



May 11, 2010

**TO:** Francis S. Collins, M.D., Ph.D.  
Director  
National Institutes of Health

**FROM:** /Joseph E. Vengrin/  
Deputy Inspector General for Audit Services

**SUBJECT:** Appropriations Funding for National Library of Medicine Contract  
HHSN276-2007-00186U With Dell Marketing, LP (A-03-10-03112)

The attached final report provides the results of our review of appropriations funding for National Library of Medicine contract HHSN276-2007-00186U with Dell Marketing, LP.

Section 8L of the Inspector General Act, 5 U.S.C. App., requires that the Office of Inspector General (OIG) post its publicly available reports on the OIG Web site. Accordingly, this report will be posted at <http://oig.hhs.gov>.

If you have any questions or comments about this report, please do not hesitate to call me, or your staff may contact Lori S. Pilcher, Assistant Inspector General for Grants, Internal Activities, and Information Technology Audits, at (202) 619-1175 or through email at [Lori.Pilcher@oig.hhs.gov](mailto:Lori.Pilcher@oig.hhs.gov). Please refer to report number A-03-10-03112 in all correspondence.

Attachment

Department of Health & Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**APPROPRIATIONS FUNDING FOR  
NATIONAL LIBRARY OF MEDICINE  
CONTRACT HHSN276-2007-00186U  
WITH DELL MARKETING, LP**



Daniel R. Levinson  
Inspector General

May 2010  
A-03-10-03112

# ***Office of Inspector General***

<http://oig.hhs.gov>

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The mission of the Office of Inspector General (OIG), as mandated by Public Law 95-452, as amended, is to protect the integrity of the Department of Health & Human Services (HHS) programs, as well as the health and welfare of beneficiaries served by those programs. This statutory mission is carried out through a nationwide network of audits, investigations, and inspections conducted by the following operating components:

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# *Notices*

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**THIS REPORT IS AVAILABLE TO THE PUBLIC**  
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Section 8L of the Inspector General Act, 5 U.S.C. App., requires that OIG post its publicly available reports on the OIG Web site.

## **OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS**

The designation of financial or management practices as questionable, a recommendation for the disallowance of costs incurred or claimed, and any other conclusions and recommendations in this report represent the findings and opinions of OAS. Authorized officials of the HHS operating divisions will make final determination on these matters.

## INTRODUCTION

### BACKGROUND

The National Library of Medicine (NLM) is 1 of 27 institutes and centers of the National Institutes of Health (NIH), an agency of the U.S. Department of Health & Human Services (HHS). The NIH Office of the Director sets policy and plans, manages, and coordinates NIH-wide programs and activities. Like all Federal agencies, NLM is required to comply with appropriations statutes when acquiring supplies and services with appropriated funds.

#### **Federal Appropriations Statutes**

An agency may obligate appropriations for goods and services when (1) the purpose of the obligation or expenditure is authorized, (2) the obligation occurs within the time for which the appropriation is available, and (3) the obligation and expenditure are within the amounts that Congress has established.

Federal statutes limit the purpose for which an agency may use appropriations to “the objects for which the appropriations were made except as otherwise provided by law” (31 U.S.C. § 1301(a)). A fiscal year appropriation may be obligated only to meet a legitimate, or bona fide, need arising in, or in some cases arising prior to but continuing to exist in, the appropriation’s period of availability (31 U.S.C. § 1502(a)). Unless otherwise specified in the appropriation, the period of availability for most funds is the fiscal year for which the appropriation was made.

Bona fide needs may involve transactions that cover more than 1 fiscal year, depending on the nature of the services involved: “The general rule is that the fiscal year appropriation current at the time the contract is made is chargeable with payments under the contract, although performance thereunder may extend into the ensuing fiscal year” (23 Comp. Gen. 370, 371 (1943)).<sup>1</sup> Multiyear contracting authority provided by statute is an exception to the bona fide needs rule.

“The Comptroller General has held that the question of whether to charge the appropriation current on the date the contract is made, or to charge funds current at the time the services are rendered, depends on whether the services are ‘severable’ or ‘entire’ [nonseverable].”<sup>2</sup> When services are continuing and recurring, they are severable, and the agency may fund the contract with separate subsequent fiscal year appropriations. A contract for a single outcome or effort is chargeable to the fiscal year in which it was awarded, even though its performance may extend into subsequent fiscal years. The Comptroller General has explicitly held that incremental funding (i.e., other than full funding) of nonseverable service contracts violates the bona fide needs rule (71 Comp. Gen. 428 (1992)).

Congress determines the amount of funding available to an agency by enacting appropriations to cover programs, projects, purchases, and services needed by the agency during the period for which the funds are made available. The Antideficiency Act prohibits an agency from obligating

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<sup>1</sup> As cited in GAO-04-261SP, *Appropriations Law*, Vol. I, p. 5-24.

<sup>2</sup> As cited in GAO-04-261SP, *Appropriations Law*, Vol. I, p. 5-23.

or expending funds in advance of or in excess of an appropriation unless specifically authorized by law (31 U.S.C. § 1341(a)(1)). The Antideficiency Act requires agencies to report violations to the President and to Congress, with a copy to the Comptroller General (31 U.S.C. § 1351). The Office of Management and Budget Circular A-11, *Preparation, Submission and Execution of the Budget*, pt. 4, § 145, prescribes the methodology for this reporting.

### **National Library of Medicine Contract Award**

On September 11, 2007, NLM awarded contract HHSN276-2007-00186U (the Contract), totaling \$464,356, to Dell Marketing, LP, for the purchase of six Panases ActiveStor 5000 parallel storage cluster units, including a 3-year maintenance agreement.

### **Departmental Review of National Institutes of Health Contracts**

In 2008, HHS management formed an internal review group of program, contract, and financial personnel called the “Tiger Team.” From November 2008 through February 2009, the Tiger Team assessed 176 HHS contracts, including 21 NIH contracts. The Contract was 1 of the 21 NIH contracts assessed. For 17 of the 21 contracts, the Tiger Team identified instances in which contract funding was not consistent with the current HHS Acquisition Regulation or appropriations law.<sup>3</sup> The Tiger Team report did not identify its concerns or quantify funding errors by contract.

## **OBJECTIVE, SCOPE, AND METHODOLOGY**

### **Objective**

Our objective was to determine whether NLM funded the Contract in compliance with the purpose, time, and amount requirements specified in appropriations statutes.

### **Scope**

We reviewed all obligations and payments made under the Contract during fiscal year 2007. We did not review NLM’s internal controls because our objective did not require such a review.

We performed our fieldwork at NLM in Bethesda, Maryland, during September 2009.

### **Methodology**

To accomplish our objective, we:

- reviewed appropriations and acquisition laws and regulations and Contract requirements;
- reviewed the Tiger Team report;
- reviewed contract file documentation, including the statement of work, to determine the nature of the products or services to be provided; and

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<sup>3</sup> *Funding Multiple Year Contracts; Tiger Team Summary Report*, July 29, 2009.

- analyzed funding documents and payment invoices to determine what appropriations were obligated, recorded, and expended.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

### **RESULTS OF AUDIT**

NLM funded the Contract in compliance with the purpose, time, and amount requirements specified in appropriations statutes. NLM had a bona fide need for the items and appropriately funded the Contract with appropriations from fiscal year 2007.