



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

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The Honorable Howard W. Cannon
Chairman, Committee on Rules
and Administration
United States Senate

Dear Mr. Chairman:

Mr. Ray Nelson of the Committee staff asked that we submit comments on S. 1031, a bill to increase the amount authorized to be appropriated annually for the Canal Zone Biological Area from the present limit of \$350,000 to \$600,000.

The Canal Zone Biological Area is located in the Panama Canal Zone on Barro Colorado Island (BCI). It is part of the Smithsonian Tropical Research Institute (STRI) which conducts research there and in other tropical areas, principally in Central and South America. The annual budget justifications of the Smithsonian do not show BCI as a separate line item; the amounts requested for fiscal year 1976 were included in the salaries and expenses appropriation justification under the line item for STRI.

The Smithsonian does not maintain separate accounting records for BCI. An informal budget is prepared each year to show the estimated amounts to be expended for BCI and a cost finding system is used to relate the costs incurred to the appropriation authorization limitation. For fiscal year 1976, this system showed operating costs of \$285,254 for BCI.

In reviewing the costs allocated to BCI for fiscal year 1976, we noted several problems in determining the amounts to be charged to the appropriation authorization limitation. For example, the full amount expended to install telephone facilities, and for materials, supplies and contract services to renovate a tramway was not charged to such limitation. Instead, a prorated amount based on the estimated useful life of these items was charged. Also, no indirect costs--such as a portion of the salary of the Director and administrative personnel at STRI and the costs incurred by Smithsonian employees in Washington, D.C., who provided support services--were charged to this limitation.

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We understand that the Smithsonian Institution has suggested that the proposed limitation in S. 1031 be raised from \$600,000 to \$750,000 because of a suggestion by GAO that indirect costs be charged to the limitation. We did question STRI officials on this matter but did not make any recommendation. We do recommend, however, that the Committee report on this bill make clear whether the annual appropriation authorization is intended to include the total obligations incurred for construction and renovation as well as those for salaries and expenses, and whether indirect costs would be chargeable to such limitation.

Sincerely yours,

E.F.KELLER

Deputy Comptroller General
of the United States