**Why OIG Did This Review**
In 2008, HHS conducted a review of its acquisition process to determine whether HHS was in compliance with Federal acquisition policies and procedures, including compliance with appropriations law. The review concluded that HHS components, including the Program Support Center (PSC), did not always obligate and expend funds in compliance with Federal requirements. As a result, in July 2011, HHS reported a departmentwide Antideficiency Act violation totaling more than $1.4 billion. Further, the review stated that HHS had implemented some corrective actions.

The objective of this review was to determine whether the PSC obligated and expended funds for its contracts in compliance with appropriations law and Federal acquisition requirements.

**How OIG Did This Review**
During our audit period (October 1, 2011, through March 31, 2013) the PSC awarded or modified 216 contracts that had an estimated contract value that exceeded $5 million each. We randomly selected 30 of these contracts, totaling $498.3 million. We reviewed the 30 contracts to determine whether the services were properly funded as a nonseverable service (a single outcome) or severable services (continuing and recurring) and whether obligations and expenditures were made in accordance with fiscal policy and appropriations law.

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**HHS Did Not Identify and Report Antideficiency Act Violations**

**What OIG Found**
The PSC obligated and expended funds for 17 of the 30 contracts we reviewed in accordance with appropriations law and Federal acquisition requirements; however, for the remaining 13 contracts, the PSC did not always obligate and expend funds for its contracts in compliance with applicable law and requirements, resulting in unreported Antideficiency Act obligation violations totaling $20.3 million and expenditure violations totaling $29.2 million. Also, for 4 of the 30 contracts reviewed, the PSC incorrectly extended the period of performance and the fiscal year funding beyond its 12-month period of availability. In addition, the PSC did not always submit contracts to the Office of Grants and Acquisition Policy and Accountability and Office of General Counsel for appropriations funding reviews before awarding the contracts. These conditions occurred because the PSC (1) funded nonseverable service contracts incrementally; (2) expended funds on a first-in, first-out basis instead of on the basis of a fund’s period of availability; and (3) did not use correct product/service codes. Further, the Unified Financial Management System did not validate that expenditures were matched to obligations with an appropriate period of availability.

**What OIG Recommends and PSC Comments**

We recommend that the PSC work with the HHS Office of the Secretary to report Antideficiency Act obligation violations totaling $20.3 million and Antideficiency Act expenditure violations totaling $29.2 million. We also recommend that the PSC make procedural changes that should help prevent violations of the Antideficiency Act and the Federal Acquisition Regulation in the future.

In written comments on our draft report, the PSC agreed with our findings and generally agreed with our recommendations. The PSC described actions that it has taken or planned to take in response to our findings, including holding training sessions on appropriations law; issuing guidance, standard templates, and standard operating procedures to PSC customers and staff; and instituting additional contract reviews. The PSC stated that it is not able to unilaterally report the Antideficiency Act violations because the appropriations and allotments belong to its customer agencies. However, the PSC stated that it would address our recommendations by working with the Office of the Secretary to determine which issues may require additional notifications under the Antideficiency Act.

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The full report can be found at [https://oig.hhs.gov/oas/reports/region3/31303002.asp](https://oig.hhs.gov/oas/reports/region3/31303002.asp).