN [continuing]. That in March 2001 that Ogilvy made a disclosure to the Navy, the DCAA, ONDCP, the Department of Justice regarding costs they couldn't certify, and due to the disclosure, the Navy contracting officer referred the matter to the Navy Criminal Investigative Service to coordinate with the Department of Justice and the investigative arm of DCAA. Is that correct?

Captain WESTIN. Yes, sir.

Mr. SOUDER. Mr. Gilman, we need to go to Mr. Barr. We have gone over.

Mr. GILMAN. My time has run. Thank you, Mr. Chairman.

Mr. SOUDER. Mr. Barr.

Mr. GILMAN. Could you just respond to that? Is that correct, that it has been turned over to that investigative agent service?

Captain WESTIN. For a contracting officer, that organization is what we use to coordinate with investigations going on——

Mr. GILMAN. Could you put the mic a little closer?

Captain WESTIN. Our contracting officers use that organization to coordinate in this case with the Department of Justice and any input that we——

Mr. GILMAN. So is it now before the Navy Criminal Investigative Service? Is this matter now before them?

Captain WESTIN. The Department of Justice, as I understand it, has taken jurisdiction over this.

Mr. GILMAN. Thank you.

Mr. SOUDER. Mr. Barr.

Mr. BARR. It is my understanding, Mr. Chairman, that this matter is being handled as a criminal matter by the U.S. Attorney's Office and by the FBI. There may be a civil component to it, but if there is an effort to characterize this more benignly as simply a civil matter, that is not my understanding. I believe that there is a criminal—that this is being handled as a criminal matter. Is that your understanding, Mr. Hast?

Mr. HAST. Yes, that is correct. This is being handled as a criminal matter in the Southern District of New York.

Mr. BARR. OK. You all may want to communicate that to ONDCP, please.

Are any of you all familiar with the provisions of the CFR that relate to suspension of Government contracts and payments?

Mr. UNGAR. Some familiarity, sir.

Mr. BARR. Apparently, more familiar than some of the other people at the table. The fact of the matter is, is it not, Mr. Ungar, that the U.S. Government, if they believe that there is evidence of fraud, it can suspend a contract and suspend payments under that contract? Is that correct?

Mr. UNGAR. I believe so, sir. There is a process, a formal process, for that which would be within the Navy's purview right now, and I believe that's, you know, underway.

Captain WESTIN. Yes, sir, we forwarded the allegations and the GAO report to Navy's Office of Procurement Integrity, and they are the ones charged with determining whether a suspension or debarment is warranted.

Mr. BARR. What was the recommendation? What was the conclusion?

Captain WESTIN. Our contracting officer's recommendation was, because of there are about 10 factors in the Federal Acquisition Regulation that they should use to make a recommendation for suspension and debarment, that because Ogilvy has substantially cooperated with the Government, had taken corrective actions, and that we had not—they had suspended billing the Government back in July, that we had sufficiently protected the Government. So the contracting officer thought that, unless something changes—and that might include, for example, an indictment or other information coming out of the investigation that DOJ is conducting—unless something changed, that he felt the Government was adequately protected. But it is, again, just the contracting officer's recommendation, and it is the Navy Procurement Integrity Office that makes that determination.

Mr. BARR. I am just flabbergasted that, except for GAO, you all are just so willing to just sit back and let this process continue. It does not require an indictment. It does not require a conviction. It simply requires, "substantial evidence." And substantial evidence means simply, "information sufficient to support the reasonable be-

lief that a particular act or omission has occurred." That's from CFR.

Would you all's attitude regarding Ogilvy/Mather be the same if it was your personal money at stake? Would you just sit back for month after month after month after month after month and let them walk away, pocketing additional money, in the face of what everybody here, I think, could not argue with a straight face is anything other than very serious irregularities, if not fraud? That is what dumbfounds me, just this silence.

Captain WESTIN. Well, speaking for the Navy, we did follow the appropriate procedure and refer it to the appropriate officials, and they will——

Mr. BARR. But how long does this take? Have long have you all been—you all have been working on this since last year. We had a hearing in October of last year, and as far as I can tell, other than churning a bunch more paper, nobody has done anything except GAO.

Captain WESTIN. Well, since our involvement, sir, we have followed our——

Mr. BARR. When did your involvement begin?

Captain WESTIN. In January, sir. I mean, excuse me, December 1st.

Mr. BARR. So since last year, 8 months, and going on 9 months, have gone by. Why is there no sense of urgency? Why is there no sense of anything other than, well, gee, you know, this thing will take its course; we've sent the paperwork forward. And then Mr. Jurith says, in response to a question, "Are you all going to send this forward," "Absolutely," to renew the contract. That is a phenomenal attitude.

Captain WESTIN. Well, sir, the GAO report came out on June 25th, and that was a clear statement of their findings in this investigation.

Mr. BARR. Weren't there pretty clear statements from GAO before that? Wasn't there pretty clear evidence before that? That is why you all are involved.

Captain WESTIN. Yes, sir, but the actual allegations concerning the fraudulent——

Mr. BARR. And Mr. Jurith knew about this back in October—in April. He knew there were serious problems in April 2000, well over a year ago, right?

Mr. JURITH. Mr. Barr, I mean, clearly——

Mr. BARR. Or are you going to dispute that?

Mr. JURITH. Sir, under the law—and I know it's something that you're always mindful of, all agencies about—debarment and suspension are remedial actions. OK?

Mr. BARR. No kidding?

Mr. JURITH. OK, they're used to punish the contractor. They're forward-looking. If a contractor has taken steps to correct those actions, notwithstanding the past irregularities, as I've been advised by our counsel——

Mr. BARR. Oh, come on, are you saying that——

Mr. JURITH. Sir, that's the law.

Mr. BARR. You might want to get another lawyer for ONDCP. Maybe that is why we are having these sorts of problems. You are

telling me that, if somebody comes to you with substantial evidence that a company has committed fraud, that as long as from the moment they come to you from that point forward, as long as they clean up their act and promise not to do it again—and, by the way, I don't know that Ogilvy has even promised that—that you think there is nothing the Government can do to suspend their contract or debar them?

Mr. JURITH. Sir, what I'm saying to you—no, what I'm saying, sir, in the present context, it's gone into the Civil Division. They're looking at all of those allegations and will make a recommendation to us. Thus far, they haven't done it.

I have an obligation right now to decide whether or not we should exercise the option. OK? And we're going to do that in the context of all these issues: whether or not it's in the best interest of the Government to do so. I feel confident that we're on the right path to make sure——

Mr. BARR. You feel confident you are on the right path?

Mr. JURITH. Absolutely.

Mr. BARR. I think you may be the only one here.

Mr. JURITH. Well, and I have that decisionmaking authority right now, so I'm prepared to exercise it.

Mr. BARR. To exercise what?

Mr. JURITH. That decision, whether or not we should exercise that option or not.

Mr. BARR. When did you first become aware of irregularities in Ogilvy's billing?

Mr. JURITH. In the allegation made in April 2000, sir.

Mr. BARR. And this is despite the fact that you had told GAO, when they questioned you, that you were not, that you had not been aware of it then, right?

Mr. JURITH. That's not—that's not—I don't believe I was ever asked that by GAO.

Mr. BARR. I'm sorry, what?

Mr. JURITH. I don't believe I was ever asked that by GAO.

Mr. BARR. That you were what?

Mr. JURITH. I don't believe I was ever asked that question by GAO, sir.

Mr. BARR. Well, maybe we will talk about that.

Mr. SOUDER. We are going to do one more round here, and I am going to be a little more generous with the clock so that we can try to finish up with this round.

I want to start with just a comment of: It is not an acceptable position of this committee and of the Congress that overbilling admissions, whether or not a conviction is found, is not part of an evaluation, and that I understand that at times in a military contract that, to use our earlier debate, that if there is a weapons system and you've invested so much and you're partway through, and, in fact, then you clean up the accounting procedures, just as I mentioned in the nursing home area, that at times you continue the contract.

But the burden of proof switches, because in this case we have a GAO audit; we have an admission of overbilling by the company. So the burden of proof now would have to go that, to continue with this company, that it would be a problem to switch the contract.

And, in fact, in advertising, since we have NIDA's research, since purchasing is not—that Ogilvy is a tremendous agency but there are other tremendous agencies as well, it is going to be a fairly difficult argument to maintain that the experience in purchasing time, that the experience in using research, given the fact that we've contracted out the research portion, is compelling over the question of not whether there has been overbilling, but whether that was fraudulent and criminal overbilling or something less than that, which would be something we don't fully understand here.

But I actually want to make sure that Ms. David gets asked some questions here because we also want to look where we are headed next in the campaign, and I have some questions about the media campaign and your research with that.

Have you noticed significant trends in drug use by the youth who have been targeted by the ads? You mentioned a few things such as the marijuana. Do you feel that in some of those trends, which are small but, nevertheless, significant—every change is significant—did they respond in general about ads or to these ads specifically?

Ms. DAVID. They appeared to respond to the ads, but we can't tell yet whether they were the specific ads. They have been exposed to a lot of anti-drug advertising. Their attitudes are generally negative, which is a good thing. But we aren't yet able to tie together the exposure to the ads and significant change. And what we mean by that is, while there were significant changes, we couldn't see among those who were the most exposed the most change, and that's the kind of connection we make. We haven't seen that yet. We believe that's because we need more time for the evaluation period.

Mr. SOUDER. Now I understand that whenever you are in social policy, it is a little bit different than retail marketing, but that was part of my earlier life, and including contracting market research studies. Quite frankly, my division, it would not have been acceptable to go into management after a market research study and say, well, sales in this category went up, but it had nothing to do with your ad. Do you know why that wasn't a component in the first round, to try to find whether the response was directed to the ad?

Ms. DAVID. Well, we asked the questions, but we don't have enough people yet in the sample, which we expect—I mean we have people in the sample, but not tied directly to this exposure measure to find that connection yet, but we expect that in the fall when we report, and absolutely by the spring, we will have more data. So it's going to take a little more time.

Mr. SOUDER. Because one of the questions you said that the group that's exposed the most has not had necessarily as much response, and that could be because they are higher risk and more difficult. It could be several different variables, but that certainly is a warning sign.

For example, I remember years ago in my other life as a staff person, there was a research study in Minnesota on the effectiveness of birth control clinics in the schools and whether or not they reduced incidents of teen pregnancy. In fact, teen pregnancy went down in the schools with the clinics, but in all the adjacent dis-

tricts it went down by farther, which doesn't prove either direction because there were obviously variables going on besides the clinics.

Do you have any sort of a control group that you are measuring to see whether their usage is going down? It is a little difficult in mass media advertising, but certainly you are doing regional advertising as well.

Ms. DAVID. Well, what we've done in this is a national sample. As you know, the ad campaign runs and everyone has the potential for exposure. So we didn't have control groups, but what we're trying to do is to look at those who admit they've seen the ads. We show them on a computer. They identify those ads, yes, we've seen them in the last couple of month, and those who most see these ads have the greatest change in attitudes and behavior as a method of analyzing that, yes, they saw the ads; yes, there is change. When those two things come together, we should be able to discern that there was exposure and there is change, but you're right, there were other influences that we have to set aside and understand those.

Mr. SOUDER. In your charge in the analysis, do you make any recommendations or do any analysis? Generally speaking, what they tell us, because all of us in politics become somewhat media experts because we buy a lot of time, that it takes 1,000 points to get your ad through. Roughly, what kind of intensity are the individuals in this target being exposed? Because by trying to cover every drug or at least many of them and many different markets, I assume that this media buy is not getting out 1,000 points in a week to any target.

Ms. DAVID. Well, I'd say that I would defer to——

Mr. SOUDER. I would guess you are looking at more like 100 to 200.

Ms. DAVID [continuing]. To ONDCP for those specifics. They report to us, and we look at those in the survey. But, actually, what we report is what the people in our survey say.

Mr. SOUDER. So you are not looking at reaching frequency?

Ms. DAVID. Well, no, that's not our primary. We take it into consideration, but that is reported directly to us from ONDCP and the campaign. They tell us what the reaching frequency is, and we look at that along with our own data.

Mr. SOUDER. Mr. Ungar, did you look at any of these kind of questions in your analysis?

Mr. UNGAR. No, sir, we did not in our most recent review.

Mr. SOUDER. Mr. Jurith, in the targets—I know in our discussion as well—we talked about the problems with ecstacy. Do you believe that the media campaign, given the fact that the greatest threats to different subgroups change almost every 6 to 12 months, and what we just heard from the research is that, even after a fairly long monitoring period, we can't get a subgroup large enough to get a good handle on whether this ad campaign is actually effective or whether there are other variables, how can we have enough flexibility to deal with the problems and yet have the research catch up?

Mr. JURITH. Mr. Chairman, it's a challenge, but I think the campaign does work. Remember, this is a primary prevention campaign. So, granted, we have a whole host of new challenges:

ecstacy, oxycontin, a whole range of issues that have cropped up since this campaign was developed. But at the end of the day, it's a primary prevention campaign, and we know from our experts that we deal with routinely—Allen Libben and his team run the campaign in terms of we know that, if you send a clear and consistent message to young people about the dangers of drug use, how to respond to peer pressure, sending good parenting skills to parents, whether it's ecstacy, marijuana, cocaine, heroin, you'll be able to inoculate children to the dangers of drug use. So we shouldn't be so much blindsided by the fact that there's a new drug out there because at the heart of it is the primary prevention campaign.

In terms of ecstacy specifically, you're right, it's a real challenge out there now. There's a notion out there that somehow in popular media that this is a safe drug to use—patently absurd. I mean there was a New York Times magazine article back in January in the Sunday Times magazine exulting the benefits of ecstacy. Fortunately, we got through on the media campaign an effective letter back, not myself, but Dr. Alan Leshner from the National Institute of Drug Abuse, refuting that notion. We need to do a better job.

One thing the media campaign is doing, in addition to a $5 million media buy, specifically targeted at ecstacy through the Internet or radio and print ads, we're sitting down through our media outreach, we've done two roundtables for producers and writers in Hollywood and New York to talk about this issue, to make sure that when they put ecstacy in the script, it's portrayed accurately based on the science.

On Monday Dr. Don Vereen, my Deputy, testified before the Senate Governmental Affairs Committee on just this issue. We need to get that accurate information out there. The media campaign is doing it.

Mr. SOUDER. Thank you. It suggests to me that one of the things that I wanted to followup with and will be doing through our oversight is to see whether a wide number of dollars, with the kind of research we're approaching, and it's relatively generic, can actually have a direct impact or whether targeted subcampaigns to supplement your other efforts that can get relatively rapid turnaround in the market research, like is required in other sectors of the business world, and we'll continue to look at that question with you.

Mr. JURITH. You know, prior to the Media Campaign, I don't know any of the drug prevention campaigns in the 20 years I've been doing this business—I started in this business working for Ben Gilman 20 years ago and Charlie Rangel—I don't know any other prevention campaign that requires that every 6th month we give to the Congress a report.

Mr. SOUDER. But the fact is, as we have just heard——

Mr. JURITH. And we're doing that.

Mr. SOUDER. But we just heard from the report that we can't find that it was accurately measured.

Mr. JURITH. Not yet. Not yet.

Mr. SOUDER. So it doesn't do us any good to get one every 6 months if it doesn't measure the specific ads as opposed to a general societal track.

Mr. JURITH. But we're heading in that direction. It takes us a bit of a time to get that. We're working on that and providing those

reports to the Congress. I think that's very unique in this campaign. It's the first time it's ever been done that I know in the history of drug abuse prevention.

Mr. SOUDER. Thank you. Mr. Cummings.

Mr. CUMMINGS. Thank you very much, Mr. Chairman.

I am just curious about something. Just picking up where the chairman left off, Mr. Ungar, do you think if we had a report every 6 months that included the financial end of things also, that would be helpful? In other words, we now talk about the effectiveness, but I'm just wondering.

Mr. UNGAR. I don't know if the straight financial numbers would be helpful, sir, but I think it might be helpful to get progress reports periodically on the actions being taken to address the problems that did exist and periodically receive at least a summary of the results of DCAA audits of the billings.

Mr. CUMMINGS. You know, as I sat up here, I first was a little bit confused about where the Acting Director was coming from, Mr. Jurith was coming from, but now I get it because I have now had an opportunity to read, and I see where Mr. Barr was coming from, but I also see why the responses are what they are. If I could kind of summarize what I think has happened here.

I think what happened is that GAO found some problems, some major problems, and what appears to be fraud, and two types of situations with regard to employees and time being submitted for work that wasn't done. We are at a point now where the Navy can—reports have been done. Mr. Jurith is in a position where he is sitting there trying to defend, first of all, a decision that he hasn't even made yet that's within his discretion. It is interesting when we look at—and then when we are talking about this debarment and I listened to Mr. Barr, my good friend, and I listened to his basically asking why certain things have not been done. When we look at the regulations, the contracting regulations, I now understand what position you find yourself in, Mr. Jurith. It is very interesting.

First of all, it is my understanding that debarment or suspension cannot be imposed for penal purposes, which is very significant. You can't do that. You can't do that, and that is according to the Federal Acquisition Regulation.

Now let's just take it a step further. If we want to talk about debarment, I guess the question is, well, what factors—we keep hearing this factors thing. You talked about it, Captain Westin. When I began to look at the factors, I understand why we are where we are. Because I will just read the 10 factors and all credit due to you, Mr. Ungar, and your agency, you have done—you see what you see, and you come to certain conclusions, but then you have this debarment law, Mr. Jurith, that says, "before arriving"—and I am citing section 9406–1 of the Federal Acquisition Regulation. It says, "before arriving at any debarment decision, the debarring officials should consider factors such as the following." Let me just give you a few of them.

Listen to this one: No. 5, it says, "whether the contractor has paid or has agreed to pay all criminal, civil, and administrative liability for the improper activity, including any investigative or ad-

ministrative costs incurred by the Government and has made or agreed to make full restitution."

Well, that is interesting because what that implies is that there could have been criminal activity. It is our judgment up here, and I feel pretty strongly, that if somebody defrauds the U.S. Government, that perhaps they should not be participating in contracts, but here we have these regulations and we still don't know whether they are, in fact, guilty of anything. Although they have admitted certain things, the reasons for their admissions may be a whole other thing.

But let's just look at some of the other things that they say, because that was probably the one that surprised me the most. But when I look at the items, it says, for example, No. 6: "whether the contractor has taken appropriate disciplinary action against the individuals responsible for the activity which constitutes cause for disbarment."

No. 7: "whether the contractor has implemented or agreed to implement remedial measures, including any identified by the Government."

No. 8: "whether the contractor has instituted or agreed to institute new or revised review and control procedures and ethics training programs."

No. 9: "whether the contractor has had adequate time to eliminate the circumstances within the contractor's organization that led to the cause of debarment."

No. 10: "whether the contractor's management recognizes and understands the seriousness of the misconduct giving rise to the cause of debarment and has implemented programs to prevent recurrence."

And I have left out one through four, but they are basically the same kinds of things.

No. 4: "whether the contractor cooperated fully with the Government agencies during the investigation in any court or administrative action."

No. 3: "whether the contractor has fully investigated the circumstances around the cause for debarment and, if so, made the result of the investigation available to the debarring official."

No. 2: "whether the contractor who brought the activity cited as a cause for debarment to the attention of the appropriate Government agency in a timely manner."

No. 1: "whether the contractor had effective standards of conduct and internal control systems in place at the time of the activity which constitutes cause for debarment or had adopted such procedures prior to any Government investigation of the activities cited as a cause for the debarment."

The problem is that when we look at these things—we say, on the one hand, Mr. Jurith, why haven't you gotten rid of or suspended, but we have some problems. One, nobody has been found guilty of anything. This is still the United States of America, innocent until proven guilty. Problem.

Two, you have a situation here where you have got, even when you look at one of the worse things that could happen, which is debarment, and it already says, the regulation says, debarment is not punishment; it is basically to protect the Government, but then it

tells you the factors that you have to take into consideration. And based on the testimony of everybody up here today, I would venture to guess that, just from what I have heard this afternoon, that it would be kind of hard, based on these factors, to debar this company.

I must tell you that while these are the—he said he was going to be liberal with our time, and he was quite liberal with his own. I see you reaching for your mic.

Mr. BARR [assuming Chair]. But we will have some more time. Does the gentleman have an estimate of how much longer he needs?

Mr. CUMMINGS. I need the same amount of time that he took, which is about 5 minutes more.

Mr. BARR. The gentleman is recognized for an additional 2 minutes.

Mr. CUMMINGS. Mr. Chairman, I think that is unfair, but that is OK.

Mr. BARR. No, there will be additional time, Mr. Cummings.

Mr. CUMMINGS. No, I just have a few more.

Mr. BARR. There will be plenty of time. Don't get upset over this.

Mr. CUMMINGS. No, I just want fairness; that's all I want. I want fairness.

Mr. BARR. You shall have it.

Mr. CUMMINGS. All right, thank you.

Mr. BARR. The gentleman is recognized for 2 minutes.

Mr. CUMMINGS. As I was saying, I understand the situation. I think what is incumbent—and I don't think that—I think we have several problems, too. As you said, Mr. Ungar, from the very beginning this thing was put on the wrong track. HHS was not doing what it was supposed to do. Ogilvy I think could have been a lot fairer to the Government by admitting that or at least trying to put into place—I mean, I have seen clients; they look at the RFP; if they don't have it, then they scramble to try to put it together, to put something in place that fits the contract. I don't think that basically happened here.

Then when we got into the contract, we had a situation where perhaps ONDCP didn't do all it was supposed to do. So we have, it just seems like, a series of errors. Now the question becomes, and now this is sort of why I can understand Mr. Barr's concerns, the question is, going back to the reasons for debarment, and that is to protect the Government. So the question is: Is the Government—I am not so much worried about a decision, Mr. Jurith, that you haven't made yet. I am more concerned about what is happening right now and whether the Government is, whether our funds are being protected, whether they are being spent properly. That is what I am concerned about because my taxpayers want to know that their tax dollars are being spent effectively and efficiently. The last thing I want to be able to report to them is that they are not going to where they are supposed to be going and spent properly.

So I would ask you, Mr. Jurith, and I would ask you, Mr. Ungar, and you, Captain Westin, I mean, are we in pretty good shape right now with regard to what I just said?

Mr. JURITH. Mr. Cummings, I think we are. I think Ogilvy, in response to the 10 facts that you pointed out, I think Ogilvy——

Mr. CUMMINGS. The chairman has only given me 2 minutes. So I am about down to about 35 seconds.

Mr. JURITH. They responded. They have responded in time. That decision I referred to will be a joint decision between us and Navy as to whether or not we assert that option.

Mr. UNGAR. Mr. Cummings, I think the taxpayers can sleep tonight at least in one respect, and that is that, fortunately in this case, the Government disallowed several million, between $6 and $7 million it has not paid Ogilvy for the time. So the Government has the money. So it just needs to be determined how that is going to be resolved.

In terms of the other issues, the one issue on suspension and debarment, in our mind, that is still open is disciplinary action against the appropriate people and whether any of those people who are responsible for the overbilling will still be working on the contract.

Third, there needs to be a separation, at least to some extent, between the suspension and the debarment, which is one process, and the decision that Ed Jurith has to make on the other about whether to recompete the contract, because they are related but not necessarily totally dependent upon one another.

Mr. CUMMINGS. Captain Westin.

Captain WESTIN. Yes, sir, I think since the Navy has become involved, we have taken every step we felt we could under the rules of the Federal Acquisition Regulation to protect the Government. We referred the allegations to the appropriate official to look at suspension and debarment. We are also working closely with ONDCP to review the requirements of their statement of work and look at the possibility of alternate contracting methods, should he decide it is in the best interest of the program and the Government to resolicit.

Mr. CUMMINGS. Mr. Chairman, I thank you very much for giving me that extra 3½ minutes.

Mr. BARR. According to the official timekeeper, it was almost 12 minutes total, but we are more than happy to extend the additional time.

Mr. Hast, has OSI developed any additional information regarding this case since you last testified before this subcommittee in October of last year?

Mr. HAST. Yes, Mr. Barr. At your request, we interviewed Bill Gray, the president of Ogilvy. We also received information that was troubling to us from Richard Plethner, ONDCP's contracting officer, who testified at the last hearing. He informed us that he has filed a formal notice for whistleblower protection because he believes he's being retaliated against because of his cooperation with this investigation.

Finally, in concert with Mr. Ungar's people, who conducted the audit of the media contract, we met with the U.S. Attorney for the Southern District of New York and the Federal Bureau of Investigation in New York and referred evidence of possible criminal conduct.

Mr. BARR. Could you summarize for us very briefly what Mr. Gray told you, told your special agents?

Mr. HAST. Yes. Mr. Gray told us that he had no knowledge of any accusations of contract fraud prior to GAO conducting this investigation. He also stated that he never told anyone to falsify timesheets or otherwise commit fraud in conjunction with the media campaign. Also, contrary to what General McCaffrey told us, Mr. Gray stated that the general never brought up the question of overbilling to him at a meeting.

Mr. BARR. Can you explain, can you expand maybe, on your agents' subsequent contact with Mr. Plethner, just briefly?

Mr. HAST. Yes. Mr. Plethner expressed that he had deep concern about what he described as retaliation directed against him by ONDCP management once he announced he was claiming whistleblower status. He said that he was basically effectively relieved of all of his duties.

He also told us that, based on our testimony, he wanted to give us a copy of an April 13th memo. It's the same one that we had on a posterboard that General McCaffrey had made a number of comments on. He stated that on an earlier version of that he had handwritten notes from Mr. Jurith prior to it going to General McCaffrey, and of course the one for General McCaffrey had Mr. Jurith's initials on it. Mr. Jurith had told us, when we interviewed him, that although he was—last August—although he was aware of billing, possible billing concerns, that he had no knowledge of memorandums that were presented to him or to General McCaffrey alleging contract fraud.

Mr. BARR. Do you consider this information significant?

Mr. HAST. Yes. I believe that, in response to the direct questions, Mr. Jurith told us that there were no memorandums, although he had corrected the memorandum that we had given—had received from Mr. Plethner and his initials were on another memorandum. Had Mr. Plethner not come forward, I doubt that we would be here discussing this. He is the individual that brought it to the attention of ONDCP, and then when he found he was getting no results, came to us during the very first audit that was done by GAO, and told them that there were irregularities. Our interview of him resulted in the investigation that we conducted both at ONDCP and at Ogilvy.

Mr. BARR. I am looking at these various memos here and trying to reflect on the prior testimony as well. So are you saying that, in response to a direct question, Mr. Jurith told your agents that no memoranda or e-mails had ever been presented to him or to General McCaffrey alleging overbilling?

Mr. HAST. To the best of his knowledge and recollection, yes.

Mr. BARR. Does that now appear to be the case?

Mr. HAST. Well——

Mr. BARR. Looking at all the evidence and looking at the memos?

Mr. HAST. I'm sure that's not what happened. I mean, I can't comment on his memory.

Mr. BARR. The final version of the memo, does it have Edward Jurith's initials on it?

Mr. HAST. It does.

Mr. BARR. And that is the memo dated April 13th?

Mr. HAST. Yes, sir.

Mr. BARR. OK. And is Mr. John Cooney here today?

Mr. HAST. He is.

Mr. BARR. OK. Do you have anything to add to this discussion, Mr. Cooney? I know you have been very much involved in the investigation as well.

Mr. COONEY. Congressman, no, I believe Mr. Hast has answered all of your questions correctly, the way I would have.

Mr. BARR. OK. Thank you all very much.

The Chair recognizes the distinguished gentleman from New York, Mr. Gilman.

Mr. GILMAN. Thank you, Chairman Barr.

Mr. Jurith, at this moment what is your intention with regard to the Ogilvy contract? What do you plan to do?

Mr. JURITH. Mr. Gilman, at this point I think we're going to follow what the law requires. OK? I think we have an option to exercise, and the law requires that in exercising that option we look at whether or not it's in the best interest of the Government from a fiscal and programmatic point of view to exercise that option, which I think is up in December or early January.

Mr. GILMAN. Let's see, when does it expire?

Mr. JURITH. I believe it's January 2, 2002.

Mr. GILMAN. Are they still under contract at the present time?

Mr. JURITH. Yes, sir, they are.

Mr. GILMAN. How much has been paid to Ogilvy to date?

Mr. JURITH. A total, I don't have that figure in front of me, but we can supply it for the record.

[The information referred to follows:]

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF NATIONAL DRUG CONTROL POLICY
Washington, D.C. 20503

How much money has ONDCP paid Ogilvy & Mather to date?

As of February 20, 2002, ONDCP has paid Ogilvy $405,679,897.64.

The break out per fiscal year is as follows:

- FY 1999 - $14,407,796.37
- FY 2000 - $173,751,744.14
- FY 2001 - $116,614,816.23
- FY 2002 - $100,905,510.90

Mr. GILMAN. Approximately.

Mr. JURITH. About $224 million, that's what my staff informs me.

Mr. GILMAN. I can't hear you.

Mr. JURITH. About $224 million.

Mr. GILMAN. All together over the entire period of the contract?

Mr. JURITH. Correct, sir.

Mr. GILMAN. $200 and——

Mr. JURITH. $24 million.

Mr. GILMAN. And how much is due for the balance of the contract?

Mr. JURITH. It depends on their billables, sir.

Mr. GILMAN. It depends on?

Mr. JURITH. It depends on the billables under the contract, which are a mix of direct costs and labor costs.

Mr. GILMAN. Well, what does your contract provide? What does your contract provide for the remainder of their billable period?

Mr. JURITH. It involves the direct payments by the company to put on the advertising plus their costs incurred. So I don't have an exact number in front of me. Roughly, total thus far would be about $484 million, as provided to me by staff.

Mr. GILMAN. Hold it just a moment. $484 million for the balance of this year?

Mr. JURITH. That's what I'm informed. I mean total under the contract.

Mr. GILMAN. And they received so far $285 million, is that right? I am talking about the total contract now.

Mr. JURITH. $224 million, sir.

Mr. GILMAN. Pardon?

Mr. JURITH. $224 million.

Mr. GILMAN. $224 paid to date.

Mr. JURITH. Correct.

Mr. GILMAN. The balance of this year is $600-and——

Mr. JURITH. $484 million. Mr. Gilman, if I could, if you will, let me provide the committee with the exact numbers.

Mr. GILMAN. If you would just give us right now an approximate amount that is due this year.

Mr. JURITH. Mr. Gilman, it's a little bit difficult only because there's a question between what is actually billed in invoices, and so forth. I would hate to be locked into any specific figure——

Mr. GILMAN. Well, you prepared a budget for your committee, for your agency.

Mr. JURITH. No question, sir——

Mr. GILMAN. You must have taken this into account.

Mr. JURITH. We have. We have, sir.

Mr. GILMAN. So what are you providing for in your budget?

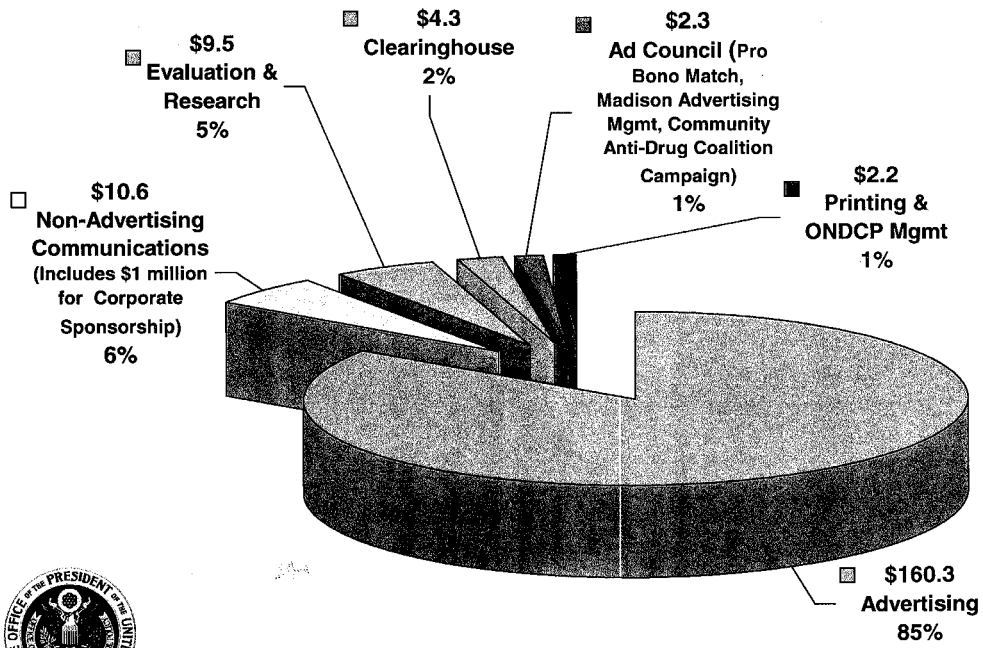
Mr. JURITH. The budget right now for this year, for 2001, under the present media plan calls for about $135.1 million in media buy, and only about 7 percent of that, about $11.2 million in total out of a media plan of $160.3 million is in labor costs.

Mr. GILMAN. Well, how did you get that $600 million figure you just rattled off?

Mr. JURITH. I'm sorry, if you would allow me to have staff put together a complete breakout for the subcommittee?

[The information referred to follows:]

National Youth Anti-Drug Media Campaign
FY 2001 Actual Expenses - $189.3 Million *



($ in millions)
3/7/02

* $5.2 Million made available from FY 2000 Deobligations.

Mr. JURITH. We average about $162 million per year to Ogilvy. What I want to do, sir——

Mr. GILMAN. What do you plan to do with that?

Mr. JURITH. Here's what I plan to do: I've directed both my staff in conjunction with the Navy to follow the FAR. We have to exercise an option. What do you do? Are the funds available? Is there a continuing need for the service? Clearly, the funds are available. Congress has appropriated it. There's a clear, continuing need for the service, and is that in the best interest of the Government? Maybe—and ONDCP needs to be doing market research. We're going out to the market; we're asking whether or not it makes sense to continue the contract the way it is right now.

One of the things I was told, I was told the——

Mr. GILMAN. Well, does that survey include whether the provider of the service is under criminal investigation?

Mr. JURITH. Mr. Gilman, that's a separate issue. I mean that's what Mr. Cummings was getting to. That's a separate inquiry under the law.

Mr. GILMAN. It seems to me that's all part of the issue.

Mr. JURITH. Well, Mr. Gilman I can't invent what the law is. The law says, if you're going to debar——

Mr. GILMAN. Chairman Barr pointed out to you that there is a bar for any contractor that is under criminal investigation.

Mr. JURITH. Incorrect. If they've not taken steps to cure the problems. Clearly, I think in both our view and in the Navy's view, they've done that.

Mr. BARR. Would the gentleman yield?

Mr. GILMAN. I would be pleased to yield to the chairman.

Mr. BARR. Thank you. Again, I am not asking you a question because I don't want to get in another conversation. We don't seem to get anywhere that way.

The Code of Federal Regulations provides very clear authority for a Government agency, when there is substantial evidence of fraud, to suspend a contract, and it would be absurd to argue otherwise, and I can't believe that you're sitting there with a straight face trying to tell us there's nothing the Government can do except go out and conduct market research. The market doesn't know about the fraud.

I yield back.

Mr. GILMAN. I thank the chairman.

Will you consider suspension of the Ogilvy contract based on this provision?

Mr. JURITH. At this point, as Captain Westin has indicated, both in looking at the factors under the law, under the FAR, in terms of the steps taken by the agency, that remedy at this point is not available. Now, remember, Mr. Gilman, the Department of Justice is still looking at this issue. At this point they haven't told us a definitive answer one way or the other. We're waiting for that decision.

Mr. GILMAN. You admit that they are under a criminal investigation. That has been brought to your attention, isn't that correct?

Mr. JURITH. As I understand it, this review has been taken, from what we understand, by the Civil Division of the Department of Justice. I understand that there's been a referral to the Naval In-

vestigations Service for the Navy. They've referred up to their chain of command through their contracting processes. I found out today that there's been a referral to the Southern District of New York. I did not know that until today.

Mr. GILMAN. To the Criminal Division.

Mr. JURITH. I just found out that at this hearing.

Mr. GILMAN. Now you know that there is both a Navy criminal investigation and a Southern District Department investigation in New York. Are you aware of both of those now?

Mr. JURITH. I am, Mr. Gilman, but, again, I'm bound by the FAR, and what the FAR, the Federal Acquisition Regulation, tells me what I can and can't do. I need to follow that. I need to follow the law, and I'm going to follow that.

Mr. GILMAN. Well, what about the law that says, if there is a criminal investigation underway, that you can suspend the contract? What about that law?

Mr. JURITH. It doesn't say that. It says, has the agency taken steps to cure the problem? Because, remember, the issue is whether or not they're not reliable to the Government. That's the test under the law, as I understand. I have been advised by my staff——

Mr. GILMAN. Chairman Barr, would you read that section again for us?

Mr. BARR. The section that I believe is operative is section 32.006 of 48 CFR, Chapter 1, and it provides that payments may be suspended or reduced to a contractor—in this case Ogilvy/Mather—when the agency determines there is substantial evidence that the contractor's request for advanced partial or progress payments is based on fraud. And it defines, Mr. Gilman, substantial evidence to mean not a criminal indictment, not a conviction, not conviction affirmed on appeal, but information sufficient to support the reasonable belief that a particular act or omission has occurred.

Mr. JURITH. Mr. Gilman, in response to that——

Mr. GILMAN. Is there any question about your interpretation of that law?

Mr. JURITH. No question about it, but I think in terms of what we've seen at ONDCP, and I think the Navy will concur, that we've not seen evidence rising that would—rise concluding that conduct to the corporation—that's what we're talking about, OK, whether or not that corporation in the future or right now is not a reliable vendor to the Government. That's the issue.

Mr. GILMAN. In your opinion, are they a reliable vendor?

Mr. JURITH. At this point I have not seen any evidence to say that they're not.

Mr. GILMAN. Well, do you know whether Ogilvy has made any remedial changes in their accounting practices?

Mr. JURITH. They have made quite a few. As a matter of fact, yesterday DCCA has signed——

Mr. GILMAN. Do you know that to be on your own personal——

Mr. JURITH. Yes.

Mr. GILMAN [continuing]. Review of this, that these changes have made, or just a report that they have——

Mr. JURITH. Based upon the information provided to me by DCAA.

Mr. GILMAN. By who?

Mr. JURITH. The Defense Contract Audit Agency. They have signed off information that we received yesterday from them.

Mr. GILMAN. What is the date of that report?

Mr. JURITH. It's dated—it's just says, Mr. Gilman, dated July 31, 2001.

Mr. GILMAN. And who submitted that report?

Mr. JURITH. By the Defense Contract Audit Agency.

Mr. GILMAN. And what did they say?

Mr. JURITH. They have said——

Mr. GILMAN. What are their findings?

Mr. JURITH. That the current accounting system and internal control policies and procedures of Ogilvy are adequate. Finding by the Government—in addition, there's been a finding by DCAA that the contractor had developed excellent ethics, timekeeping, and FAR Part 31 training programs.

Mr. GILMAN. Now what do they say about the overpayment?

Mr. JURITH. That wasn't an issue that DCAA was looking at. In addition, Mr. Gilman——

Mr. GILMAN. Wait. Hold it. They didn't review the overpayment?

Mr. JURITH. That's the matter that's under review by the Department of Justice.

Mr. GILMAN. And this review was not part of the overpayment?

Mr. JURITH. Mr. Gilman, there are two things going on. There's the review of the past billing issues that's under review by a combination of the Department of Justice and DCAA, and there was a prospective requirement to make sure, because it wasn't done in the initial award of this contract, to make sure that the accounting system was up to standard.

In addition, OK, Ogilvy has taken a number of steps in addition to that. They have replaced their Government contracts manager. OK? The financial manager in New York that had oversight of this contract has been replaced, and PricewaterhouseCoopers has revised Ogilvy's accounting systems to meet Government requirements. That's been certified to by DCAA.

So the company has taken a number of steps. So, based upon all of that, I can't tell you right now today, pending an outcome of the DOJ inquiry, whether or not debarment is applicable or not. I think the Navy concurs in that opinion.

Mr. BARR. Will the gentleman from New York yield for a moment?

Mr. GILMAN. I would be pleased to yield to the chairman.

Mr. BARR. Mr. Hast, maybe I could pose to you the same question that the gentleman posed to Mr. Jurith. Let me preface it by referring to the memo that Mr. Jurith signed off on dated April 13th, the very title of which I would think would raise some question about whether the company in question is a reliable vendor. The title is "Irregularities with Ogilvy Billing." It says there are excessive billing irregularities, growing uncertainties with Ogilvy's management practices, timesheets were altered, people were charged who had not worked on the contract or in the billing period, the labor mix is top-heavy, staffing levels are extremely excessive, salaries are extraordinarily high, etc.

Are these to you, coupled with the other evidence that you all found in your report, indices of a reliable vendor?

Mr. HAST. No.

Mr. BARR. Is this the standard or is the standard that Mr. Jurith indicates that, in spite of all this, they are a reliable vendor? Is that view held by other officials in other agencies, do you know?

Mr. HAST. Not being a contracting expert, I wouldn't know, but, as Mr. Cummings said before, it all comes down to how you spend your own money. I certainly would not spend my money on a company that I felt was doing these types of things.

Mr. BARR. Thank you. I yield back. Thank you, Mr. Gilman.

Mr. GILMAN. Just one more question, Mr. Chairman.

Mr. Jurith, as I understand it, despite an admission by Ogilvy that they committed overpayment, a fraud, do you intend to not act until you receive the Department of Justice report? Is that correct?

Mr. JURITH. Mr. Gilman, I don't know of any statement where Ogilvy admitted fraud. What I'm doing now is what's required under the FAR. We have to exercise this option. We're going through a process where we are now to make sure that if we exercise either the option to Ogilvy or rebidding this contract, that it's in the best interest of the Government. We're working on that through the Navy, doing the market research, making sure we've got the right processes and the control.

Whether or not there's a finding to debar in Justice, that's a separate issue. We'll take that into account down the line.

Mr. GILMAN. If the Department of Justice issues a criminal charge against Ogilvy, is that going to affect your thinking?

Mr. JURITH. Mr. Gilman, at this point we've had no indication to that effect from the Department of Justice, and my staff is in contact weekly with DOJ on that issue.

Mr. GILMAN. I have asked you, if the Department of Justice issues an indictment against this company for some criminal conduct, will that affect the way you are going to handle this contract?

Mr. JURITH. Absolutely, but we have no indication that that's happening.

Mr. GILMAN. Assume, hypothetically, assume that they do issue an indictment. What will be your recourse then?

Mr. JURITH. Mr. Gilman, my job at this point, I have to make a decision in conjunction with the Navy in the next few weeks if we're going to start a procurement process over the next few months that may require a new vendor for this contract. We're going to start that process. What DOD does in their inquiry, obviously, we're going to be cognizant of as that goes forward. My job is to make sure that I have an ad campaign not only for ONDCP, but for the incoming Director when he gets confirmed, hopefully, by the Senate——

Mr. GILMAN. The job is to have a good campaign with a reliable vendor?

Mr. JURITH. Absolutely, Mr. Gilman.

Mr. GILMAN. And if you find that the vendor is not reliable or has some criminal indictment pending, I assume you will then cancel the contract?

Mr. JURITH. That's a fact. Absolutely.

Mr. GILMAN. Is that correct?

Mr. JURITH. That's correct. That's the fact, but I don't want to speculate on what DOJ may or may not do.

Mr. GILMAN. Thank you, Mr. Chairman.

Mr. JURITH. Thank you, Mr. Gilman.

Mr. BARR. I thank the gentleman from New York. The gentleman from Maryland is recognized.

Mr. CUMMINGS. Thank you very much, Mr. Chairman.

Mr. Jurith, I have always, since I have been on this committee for 5 years, I have always whenever anyone was accused of anything and they were sitting here, I gave them an opportunity to defend themselves, because I think that if I were in that position, I would hope that somebody would do that for me. I just want to go back very briefly to Mr. Hast's statement with regard to—and he didn't have to make it; it is all in the record now, but some earlier statements that you made that you didn't know of any memos, and now we have the memo here. What do you have to say about that? What do you have to say about that?

Mr. JURITH. Could you repeat the question, Mr. Cummings?

Mr. CUMMINGS. Sure. Mr. Hast made some statements, and what he said was that you had made some earlier statements or statement that you had not known of any memos—and correct me if I am wrong, Mr. Hast—warning of some possible improprieties with regard to Ogilvy. I was just asking—then the memos show up, and I was just wondering if you had a response to that.

Mr. JURITH. Thank you, Mr. Cummings.

Mr. CUMMINGS. I know it was based upon your memory, or lack thereof, but go ahead.

Mr. JURITH. I spoke to Mr. Hast's personnel, Mr. Cooney and Ms. Sullivan, twice, I believe in August of last year. The first time they spoke to me, they did not question me about this memo. It never came up, nor did I ever see my comments on an earlier draft.

When I did see the memorandum was about a week or so after that initial interview when they questioned General McCaffrey about this memorandum. At that inquiry the question was directed to General McCaffrey and not me.

Mr. CUMMINGS. OK. Let me, just two things: One of the things that Mr. Barr said—and if we really listened to what he said very carefully when he was reading from the Code about suspension of payment or reduction of payments, I think what happened in this case, and I hate to be the interpreter, but the more I listen I see what happened. It sounds like what happened is Ogilvy kind of suspended itself. It says, suspending payments. So in a way I guess Ogilvy suspended itself until it could get itself straightened out, changing its accounting procedures. So they kind of did it themselves.

Let me just go back to one other point.

Mr. JURITH. Mr. Cummings.

Mr. CUMMINGS. Yes, please.

Mr. JURITH. If I could reflect, GAO never at any point with the OSI or Mr. Ungar's investigation ever questioned me specifically about this document. I want the record to reflect that.

Mr. CUMMINGS. I understand, and I want the record to reflect that also.

As far as the president, Mr Hast or Mr. Ungar, the president of the corporation, what is his name? Of Ogilvy?

Mr. HAST. Bill Gray.

Mr. CUMMINGS. Gray. Apparently, he has been very cooperative, is that right? Do you feel he has been very cooperative, Mr. Ungar?

Mr. UNGAR. Excuse me, sir. We did not deal with him, but Mr. Hast did.

Mr. CUMMINGS. Yes, I'm sorry, Mr. Hast?

Mr. HAST. We requested an interview through his attorneys, and he was willing to be interviewed and was willing—answered all the questions we had to ask.

Mr. CUMMINGS. All right, just this last thing, Mr. Jurith, and I think this will help all of us up here. Mr. Gilman has gone, but I think this is very crucial.

You know, if I were a lawyer representing a competitor of Ogilvy, first of all, I would have somebody sitting in this room right now. Second of all, I would be on the sidelines jumping up and down saying, "Bid this contract." I mean, that is what I would be doing. OK, so hang in with me now because I have a point I am trying to get to, so that you can help us understand your process.

And what I would be saying, if I were a competitor, is, "Look, I'm clean. I haven't done anything. Nobody's investigating me. I've done a great job, and I can do just as good a job. At least give me a chance to compete."

And my question is simply this: What kind of considerations go into—I mean, what do you say to that person? In other words, he is saying, you know, let Ogilvy be a part of the bidding process, but let me in, too. And I wouldn't be surprised if there aren't people doing that. There is probably somebody sitting in here right now. I don't know who they are, but there probably are. And I am just saying: What do you say to that person? Because we in this Government, we are trying to be fair. I mean, even when I look at all the arguments, everything that has been said, and I understand it completely, what is happening here.

Mr. Gilman spent a phenomenal amount of time trying to figure out what goes into that decision process, and I understand the decision process of whether you continue with the contract is separate from debarment, but let me ask you this. Hang with me now. Is there some advantage of keeping Ogilvy on? I am not asking you for your decision. In other words, because they are already on the job, does that reduce our cost? Is there a familiarity thing? I am just trying to figure out, is there anything that being in place already becomes a part of the consideration for maintaining an Ogilvy as opposed to that guy who is sitting out, or that lady who is sitting out there saying, "I'm just as good and I want an opportunity"?

Mr. JURITH. Mr. Cummings, clearly, that's one of the issues that the market research will surface. I mean, we're heading into the last year of the current authorization of this program. One of the things the ONDCP and Navy team is going to look at is, does it make sense to the Government to change the contractor? Obviously, I think that's an issue on the table.

Mr. CUMMINGS. Last, I just want to thank all of you for your testimony. I know it has been a long afternoon. We really do appre-

ciate it. I have said it many times: I think so often people who work in Government don't get the credit that you are due, and I really do appreciate what you all are doing to try to address these problems.

Are you in Government, too?

Ms. DAVID. Yes.

Mr. CUMMINGS. I don't have your name. Yes? I just wanted to make sure that everybody was covered by my statement. [Laughter.]

But we really do appreciate what you do, and I thank you.

Mr. SOUDER [resuming Chair]. I just may have a couple of questions, but I want to make a couple of closing comments. One is that I don't think it is quite technically correct to say that Ogilvy suspended itself because they suspended themselves after the GAO report, but they certainly suspended themselves before a criminal investigation started, is that correct, Mr. Ungar?

Mr. UNGAR. Yes.

Mr. SOUDER. In other words, the payments that came in? But they certainly knew the report was there and they certainly knew there was going to be an investigation. So it is to their credit they suspended, but they had, in effect, their hand in the cookie jar at the time they suspended. And in the example of disbarment and outside things, that wouldn't be quite voluntary. It is partly voluntary and partly under pressure.

I think it is also true that there certainly have to be benefits from a contract continuation, but it is also true that there are other people who do advertising in the Government, and the Partnership for a Drug-Free America has worked with this for a long time, and there probably are other people in that coalition who have worked with it. We want to make sure, Mr. Jurith, as you go through the process that all that is given due consideration, because it is—while until you are told by law that you can't contract with somebody, you have the flexibility, a certain part of the consideration, even if they have taken what appears to be protective changes, like Captain Westin was referring to, whether or not they will follow through with that, given the past performance, and that is a factor in the mix of whether you are comfortable with that contractor.

It is important here in Congress that those of us who are not numerous—in Indiana we have an expression, "You can count them on one hand and have enough fingers left to bowl"—who take an aggressive interest in the drug areas, and we want to be supportive of these efforts, it is important that the people who are most supportive of prevention efforts understand and have confidence as we go out to sell it. That is not precluding that Ogilvy isn't the person, but let's just say you can hear there's deep concerns and hope that these type of things don't happen in the future.

I am also interested—and, Mr. Ungar, maybe you can tell me off the top of your head whether you know this—have we looked at other ad campaigns that the Government does in any generic or comparative way compared to what is being done in this campaign? Or do you know of any GAO audits that look across the board of how we deal with advertising?

Mr. UNGAR. Not off the top of my head, sir. We would have to look at some of—I know we've looked at advertising contracts for

the Government. I'm not quite sure we have done it as comprehensively as you're suggesting. I would have to look into that.

Mr. SOUDER. And I don't know whether that would be worth the effort to do that, but I would appreciate it if you could see what is there. Clearly, it would be recruiting campaigns in the military. Clearly, there are multiple things in HHS. We have all sorts of research on different ad campaigns. But to kind of look at how we do this—it almost appears like we charged in as if this was a new concept for the Government, and I want to see that doesn't happen in the future, that we look at the research measurements.

I want to thank you for spending your afternoon with us. I would repeat what Congressman Cummings says: It is not easy being in the public servant's spot because the fishbowl is different than in the private sector, and Ogilvy has learned that the fishbowl in advertising is different. What we need to do is we need to enforce the standards of the Government that are rigid, but the fact is that we don't want to discourage private sector people from getting involved, but it definitely is—there are many more guidelines, and when there are errors, you are in a national fishbowl. It is our job as an oversight committee to make sure that those guidelines are followed.

With that, our subcommittee stands adjourned.

[Whereupon, at 5:07 p.m., the subcommittee was adjourned.]

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