

Part VII

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Part VII Other HHS-Related Reviews

Certain financial, performance, and investigative issues cut across Department of Health and Human Services (HHS) programs. The Office of Inspector General's (OIG) work in progress and its planned work address departmentwide matters, such as financial statement audits; financial accounting; information systems management; and other departmental issues, including discounted airfares and protections for people in residential settings who have disabilities.

Although we have discretion in allocating most of our non-Medicare and non-Medicaid resources, a portion is used for mandatory reviews, including financial statement audits conducted pursuant to the Government Management Reform Act of 1994 (GMRA), § 405(b); the Chief Financial Officers Act of 1990 (CFO Act); and information systems reviews required by the Federal Information Security Management Act of 2002 (FISMA).

The GMRA seeks to ensure that Federal managers have the financial information and flexibility necessary to make sound policy decisions and manage scarce resources. The GMRA broadened the CFO Act by requiring annual audited financial statements for all accounts and associated activities of HHS and other Federal agencies and components of Federal agencies, including the Centers for Medicare & Medicaid Services (CMS).

Acronyms and Abbreviations for Selected Terms Used in Part VII:

ACF—Administration for Children and Families
AICPA—American Institute of Certified Public Accountants
AIDS—acquired immunodeficiency syndrome
CMS—Centers for Medicare & Medicaid Services

FAR—Federal Acquisition Regulation
FISMA—Federal Information Security Management Act of 2002
OMB—Office of Management and Budget
PEPFAR—President's Emergency Plan for AIDS Relief

Financial Statement Audits

Audits of Fiscal Years 2012 and 2013 Financial Statements

We will review the independent auditor's workpapers to determine whether financial statement audits of HHS and its components were conducted in accordance with the Chief Financial Officers Act of 1990, as amended by the Government Management Reform Act of 1994; Government Auditing Standards; and OMB Circular 07-04, "Audit Requirements for Federal Financial Statements." The purpose of a financial statement audit is to determine whether the financial statements present fairly, in all material respects, the financial position of the audited entity for the specified time period. The audited consolidated FY 2012 financial statements for the Department of Health and Human Services (HHS) are due to the

Office of Management and Budget (OMB) by November 15, 2012; for FY 2013, they are due by November 15, 2013.

The following FY 2012 financial statement audits will be completed and reports will be issued during FY 2013:

- Consolidated HHS – This audit covers all operating divisions, including CMS, which will also receive a separate audit report (listed below). (OAS; W-00-12-40009; A-17-12-00001)
- CMS – (OAS; W-00-12-40008; A-17-12-02012)

The following FY 2013 financial statement audits will be completed and reports will be issued during FY 2014:

- Consolidated HHS – This audit will cover all operating divisions, including CMS, which will also receive a separate audit report (listed below). (OAS; W-00-13-40009; A-17-13-00001)
- CMS – (OAS; W-00-13-40008; A-17-13-02012)

Fiscal Year 2013 Statement on Standards for Attestation Engagements No. 16

We will review an independent auditor's workpapers to determine whether examinations of HHS's service organizations were conducted in accordance with laws and regulations. Such examinations are conducted in accordance with Generally Accepted Government Auditing Standards and the American Institute of Certified Public Accountants' (AICPA) *Statement on Standards for Attestation Engagements (SSAE) No. 16, Reporting on Controls at a Service Organization*, commonly referred to as SSAE 16 examinations. SSAE 16 examinations report on the controls of service organizations that may be relevant to the user organizations' internal control structures. The following SSAE 16 examinations of HHS service organizations will support FY 2013 financial statement audits and will be issued during FY 2013:

- Center for Information Technology (National Institutes of Health Computer Center)
(OAS; W-00-13-40012; A-17-13-00010)
- Division of Payment Management Grants Management System
(OAS; W-00-13-40012; A-17-13-00009)

Fiscal Years 2012 and 2013 Financial-Related Reviews

The purpose of the financial-related reviews is to fulfill requirements in Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, §§ 6.11 and 13. The FY 2012 financial-related reviews that will be issued during FY 2013 are:

- Audit Reports on the HHS Special Purpose Financial Statements entered into the Governmentwide Financial Report System. These audit reports are intended to support the preparation of Governmentwide financial statements and reports. (OAS; W-00-12-40009; A-17-12-00006)
- Department of State Agreed Upon Procedures. These procedures focus on reviewing certain financial information for allocation transfers from the Department of State to HHS under the President's Emergency Plan for AIDS Relief (PEPFAR). OMB requires auditors to work together to ensure that allocation transfers receive audit coverage that, in the transferring agency auditor's professional judgment, is required as part of the annual financial statement audit. (OMB Bulletin 07-04, paragraph 6.05.) The procedures are performed in accordance with the AICPA's attestation standards. (OAS; W-00-12-40009; A-17-12-00015)

The FY 2013 financial-related review that will be issued in FY 2013 is:

- Payroll Agreed-Upon Procedures. These procedures focus on reviewing the official personnel files for selected HHS employees to assist the Department of Defense (DOD) OIG in performing the OMB Bulletin 07-04, *Audit Requirements for Federal Financial Statements*, § 11, Agreed-Upon Procedures. (OAS; W-00-13-40009; A-17-13-00008)

The FY 2013 financial-related reviews that will be issued during FY 2014 are:

- Department of State Agreed Upon Procedures. These procedures focus on reviewing certain financial information for allocation transfers from the Department of State to HHS under PEPFAR. OMB requires auditors to work together to ensure that allocation transfers receive audit coverage that, in the transferring agency auditor's professional judgment, is required as part of the annual financial statement audit. (OMB Bulletin 07-04, paragraph 6.05.) The procedures are performed in accordance with the AICPA's attestation standards. (OAS; W-00-13-40009; A-17-13-00015)
- Audit Reports on the HHS Special Purpose Financial Statements entered into the Governmentwide Financial Report System. These audit reports are intended to support the preparation of Governmentwide financial statements and reports. (OAS; W-00-13-40009; A-17-13-00006)

Financial Accounting Reviews

Certification of Predictive Analytics (New)

We will certify certain aspects of HHS's reporting of actual and projected savings for improper payments avoided and recovered and the relative return on investment for using technology authorized under the Small Business Jobs Act. The Small Business Jobs Act requires HHS to implement over a 4-year period predictive analytic technology for reducing improper payments in Medicare fee-for-service. Pursuant to the Act, HHS is required to report annually on the progress of these programs and to certify certain

amounts reported by the Department. OIG is required to perform this review through 2014. We will assess the data presented in the reports and provide HHS any recommendations for modifying its methodology. (OAS; W-00-13-40060; various reviews; expected issue date: FY 2013; new start)

HHS Contract Management Review (New)

We will review controls the Program Support Center has in place to ensure compliance with requirements specified in appropriations statutes when awarding contracts. We will review the quality assurance procedures implemented by the Department by selecting two contract samples (contracts not reviewed by the Department to ensure compliance with its quality assurance procedures and contracts reviewed by the Department) to determine the accuracy and completeness of the internal control reviews to ensure full compliance with appropriations laws. The Department, in its July 2011 Antideficiency Report to the President, noted that it implemented corrective actions, including adopting quality assurance procedures and conducting procurement management and internal control reviews to validate full compliance with appropriations laws and regulations to ensure no future violations of the Anti-Deficiency Act (31 U.S.C. § 1341(a)(1)) and bona fide need rule (31 U.S.C. § 1502.) (OAS; W-00-13-52313; expected issue date: FY 2013; new start)

Compliance With Improper Payment Elimination and Recovery Act

We will review certain aspects of HHS's compliance with the Improper Payment Elimination and Recovery Act of 2011 (IPERA) on the reporting of improper payments. We will assess HHS' compliance with IPERA and the data presented in HHS's Annual Financial Report (AFR) and provide recommendations for modifying the reporting as needed. IPERA requires the head of a Federal agency with programs or activities that may be susceptible to significant improper payments to report to Congress the agency's estimate of improper payments. For any program or activity with estimated improper payments exceeding \$10 million, the agency must report to Congress the actions that the agency is taking to reduce those payments. Pursuant to the OMB Circular accompanying IPERA, OIG is required to review how HHS is assessing the programs it reports as well as the accuracy and completeness of the reporting in the AFR. (OAS; W-00-12-40047; expected issue date: FY 2013; work in progress)

The President's Emergency Plan for AIDS Relief Funds

We will review the effectiveness of HHS's accounting for and control of funds received under PEPFAR. HHS received PEPFAR funds from the annual HHS appropriation and the Foreign Operations appropriation. PEPFAR funds support international programs for AIDS prevention, treatment, and care. (OAS; W-00-12-52300; W-00-13-52300; expected issue date: FY 2013; work in progress and new start)

Annual Accounting of Drug-Control Funds

We will review HHS agencies' compliance with the requirement that agencies expending funds on National Drug Control Program activities submit to the Office of National Drug Control Policy an annual accounting of the expenditure of drug-control funds. (21 U.S.C. § 1704.) The policy also requires that an

agency submit with its annual accounting an authentication by the agency's OIG in which OIG expresses a conclusion on the reliability of the agency's assertions in its accounting. We will submit this authentication with respect to HHS's FY 2011 annual accounting. (OAS; W-00-13-52321; various reviews; expected issue date: FY 2013; new start)

Reasonableness of Prime Contractor Fees

We will determine whether the Government negotiated reasonable fees for prime contracts that involve significant subcontractor efforts, taking into consideration any fees the prime contractor expected to pay subcontractors. Federal acquisition laws and regulations limit the amount of the fee that can be negotiated with a contractor. (10 U.S.C. 2306(d), 41 U.S.C. 254(b), and Federal Acquisition Regulation (FAR) 15.404-4(b)(4)(i).) Subcontractor fees are typically considered "costs" to the prime contractor and may not be considered during the Government's negotiations with the prime contractor. This "fee on fee" situation may result in fees that exceed the limits established in Federal laws and regulations. (OAS; W-00-13-52321; expected issue date: FY 2013; new start)

Non-Federal Audits

We will continue to review the quality of audits conducted by non-Federal auditors, such as public accounting firms and State auditors, in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. As part of our reviews of A-133 audits, we will ensure that the auditors have audited and reported in compliance with the American Recovery and Reinvestment Act of 2009 (Recovery Act). State, local, and Indian tribal governments; colleges and universities; and nonprofit organizations receiving Federal awards are required to have annual organizationwide audits of all Federal funds that they receive. Our reviews ensure that the audits and reports meet applicable standards, identify any followup work needed, and identify issues that may require management attention. OIG also provides upfront technical assistance to non-Federal auditors to ensure that they understand Federal audit requirements and to promote effective audit work. We analyze and record electronically the audit findings reported by non-Federal auditors for use by HHS managers. Our reviews assure HHS managers about the management of Federal programs and identify significant areas of internal control weaknesses, noncompliance with laws and regulations, and questioned costs that require formal resolution by Federal officials.

Reimbursable Audits

We will conduct a series of audits as part of HHS's cognizant-agency responsibility under OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. To ensure a coordinated Federal approach to audits of colleges, universities, and States, OMB establishes audit cognizance, that is, it designates which Federal agency has primary responsibility for audit of all Federal funds the entity receives. Accordingly, HHS OIG has audit cognizance over all State governments and most major research colleges and universities. Agreements are reached with other Federal audit organizations or other Federal agencies to reimburse HHS OIG as the cognizant audit organization for

audits that HHS OIG performs of non-HHS funds. (OAS; W-00-13-50012; various reviews; expected issue date: FY 2013; new start)

Requested Audit Services

Throughout the year, Congress, HHS, and other Federal organizations request that we perform a variety of audit services including

- contract and grant closeouts,
- indirect cost audits,
- bid proposal audits, and
- other reviews designed to provide specific information requested by management.

We evaluate requests as we receive them, considering such factors as why the audit is being requested, how the results will be used, when the results are needed, and whether the work is cost beneficial.

Automated Information Systems

Information System Security Audits

We will review the reliability of the Information System Security Program at several operating divisions. HHS and its components are responsible for administering and implementing this security program in compliance with the Federal Information Security Management Act of 2002 (FISMA) and directives issued by OMB and the National Institute of Standards and Technology. To date, several reviews have been conducted to determine compliance with HHS security program requirements. (OAS; W-00-11-42000; W-00-13-42000; various reviews; expected issue date: FY 2013; work in progress and new start)

Federal Information Security Management Act of 2002

We will review various HHS operating divisions' compliance with FISMA. We will also follow up on the unresolved findings from prior reviews of information systems controls. FISMA and OMB Circular A-130, *Management of Federal Information Resources*, Appendix III, require that agencies and their contractors maintain programs that provide adequate security for all information collected, processed, transmitted, stored, or disseminated in general support systems and major applications. (OAS; W-00-12-42001; W-00-13-42001; various reviews; expected issue date: FY 2013; work in progress and new start)

Information Technology Systems' General Controls

We will review the adequacy of information technology security general controls of selected HHS systems using Departmental, OMB, and FISMA guidance and regulations. Recent legislation and OMB directives have focused on safeguards for critical systems' assets and infrastructures. (OAS; W-00-12-42002; W-00-13-42002; various reviews; expected issue date: FY 2013; work in progress and new start)

Fraud Vulnerabilities Presented by Electronic Health Records

We will identify fraud and abuse vulnerabilities in electronic health records (EHR) systems as articulated in literature and by experts and determine how certified EHR systems address these vulnerabilities. The Health Information Technology for Economic and Clinical Health Act provides \$36 billion in incentives for adopting EHRs. Medicare and Medicaid EHR incentive programs require providers to use EHR systems that have been certified by a Department-authorized testing and certification body. The Office of the National Coordinator establishes the requirements and oversees the certification process. Regulations at 45 CFR part 170 provide the initial set of standards, implementation specifications, and certification criteria for EHR systems. (OEI; 01-11-00570; expected issue date FY 2012; work in progress)

Other HHS-Related Issues

HHS Programs' Vulnerabilities to Grant Fraud (New)

We will review HHS programs that are vulnerable to grant fraud and assess how HHS awarding agencies mitigate the potential risks of grant fraud, abuse, and mismanagement. We will also identify grantees that have exhibited fraudulent or abusive behavior in one HHS program and determine whether they receive funds from other HHS programs and whether awarding programs are aware of the grantees' past problems. Federal regulations incorporate uniform administrative requirements governing HHS awards. Guidance in implementing those regulatory requirements is contained in the *HHS Grants Policy Directives*, which apply across HHS. Under certain circumstances an agency may suspend or debar a grantee. (45 CFR Part 76.) (OEI; 07-12-00110; expected issue date: FY 2014; work in progress)

HHS Compliance with the Reducing Over-Classification Act (New)

We will assess HHS policies and practices concerning the classification of materials. The Reducing Over-Classification Act of 2009 requires the Inspector General of each department or agency with delegated original classification authority to carry out evaluations to determine whether applicable classification policies, procedures, rules, and regulations have been adopted, followed, and effectively administered and to identify policies, procedures, rules, regulations, or management practices that may be contributing to persistent misclassification of material within such department, agency, or component. (OEI; 07-12-00400; expected issue date: FY 2013; work in progress)

Review of Calendar Year 2011 Purchase Card Purchases (New)

We will review the extent to which purchases made with HHS purchase cards complied with Federal laws and departmental guidance. The Federal Acquisition Regulation and HHS Purchase Card Program Guide govern the use of purchase cards. Prior OIG reports found vulnerabilities in HHS employees' use of purchase cards. This review will build on previous OIG work. (OEI; 00-00-00000; expected issue date: FY 2014; new start)

Use of HHS Grant Funds for Lobbying Activities (New)

We will determine the extent to which the Department of Health and Human Services (HHS) agencies notify grantees of lobbying prohibitions. It will also examine the extent to which HHS grantees are aware of lobbying prohibitions. The FY 2012 Consolidated Appropriations Act, § 503, prohibits appropriations from being used for activities "designed to influence the enactment of legislation, appropriations, regulation, administrative action, or Executive order proposed or pending before the Congress or any State government, State legislature or local legislature or legislative body...." Section 503 makes exceptions for activities "for normal and recognized executive-legislative relationship or participation by an agency or officer of a State, local or tribal government in policymaking and administrative processes within the executive branch of that government." This review will also explore the extent to which HHS agencies have mechanisms in place to identify and address lobbying violations. (OEI; 07-12-00620; expected issue date: FY 2014; work in progress)

State Protections for People in Residential Settings Who Have Disabilities

We will review actions taken by CMS, ACF, the Substance Abuse and Mental Health Services Administration, and the Food and Drug Administration on OIG recommendations to work cooperatively to provide information and technical assistance to States for strengthening State protections for people in residential settings who have disabilities. Several HHS operating divisions fund programs or services that play a role in protecting people who have disabilities from abuse or neglect. For facilities receiving Medicare or Medicaid funds, CMS has established conditions of participation. For facilities not subject to CMS oversight, there are limited Federal standards, partly because of HHS's limited statutory authority. (OAS; W-00-13-58126; expected issue date: FY 2013; new start)

The [Work Plan](#) is one of OIG's three core publications. OIG's [Semiannual Report to Congress](#) summarizes OIG's most significant findings from audits and evaluations, investigative outcomes, and outreach activities in 6-month increments. OIG's annual [Compendium of Unimplemented Recommendations](#) (Compendium) provides descriptions of open recommendations that when implemented will save tax dollars and improve programs.