NATIONAL INSTITUTES OF HEALTH

(Mr. FOUNTAIN (at the request of Mr. ALBERT) was given permission to extend his remarks at this point in the Record, and to include extraneous matter.)

Mr. FOUNTAIN. Mr. Speaker, the Senate has amended H.R. 10504 to increase the funds for the National Institutes of Health $60 million above the House allowance and $120.4 million above the President's budget request. It is my belief that this additional money would not be spent efficiently and, if agreed to by the House, would, in fact, impede the efforts of the Committee on Government Operations to secure much needed management improvements in the NIH programs.

Mr. Speaker, in each of the past 5 years we have witnessed the curious phenomenon of the House authorizing substantially more money for NIH than the President has requested and the Senate voting an even larger increase over the House figure. This year, for example, the President requested $780.4 million for NIH. The House increased the amount to $840.8 million, and the Senate has added an additional $60 million, for a total of more than $913 million. In addition, $58 million was requested and was allowed by both the House and Senate for health research facilities grants.

There may have been a time when such congressional stimulation was justified, but today we have an entirely different situation. The present administration is surely liberal in matters involving health, education, and welfare, and the President, personally and through a family foundation, has demonstrated a deep interest in medical research. This is borne out by the fact that the President's 1963 budget for NIH, including the health research facilities program, provides for an increase of more than $62 million over last year's appropriation and an increase of approximately $136 million over the amount actually spent in fiscal 1962. The President's recommendation represents an increase of almost 20 percent above the amount actually spent by NIH in 1962. This, I submit, would be a challenging rate of growth for even the best managed organization.

I have prepared two tables comparing the House and Senate increases of the 1963 NIH budget with 1962 budget figures, and showing the history of NIH appropriations since 1950. Under unanimous consent, I include these tables at this point in the Record. The first of these tables shows, among other things, that $26.9 million was left unspent from NIH's 1962 appropriations in addition to the $46.6 million held in reserve at the direction of the Secretary of Health, Education, and Welfare:
I would remind my colleagues of the tremendous increases in appropriations for the National Institutes of Health in recent years. Between 1960 and 1962, appropriations for NIH have increased by approximately 15 times, while the financial requirements of research projects and other Public Health Service grant programs have developed the ability to manage effectively the complex task of administering these programs. As a result of these and other administrative inadequacies found by the sub-committee, the full Committee, in directing the Operations, in a unanimous report issued June 30, expressed dissatisfaction with the slow progress being made by NIH to strengthen the management of its grant programs.

I sincerely hope that you and your associates will act expeditiously to put the management of these very important health research grant programs on a sound footing. As you have stated in your letter, the rapid expansion of Federal support for medical research, to which the report calls attention, has, indeed, created organizational and management problems in administering these programs. In a letter dated July 6, 1962, the Surgeon General of the Public Health Service wrote me in this connection:

Mr. Speaker, the Committee on Government Operations, through the sub-committee of which I am chairman, has intensively studied the NIH grant programs for the past 3 years. In April, 1961, the committee issued a comprehensive report—"Health Research and Training: the Administration of Grants and Awards by the National Institutes of Health." House Report No. 531, April 28, 1961—on the administration of these programs based on more than 2 years of investigation. In brief, the committee found that NIH is not adequately organized to administer the grant programs with maximum effectiveness. Among other weaknesses, NIH has failed to provide for a meaningful review of the financial requirements of research projects and NIH does not maintain sufficient direct and continuous contact with grantees for the purpose of determining appropriate levels of continuation support in relation to project accomplishments and needs.

I will not take the time of the House to describe in detail the deficiencies that exist in NIH management. These are spelled out and documented in our committee's two reports and two sets of hearings on the NIH grant programs. In the first of these reports, referred to above, the Committee made 13 specific recommendations for the improvement of these programs. The Surgeon General and the Director of NIH have expressed support for most of these Committee's recommendations and have stated their intentions to take corrective action. Unfortunately, NIH has taken relatively little action thus far to back up its intentions. As I wrote the Surgeon General on July 13, in response to his letter of July 6 informing me of measures presently under consideration for improving the NIH programs, it is my hope that the administrative improvements being considered by NIH will not result in just another series of announcements without positive implementation. I will insert the text of my letter at this point in the Record for the information of the House:

I sincerely believe it would be a disservice to your agency, to the cause of medical research, and to the taxpaying public if appropriations for the National Institutes of Health were increased beyond the amount the President has recommended before you have developed the capability effectively to administer these large and complex programs. I greatly appreciate your desire to keep me informed of your efforts to review this important problem and to keep the House informed of any progress made. As a result of the present hearings and the slow progress being made by NIH, I am unable to conclude that the recommendations of this committee and the recommendations of the Surgeon General have been followed.
fully informed of the steps that are taken to screen them. With all good wishes, I am, 
Sincerely,

L. H. FOUNTAIN
Chairman, Intergovernmental Relations Subcommittee.

Mr. Speaker, the Committee on Government Operations, in a unanimous report issued June 30, 1962,—Administrative Grants by the National Institutes of Health, Reexamination of Management Deficiencies,” House Report No. 1958, June 30, 1962—expressed dissatisfaction with the slow progress being made by NIH to strengthen management of its research grant programs. While NIH has acted in several areas in response to the Committee’s recommendations, relatively little effort has been made to improve the overall management of these important health programs. In particular, the Committee has charged as direct costs in the inadequate fiscal review of project requirements on which it reported last year.

The adequacy of NIH policies and procedures for insuring the appropriate expenditure of research funds was tested earlier this year by means of a detailed audit of the grants awarded to Public Service Research, Inc., a company which has received about $400,000 in NIH support for seven separate projects. The audit disclosed that the company misused and profited from grant funds and, in general, the company used the very broad discretion which NIH allows grantees in expending research money for its own advantage.

The audit findings, which I will summarize, demonstrate the extent to which NIH grants may be wastefully expended without NIH’s knowledge or apparent concern.

The audit showed specifically:

First, Grant funds were used to finance capital and other costs associated with establishing a new corporation less than a year and a half of its existence, Public Service Research, Inc., acquired practically all of its office equipment and furnishings from Federal research grants and contracts.

Second, The corporation, according to its records, claimed a depreciation allowance in its Federal income tax returns for equipment purchased from NIH grants.

Third, The corporation’s rent, maintenance, and moving expenses, and the expense of remodeling its rented quarters, were charged as direct costs to individual Federal grants and contracts.

Fourth, The corporation derived a profit in excess of its actual indirect costs from the overhead allowance—15 percent of all Federal funds—paid by NIH to cover indirect costs.

Fifth, Fees paid by the corporation to its affiliate, Clark, Channel, Inc., for hiring expenses included a profit to the affiliate, as well as salaries that were improperly billed as direct costs to particular NIH projects; the persons for whom hiring fees were paid worked on several projects and, in one case, the employee performed no research on the project to which his fee was charged.

Sixth, Salary costs were improperly charged to NIH grants for (a) time spent by board members, directors, and directors or stockholders in the administration of corporation business; (b) time spent by a corporate officer as a consultant and reimbursed for services was also paid $50 a day plus travel expenses; and (c) an employee who was hired to staff the company’s Washington office and performed no research on the project to which his salary was charged.

Seventh, Various expense items were incorrectly classified as direct costs of particular grant projects, and in several instances entertainment expenses were improperly charged to NIH grants.

Eighth, Travel expenses were incurred in some instances for purposes which do not appear to have a direct relationship to the projects charged.

The audit also disclosed poor coordination between NIH and the Public Health Service, of which NIH is a part. NIH does not have a mechanism for ensuring that Federal funds are spent within this context.

The committee concluded, however, that freedom for the scientist should not be confused with license or fiscal irresponsibility. One cannot condone waste and extravagance wherever it exists as being either in the public interest or in the interest of science. Grant money that is uneconomically or inefficiently spent deprives other scientists of support for their work. Moreover, the judicial use of research funds is grossly unfair to the American public which is required to support this activity through taxation. What we must achieve is a harmonious freedom for the investigator with responsibility to the public in the expenditure of Government funds. NIH has the obligation to develop adequate policies and procedures for assuring that grant funds are prudently spent within this context.

Mr. Speaker, I want to make a brief comment on the matter of indirect costs. I note that the Senate has again this year struck the 15-percent limitation on the indirect expenses of research grants voted by the House. I hope the House will stand firm on this item. The Committee on Government Operations has studied this problem and favors the adoption of a uniform Government-wide policy for indirect costs which will take into account the nature of the research supported and the benefits to the grantee institution. It should be kept in mind that under an NIH grant the scientist does not perform work for the Government; he undertakes a research project of his own choice with the assistance of Federal funds. Consequently, the Government’s financial obligation is not the same in this case as it would be for other Federal funds. But as a general rule, it is undesirable that the Federal Government assume the total cost of health re-
search conducted in educational and other non-Federal institutions.

Even under the present 15-percent limitation, our committee has found it to be NIH's practice to pay the maximum rate for indirect costs, because the company's actual indirect costs were only 6.66 percent of direct costs—the rate negotiated by the Public Health Service for work purchased under contract.

Mr. Speaker, when the House acted on May 27 to increase the NIH appropriation by $60.4 million above the President's budget request, our subcommittee had not yet completed its review of the management of these programs. The subcommittee's hearings were held on March 28, 29, and 30. If the information and the hearings had been available to me on March 27, I could not in good conscience have supported the sizable increase recommended by the Appropriations Committee. It is the responsibility of the Appropriations Committee on Government Operations that the pressure for spending increasingly large appropriations has kept NIH from giving adequate attention to basic management problems. I sincerely believe it would be a disservice to NIH, to the cause of medical research, and to the taxpayers if these appropriations were increased beyond the amount approved by the House before NIH has developed the ability to effectively manage these large and complex programs.

On Monday I asked the Director of the Bureau of the Budget whether there have been any developments since the transmittal of the budget last January which would cause the President to revise his recommendations concerning the 1963 appropriations for the National Institutes of Health. Mr. Bell has written me that "the estimates contained in the President's budget for 1963 continue to represent his judgment of the funds needed to sustain the forward movement in the very important programs of the National Institutes of Health."

I will place the Budget Director's letter in the Record here for the information of the House:

Mr. Speaker, I want to inform the House that our committee will closely watch the administration of the NIH grant programs, and that it is my intention to propose a reduction in the NIH appropriations for next year if the agency does not act vigorously to correct its management deficiencies and strengthen its capacity for the efficient and economical operation of these vital programs.