



December 29, 2010

TO: Yvette Roubideaux, M.D., M.P.H.
Director
Indian Health Service

FROM: /Daniel R. Levinson/
Inspector General

SUBJECT: Audit of the Indian Health Service's Internal Controls Over Monitoring of Recipients' Compliance With Requirements of Nursing Program Scholarships (A-09-10-01006)

The attached final report provides the results of our review of the Indian Health Service's internal controls over monitoring of recipients' compliance with certain requirements of Nursing Program scholarships.

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. We look forward to receiving your final management decision within 6 months. Please refer to report number A-09-10-01006 in all correspondence.

Attachment

Department of Health & Human Services

**OFFICE OF
INSPECTOR GENERAL**

**AUDIT OF THE INDIAN HEALTH
SERVICE'S INTERNAL CONTROLS OVER
MONITORING OF RECIPIENTS'
COMPLIANCE WITH REQUIREMENTS OF
NURSING PROGRAM SCHOLARSHIPS**



Daniel R. Levinson
Inspector General

December 2010
A-09-10-01006

Office of Inspector General

<http://oig.hhs.gov>

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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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.

EXECUTIVE SUMMARY

BACKGROUND

The Indian Health Service (IHS), an agency in the U.S. Department of Health & Human Services (HHS), delivers clinical and preventive health services to American Indians and Alaska Natives. IHS provides care in more than 700 health care facilities, including hospitals and outpatient clinics. An IHS facility can be operated by IHS, an Indian tribe, or a tribal organization.

Section 112 of the Indian Health Care Improvement Act (IHCIA) of 1976 (P.L. No. 94-437), as amended, requires IHS to administer the Nursing Program. Under the program, IHS provides grants to colleges, universities, and other programs to develop and maintain nursing education programs and recruit individuals to become nurses, nurse midwives, or nurse practitioners who will provide services to Indians. IHS awarded to six universities Nursing Program grants totaling approximately \$3.5 million for the 2-year period ended July 31, 2008. Pursuant to section 112(b)(2) of the IHCIA, these grants may be used by the educational institution to provide scholarships to students enrolled in nursing education programs.

Each recipient of a Nursing Program scholarship must sign an Indian Health Service Nursing Scholarship Program Contract with the college or university and IHS in which he or she agrees to, among other things, maintain full-time enrollment until completion of the education program, maintain an acceptable level of academic standing, and fulfill a minimum service obligation. Pursuant to section 112(f) of the IHCIA, recipients of scholarships must complete an active duty service obligation, and the contract requires the recipient to work 1 year for every year of scholarship support received and to work no less than 2 years. A recipient who fails to meet the requirements must repay all funds paid under the contract.

The Federal Managers' Financial Integrity Act of 1982 (P.L. No. 97-255) requires each executive agency to develop internal controls in accordance with standards prescribed by the Comptroller General and that provide reasonable assurance that funds are safeguarded against waste, unauthorized use, or misappropriation. The Office of Management and Budget Circular A-123 states that Federal agency management is responsible for establishing and maintaining internal control activities to meet the objectives of effective and efficient operations and compliance with applicable laws and regulations. In addition, the *HHS Grants Policy Statement*, part I, requires HHS agencies to maintain stewardship over Federal funds they award.

OBJECTIVE

Our objective was to determine whether IHS had adequate internal controls to monitor recipients' fulfillment of education requirements and service obligations for Nursing Program scholarships.

SUMMARY OF FINDING

IHS did not have any internal controls to monitor recipients' fulfillment of education requirements and service obligations for Nursing Program scholarships. Based on discussions

with IHS officials, we determined that IHS did not have policies and procedures to monitor whether recipients had maintained full-time enrollment until completion of their education programs, had maintained an acceptable level of academic standing, and had begun or completed required service obligations. As a result, IHS could not provide assurance that recipients fulfilled education requirements and service obligations.

RECOMMENDATION

We recommend that IHS develop and implement internal controls for monitoring recipients' fulfillment of education requirements and service obligations for Nursing Program scholarships.

INDIAN HEALTH SERVICE COMMENTS

IHS concurred with our recommendation and described actions that it was taking to address the recommendation. IHS's comments are included in their entirety as the Appendix.

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INTRODUCTION

BACKGROUND

Indian Health Service

The Indian Health Service (IHS), an agency in the U.S. Department of Health & Human Services (HHS), delivers clinical and preventive health services to American Indians and Alaska Natives. IHS provides care in more than 700 health care facilities, including hospitals and outpatient clinics. An IHS facility can be operated by IHS, an Indian tribe, or a tribal organization.

The Indian Health Care Improvement Act (IHCIA) of 1976 (P.L. No. 94-437), as amended, authorizes IHS funding to administer programs to attract and recruit qualified individuals into health professions needed at IHS facilities. These programs are intended to encourage American Indians and Alaska Natives to enter health professions and to ensure the availability of Indian health professionals to serve Indians.

Nursing Program

Section 112 of the IHCIA, as amended, requires IHS to administer the Nursing Program.¹ Under the program, IHS provides grants to colleges, universities, and other programs to develop and maintain nursing education programs and recruit individuals to become nurses, nurse midwives, or nurse practitioners who will provide services to Indians. IHS awarded to six universities Nursing Program grants totaling approximately \$3.5 million for the 2-year period ended July 31, 2008.

Pursuant to section 112(b)(2) of the IHCIA, Nursing Program grants may be used by the educational institution to provide scholarships to students enrolled in nursing education programs. Section 112(f) requires that scholarship recipients complete an active duty service obligation. According to the terms and conditions of the Nursing Program grant award, scholarship awards are for a 1-year period. Additional scholarship support may be awarded to each eligible student for up to a maximum of 4 years.

Nursing Program Scholarship Requirements for Recipients

Each recipient of a Nursing Program scholarship must sign an Indian Health Service Nursing Scholarship Program Contract with the college or university and IHS in which he or she agrees to, among other things, complete an approved education program and fulfill a service obligation. Section C of the contract requires the recipient to maintain full-time enrollment until completion of the education program for which the scholarship award is provided; maintain an acceptable level of academic standing, as defined by the educational institution, while enrolled in the approved education program; and fulfill a minimum service obligation.

¹ The Indian Health Care Amendments of 1988 (P.L. No. 100-713) added the IHS Nursing Program under section 112 of the IHCIA.

The contract requires the recipient to work 1 year for every year of scholarship support received and to work no less than 2 years. Pursuant to section 112(f) of the IHCA, the service obligation may be fulfilled in IHS; in a program conducted under a contract entered into under the Indian Self-Determination Act; in a program assisted under Title V of this Act; or in the private practice of nursing if such practice is situated in a physician or other health professional shortage area and addresses the health care needs of a substantial number of Indians.

Pursuant to section D of the contract, a recipient who fails to maintain an acceptable level of academic standing in the course of study, voluntarily withdraws from the educational institution before graduating from the program, is dismissed from the educational institution for any reason, or fails to become licensed so that the recipient may not be able to meet the service obligation incurred under the contract must repay all funds paid under the contract. A recipient who fails to begin or complete the period of obligated service is required to repay all funds received plus interest.

However, pursuant to section E of the contract, any service or payment obligation is canceled upon the recipient's death. In addition, IHS may waive or suspend any service or payment obligation when compliance by the recipient with the contract becomes impossible or involves extreme hardship and when enforcement of the obligation would be unconscionable.

Federal Requirements for Internal Controls

The Federal Managers' Financial Integrity Act (FMFIA) of 1982 (P.L. No. 97-255) requires each executive agency to develop internal controls in accordance with standards prescribed by the Comptroller General and that provide reasonable assurance that funds are safeguarded against waste, unauthorized use, or misappropriation. The Office of Management and Budget (OMB) Circular A-123 provides guidance on implementation of the FMFIA and further defines management's responsibility for internal controls in Federal agencies.

Office of Inspector General Reviews

This report covers IHS's internal controls for monitoring recipients' compliance with education and service obligation requirements of the Nursing Program. Separate reports will address IHS's internal controls for monitoring the requirements of IHS's Health Professions Scholarship program (A-09-09-00044), Loan Repayment Program (A-09-10-01005), and American Indians Into Psychology Scholarship Program (A-09-10-01007).

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether IHS had adequate internal controls to monitor recipients' fulfillment of education requirements and service obligations for Nursing Program scholarships.

Scope

We reviewed IHS's internal controls over monitoring of recipients' compliance with education and service obligation requirements for scholarships awarded under the Nursing Program. We limited our review to discussions with IHS officials.

We performed our fieldwork from February 2009 to January 2010, which included site visits to IHS Headquarters in Rockville, Maryland.

Methodology

To accomplish our objective, we:

- reviewed applicable Federal laws, regulations, and guidance;
- obtained an understanding of the Nursing Program and its education and service obligation requirements; and
- interviewed IHS officials.

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 finding and conclusions based on our audit objective.

FINDING AND RECOMMENDATION

IHS did not have any internal controls to monitor recipients' fulfillment of education requirements and service obligations for Nursing Program scholarships.

FEDERAL REQUIREMENTS

The FMFIA, section 2(d)(1)(A), states: "... [I]nternal accounting and administrative controls of each executive agency shall be established in accordance with standards prescribed by the Comptroller General, and shall provide reasonable assurances that ... (ii) funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation"

OMB Circular A-123, section II, states: "Internal control is an integral component of an organization's management that provides reasonable assurance that the following objectives are being achieved: effectiveness and efficiency of operations ... and compliance with applicable laws and regulations." Section II also states: "Management is responsible for developing and maintaining internal control activities ... to meet the above objectives." Section III.A. states: "... [Management] should design management structures that help ensure accountability for results. As part of this process, agencies and individual Federal managers must take systematic and proactive measures to develop and implement appropriate, cost-effective internal control."

The *HHS Grants Policy Statement*, part I, requires HHS agencies to maintain stewardship over Federal funds they award. An agency is required to monitor its awards for potential problems, using available information, for as long as the agency has a financial interest in the project or activity as a result of program requirements.

MONITORING FULFILLMENT OF EDUCATION REQUIREMENTS AND SERVICE OBLIGATIONS

IHS did not have any internal controls to monitor recipients' fulfillment of education requirements and service obligations for Nursing Program scholarships. Based on discussions with IHS officials, we determined that IHS did not have policies and procedures to monitor whether recipients had maintained full-time enrollment until completion of their education programs, had maintained an acceptable level of academic standing, and had begun or completed required service obligations.

According to the terms and conditions of the Nursing Program grant award, educational institutions are responsible for monitoring recipients' academic progress and providing IHS with, among other things, recipients' official transcripts at the end of each academic period and reports identifying recipients with academic problems or changes in academic status. We interviewed the IHS officials responsible for receiving the transcripts and reports and confirmed that IHS did not review the information it received or follow up with recipients about whom there were concerns related to academic progress or completion of service obligations.

IHS officials stated that they followed the *HHS Grants Policy Statement* to monitor educational institutions that received Nursing Program grants. They also stated that it was not their understanding that separate policies and procedures were needed to monitor recipients. However, the *HHS Grants Policy Statement* does not provide specific requirements for monitoring recipients' fulfillment of educational requirements. Without such monitoring, IHS cannot ensure that recipients fulfill education requirements and service obligations, nor can IHS carry out its responsibilities when the contract's terms and conditions are breached. The scholarship contract contains a breach provision, which clearly states that failure to fulfill the academic requirements or begin or complete the service obligation commits the scholarship recipient to repay all scholarship funds and that payment of this amount becomes a debt owed to the Federal Government. Under the breach provision, the Secretary of HHS provides the repayment schedule and has the authority to cancel, suspend, or waive a participant's service or payment obligation.

RECOMMENDATION

We recommend that IHS develop and implement internal controls for monitoring recipients' fulfillment of education requirements and service obligations for Nursing Program scholarships.

INDIAN HEALTH SERVICE COMMENTS

IHS concurred with our recommendation and described actions that it was taking to address the recommendation. IHS's comments are included in their entirety as the Appendix.

APPENDIX

APPENDIX: INDIAN HEALTH SERVICE COMMENTS



DEPARTMENT OF HEALTH & HUMAN SERVICES

Public Health Service

Indian Health Service
Rockville MD 20852

OCT 22 2010

TO: Inspector General

FROM: Director

SUBJECT: Response to the Office of Inspector General "Audit of the Indian Health Service's Internal Controls Over Monitoring of Recipients' Compliance With Requirements of the Nursing Program Scholarships (A-09-10-01006)"

The purpose of this memorandum is to respond to your July 28 memorandum transmitting the findings of the Office of Inspector General (OIG) draft report, "Audit of the Indian Health Service's Internal Controls Over Monitoring of Recipients' Compliance with Requirements of the Nursing Program Scholarships (A-09-10-01006)." I appreciate the opportunity to address your recommendations.

IHS Response to the OIG Recommendation

We recommend that IHS develop and implement internal controls for monitoring recipients' fulfillment of education requirements and service obligations for Nursing Program scholarships.

IHS Response:

We concur. In April 2010, the Indian Health Service (IHS) commenced an initiative to develop and implement effective internal controls over recipients' compliance with requirements of Nursing Program Scholarships. The initiative's outcomes will include processes to monitor recipients' fulfillment of education requirements, and their completion of required service obligations.

Thank you for the opportunity to respond to your July 28 memorandum. If you have any questions concerning this response, please contact CDR Michael D. Weahkee, Director, Management Policy and Internal Control Staff, Office of Management Services, IHS, at (301) 443-2650.

A handwritten signature in cursive script that reads "Yvette Roubideaux".

Yvette Roubideaux, M.D., M.P.H.