

Congress of the United States

Washington, DC 20515

May 15, 2002

The Honorable Tommy Thompson
U.S. Department of Health and Human Services
Hubert Humphrey Building
200 Independence Avenue, SW
Washington, D.C. 20201

Dear Mr. Secretary:

On December 12, 2001, we sent a letter to you expressing our concern about two HHS grants that were given to Advanced Cell Technology (ACT) in September 2000. At the time of our letter, ACT had just claimed that it had successfully cloned a human embryo, and we were concerned that ACT may be using federal funds for this unethical research. Our December letter asked for (1) documentation regarding ACT's receipt of federal grant money; (2) information regarding whether there was a "maintenance of effort requirement" when NIH issued the grant to ACT to ensure that ACT was not permitted to supplant its own funds with new federal money, freeing up money for ACT's human cloning experimentation; and (3) an Office of the Inspector General (OIG) audit of these two NIH grants.

On December 20, 2001, you sent us a letter informing us that you had asked HHS Inspector General Janet Rehnquist to conduct an audit of the ACT NIH grants. We recently received the results of the OIG audit report, which further highlighted our original concerns. While the OIG states that auditors "found no evidence" ACT has used federal funds to finance their human cloning activities, the audit also states that ACT lacks the reporting and accounting systems necessary to be able to explain how they used the federal funds given through the NIH grants. ACT's own President, Michael West states, "ACT did not have a reporting system at the time of this grant, and consequently we agree that the Company cannot identify the exact hours worked on this grant."(Appendix, page 2)

In other words, ACT may have used taxpayer funds to subsidize its human cloning activities, but since its accounting records are so poor, the HHS inspector general cannot find any "evidence." Mr. Secretary, this is by no means an exoneration of ACT nor proof positive that taxpayer funds should be entrusted to these human cloners.

In addition, as the audit points out, ACT has misappropriated taxpayer funds by using nearly \$150,000 (more than half of the NIH funding that it has received) for purposes not authorized by the NIH grants. This is unacceptable. ACT should be required not only to return the \$150,000 in misappropriated funds (as the audit suggests), but ACT should be required to

refund the entire \$214,146 that it has received thus far from NIH and should be prevented from receiving any more of the nearly \$2 million in NIH grants awarded in September 2000.

Based on these troubling reports, ACT should not receive any future grants from HHS or other government agencies. The U.S. Government should not be doing business with companies that are cloning human beings. The audit also shows that ACT is financially unstable and lacks internal accountability processes. We should not be giving taxpayer dollars to a highly unstable company involved in morally questionable activities with a flagrant disregard for accountability.

Sincerely,




