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GAO

United States
General Accounting Office
Washington, D.C. 20548

Office of Special Investigations

B-252992

May 20, 1993



The Honorable John D. Dingell
Chairman, Subcommittee on Oversight
and Investigations
Committee on Energy and Commerce
House of Representatives

Dear Mr. Chairman:

As you may recall, Office of Special Investigations (OSI) staff members detailed to your Subcommittee testified on April 30, 1990, before the Subcommittee about criminal activity and weak internal controls at the National Institutes of Health (NIH). Among other items, the testimony discussed the National Cancer Institute's (NCI) Laboratory of Tumor Cell Biology and (1) its noncompliance with NCI requirements that an inventory of physical property be conducted annually, (2) the results of a spot inventory at the laboratory that indicated equipment valued at over \$275,000 was missing and identified 285 pieces of equipment not previously recorded in inventory records, and (3) security deficiencies at the building that housed the laboratory. This letter responds to your request for additional information concerning inaccuracies in NIH inventory records, noted during the course of OSI work at NIH.

In 1990, and again in 1991 and 1992, the Public Health Service reported deficiencies in NIH's inventory records, as a material weakness under the Federal Managers' Financial Integrity Act, to the Department of Health and Human Services. The act requires federal agencies to periodically report material weaknesses and to provide updates on its actions to resolve the weaknesses. According to its 1992 update, NIH plans to complete and reconcile the NIH-wide personal property physical inventory.

In brief, although we did not attempt to assess the overall accuracy of NIH property inventory records during our 1992 work, we have determined that problems still exist with the NIH inventory. We selected a random sample from 18,203 inventory items that NIH previously listed as missing, but subsequently located. NIH could not locate 9 of the 35 items in our sample. Based on this result, we are 99 percent confident that at least 10 percent of the 18,203

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items that NIH identified as previously missing but subsequently located would not be found.

We also learned that during a "wall-to-wall" inventory conducted in 1991 and subsequent searches, NIH had become aware of over 53,000 items not previously recorded in its inventory with an acquisition value of approximately \$168 million. According to an NIH procurement official, additional equipment was also never recorded in the inventory and may now be missing. Because of the state of NIH's inventory records, we are unable to develop a reliable estimate of the number of additional missing items or their acquisition cost.

MISSING NIH EQUIPMENT

On November 8, 1991, during our work, we asked NIH's Director of Acquisitions Management for a current and complete listing of equipment missing and unaccounted for. In April 1992, he provided us a December 1991 NIH report that listed missing equipment and a second NIH report that listed equipment missing as of April 3, 1992.

The December 1991 report listed 34,619 items--with a total acquisition cost of \$133,852,678--as missing; the April 1992 report showed considerably fewer--16,416--missing items with a total acquisition cost of \$53,324,921. NIH's Director of Acquisitions Management told us that each item listed in the December 1991 report and not reported as missing in the April 1992 report had been physically located during the interval between the reports.

To determine if the missing equipment had actually been located, we selected a scientific sample of the items that were reported as missing in the December 1991 report and not reported as missing in the April 1992 report. We randomly selected 60 items listed as missing in the first report and looked for those same items in the second report. Over half--35--of the 60 items sampled did not appear in the April 1992 report, indicating that the 35 items had been located. The 35 items are a true random sample from the universe of the 18,203 items, with a calculated acquisition value of \$80,527,757, that NIH claims to have located since its December 1991 inventory report.

On June 23, 1992, we asked NIH to physically locate each of the 35 items and to accompany us in viewing them. On July 22, 1992, NIH officials told us that 9 of the 35 items, or 25.7 percent, could not be located and were once again considered missing.

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In July and August 1992, we viewed all but 2 of the 26 items that NIH had physically located. According to records provided by NIH, these two items had been transferred to organizations outside of the United States. We sent letters to both organizations requesting confirmation of the equipment transfers. One organization acknowledged receiving the equipment, but we did not receive a response from the second organization. We are including the results of our verification process in appendix I.

According to our calculations, our sample results are highly significant. The probability that chance accounted for not finding 9 of the 35 items in the sample is only 1 in 158 if only 10 percent of the equipment were actually missing. Based on our calculations, we are 99 percent confident that at least 10 percent of the 18,203 items that NIH reported as found would not be located. Our sample size is insufficient to reliably estimate the number of again-missing items and their value.

In June 1992, a "board of survey" was authorized under the direction of a senior Public Health Service official. The board was to conduct an inquiry into the 16,416 items, with an acquisition cost of \$53.3 million, that NIH reported as missing in April 1992.

UNACCOUNTED-FOR NIH EQUIPMENT

On February 11, 1992, NIH's Director of Acquisitions Management, in response to our request, provided information regarding items that NIH had become aware of during a "wall-to-wall" inventory completed during July 1991 and subsequent searches. These searches found 53,043 items, with an acquisition cost of \$167,654,560, that had not been previously recorded in NIH inventory records.

In addition, the Director of Acquisitions Management told us that additional equipment--purchased but also never recorded in NIH inventory records--can be assumed to be missing. Because of the state of NIH's inventory records, we are unable to develop a reliable estimate of the number of additional missing items or their acquisition cost.

NIH has revised its procurement procedures and, in November 1992, established a new training course for property accountability officers. The course is designed to address, in part, the problems caused by not recording new acquisitions in the inventory records.

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We interviewed NIH officials responsible for acquisition and real property management, reviewed computer-generated NIH documents, developed a scientific sample of items from the December 1991 and April 1992 NIH inventory reports, and viewed all but two of the items that NIH was able to locate. We conducted our work between November 1991 and November 1992.

As requested, we plan no further distribution of this document until 30 days from the date of this letter. At that time, we will send copies to the Director of NIH and the Secretary of Health and Human Services and will make copies available to others upon request.

If you have any questions concerning these issues, please contact me, or Assistant Director Barney Gomez of my staff, on (202) 512-6722.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Richard C. Stiener".

Richard C. Stiener
Director

Enclosure

SCHEDULE OF INVENTORY VERIFICATION RESULTS

<u>Item description</u>	<u>Acquisition date^a</u>	<u>Acquisition price^a</u>	<u>Viewed by OSI</u>	<u>Again missing</u>
Typewriter, electric	05/01/71	\$440	Yes	No
Typewriter, electric	06/21/91	500	Yes	No
Computer, personal	03/01/89	346	Yes	No
Detection apparatus	06/04/91	1,000	Yes	No
Player, tape	01/01/75	136	Yes	No
Recorder, tape	08/01/86	157	Yes	No
Printer, computer	12/26/91	510	Yes	No
Tool set	01/01/75	1,096	Yes	No
Water bath, shaking	08/26/85	1,169	Yes	No
Typewriter, electric	08/01/79	780	No	Yes
Page, terminal dial	03/01/78	9,780	Yes	No
Typewriter, electric	05/01/78	745	No	Yes
Cabinet, biosafety	09/13/84	600	No	Yes
Oven, microwave	04/08/91	1,000	Yes	No
Microscope, dual-view	01/01/73	3,077	Yes	No
Recorder, tape	11/01/86	312	No	Yes
Centrifuge, clinical	01/01/75	490	No	Yes
Typewriter, electric	07/08/85	575	Yes	No
Telephone answer system	12/01/86	129	No	Yes
Centrifuge, clinical	07/01/81	5,008	No	Yes
Recorder, oscillograph	04/08/91	5,607	Yes	No
Freeze-drying apparatus	01/01/74	1,137	No	Yes
Fraction collector	03/01/79	2,093	No	Yes
Typewriter, electric	12/01/87	752	Yes	No
Microscope, binocular	02/11/91	5,197	No	No ^b
Centrifuge, ultra	02/11/91	15,020	Yes	No

^aWe did not verify the following data, obtained from NIH computer-generated reports; the data may not be accurate.

^bTraded in on new equipment.

ENCLOSURE I

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Spectrophotometer	02/12/91	10,419	Yes	No
Pump, peristaltic	07/01/80	1,715	Yes	No
Recorder, graphic	10/09/87	2,780	Yes	No
Incubator, wet CO2	06/01/87	2,594	No ^c	No
Counter, computer terminal	10/01/89	10,885	Yes	No
Monitor	01/01/91	659	No ^d	No
Water bath, shaking	02/19/91	1,736	Yes	No
Computer, personal	12/03/90	3,369	Yes	No
Printer, laser	07/03/92	1,690	Yes	No

^cWe requested mail confirmation of the loan to a foreign organization but received no reply.

^dWe received acknowledgement from the foreign recipient.

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