



UNITED STATES GENERAL ACCOUNTING OFFICE  
WASHINGTON, D.C. 20548

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CIVIL DIVISION

MAY 18 1971



Dear Dr. Marston:

We have made a review for the settlement of accounts of accountable officers of the Headquarters, National Institutes of Health (NIH), Department of Health, Education, and Welfare, through June 30, 1970. The review, which was completed in February 1971, consisted of an evaluation of the administrative procedures and internal controls relative to receipts and disbursements, excluding payroll, and included such tests of financial transactions and records as we considered appropriate.

We found significant differences amounting to \$34,011,507 between the financial records of NIH and the Statement of Unexpended Balances of Appropriations and Funds submitted to the Department of the Treasury as of June 30, 1970. Prior to the completion of our review all but \$170,809 had been reconciled. Because of these discrepancies, we are unable to authorize disposal of the records relating to these accounts.

We examined the Statement of Unexpended Balances of Appropriations and Funds (Form BA-R 2108) submitted to the Department of the Treasury for the fiscal year ended June 30, 1970. Although the financial data in this report should come from financial records of NIH, our examination showed that for three of the appropriations there were significant discrepancies between the data reported to the Department of the Treasury on the Form BA-R 2108 and the balances in the general ledger.

We attempted to reconcile the balances of these same appropriations in the general ledger with the balances shown in the allotment ledgers. However, we noted differences between the general ledger and the allotment ledger for two of these appropriations. The information shown on the financial records and in the report to the Treasury is summarized in the following table:

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Comparison of Data Reported to the Department  
of the Treasury with Financial Records of  
Headquarters, NIH, for Three Appropriations  
as of June 30, 1970

Appropriation symbol	Unexpended balances			Differences between	
	Form BA-R 2108	General ledger	Allotment ledger	Form BA-R 2108 and general ledger	General ledger and allotment ledger
7500849	\$ 81,962,164.68	\$ 94,383,902.86	\$ 94,606,630.82	\$12,421,738.18	\$222,727.96
7500885	44,340,927.99	53,397,112.84	53,419,446.84	9,056,184.85	22,334.00
7500886	<u>39,092,412.73</u>	<u>51,625,996.68</u>	<u>51,625,996.68</u>	<u>12,533,583.95</u>	<u>-</u>
	<u>\$165,395,505.40</u>	<u>\$199,407,012.38</u>	<u>\$199,652,074.34</u>	<u>\$34,011,506.98</u>	<u>\$245,061.96</u>

We furnished the Chief of the Reports and Accounts Control Branch with a copy of the above schedule and asked for an explanation as to why the accounts could not be reconciled. He subsequently advised us that, in changing from its central accounting system to the Department of Health, Education, and Welfare's accrual accounting system, the Office of Financial Management was attempting to operate the two accounting systems on a parallel basis. In other words, there was a transition period during which time data were sometimes entered simultaneously into both systems, while in other instances data were entered into one system without a corresponding entry into the other system. This evidently led to the differences in account balances between the Form BA-R 2108 and the general ledger and between the general ledger and the allotment ledgers. In order to meet a fiscal year-end reporting deadline, the Office of Financial Management apparently prepared the Form BA-R 2108 without assurance that all records and reports were in agreement. The Branch Chief provided us with documentation which showed that as of February 1, 1971, NIH had accounted for all but \$170,809 of the \$34,011,507 in differences between the Form BA-R 2108 and the general ledger. He also told us that personnel were involved in an effort to reconcile the remaining differences between the two systems.

We discussed the matter with the Assistant Director of Finance, who told us that the remaining differences in account balances would be reconciled before June 30, 1971, and that we would be furnished with copies of any adjustments.

In addition, we are presently drafting a report to the Congress on our review of renovations of NIH laboratory buildings 36 and 37. In this report we plan to discuss the use by NIH of about \$3 million in operating funds to finance what we believe was construction requiring a specific appropriation. The funds were appropriated for fiscal years 1968, 1969 and 1970 under the authority of title IV of the Public Health Service Act (42 U.S.C. 281) for the operations of several NIH institutes. This subject was discussed with the Deputy Associate Director for Administration.

Until our work involving exceptions that may be taken by us in connection with payments for renovations to buildings 36 and 37 is complete or otherwise satisfactorily resolved, and until we are satisfied that the financial records accurately reflect the financial condition of NIH as of June 30, 1970, NIH must retain all fiscal records and supporting documents relating to (1) the construction and renovation of buildings 36 and 37 and (2) the June 30, 1970, balance of appropriated funds.

We wish to acknowledge the courtesies and cooperation extended to our representatives. Your comments and advice as to any additional action taken or planned on the matters discussed in this letter would be appreciated.

Copies of this letter are being sent to the Assistant Secretary, Comptroller, Department of Health, Education, and Welfare and to the Director, HEW Audit Agency.

Sincerely yours,



Morton A. Myers  
Assistant Director

Dr. Robert Q. Marston  
Director, National Institutes  
of Health  
Department of Health, Education,  
and Welfare