

Department of Health and Human Services

Office of Inspector General Projects



DEPARTMENTWIDE Table of Contents

FINANCIAL STATEMENT AUDITS

Audits of FY 2000 Financial Statements	1
Health Care Financing Administration	1
Administration for Children and Families	1
Health Resources and Services Administration	1
Indian Health Service	1
National Institutes of Health	1
Centers for Disease Control and Prevention	1
Food and Drug Administration	1
Substance Abuse and Mental Health Services Administration	1
Program Support Center	2
Administration on Aging	2
Consolidated HHS Financial Statements	2
FY 2000 Statement on Accounting Standards (SAS) 70 Examinations	2
Center for Information Technology	2
Program Support Center - Major Administrative Support Services	2
FY 2000 Financial-Related Reviews	2
Federal Agencies' Centralized Trial Balance System (FACTS) Verification ..	2
Office of Personnel Management Agreed-Upon Procedures	2
Payment Management System Agreed-Upon Procedures	2
Audits of FY 2001 Financial Statements	3
Health Care Financing Administration	3
Administration for Children and Families	3
Health Resources and Services Administration	3
Indian Health Service	3
National Institutes of Health	3
Centers for Disease Control and Prevention	3
Food and Drug Administration	3

Substance Abuse and Mental Health Services Administration	3
Program Support Center	3
Administration on Aging	4
Consolidated HHS Financial Statements	4
FY 2001 SAS 70 Examinations	4
Center for Information Technology	4
Program Support Center - Major Administrative Support Services	4

PROGRAM INTEGRITY AND EFFICIENCY

Compliance With Presidential Decision Directive 63	4
Annual Accounting of Drug Control Funds	5
High-Risk Grantees	5
State Use of Self-Insurance Refunds	6
State Cost Allocation Plan	6
Escheated Warrants	6
State Pensions	6
Preaward and Postaward Contract Audits	7
Nonfederal Audits	7

FINANCIAL STATEMENT AUDITS

The Government Management Reform Act of 1994 seeks to ensure that Federal managers have at their disposal the financial information and flexibility necessary to make sound policy decisions and manage scarce resources. This act broadened the Chief Financial Officers (CFO) Act of 1990 by requiring annual audited financial statements for *all* accounts and associated activities of the Department of Health and Human Services (HHS) and other Federal agencies. The audited FY 2000 consolidated HHS financial statements are due to the Office of Management and Budget (OMB) by March 1, 2001.

Audits of FY 2000 Financial Statements

The following audits of FY 2000 financial statements will be completed and reports issued during FY 2001:

Health Care Financing Administration

OAS; W-00-00-40008; A-17-00-02001

Administration for Children and Families

OAS; W-00-00-40010; A-17-00-00001

Health Resources and Services Administration

OAS; W-00-00-40013; A-17-00-00003

Indian Health Service

OAS; W-00-00-40013; A-17-00-00004

National Institutes of Health (NIH)

OAS; W-00-00-40013; A-17-00-00007

Centers for Disease Control and Prevention

OAS; W-00-00-40013; A-17-00-00008

Food and Drug Administration

OAS; W-00-00-40013; A-17-00-00006

Substance Abuse and Mental Health Services Administration

OAS; W-00-00-40013; A-17-00-00002

Program Support Center

OAS; W-00-00-40003; A-17-00-00005

Administration on Aging

OAS; W-00-00-40010; A-17-00-00019

Consolidated HHS Financial Statements

OAS; W-00-00-40009; A-17-00-00014

FY 2000 Statement on Accounting Standards (SAS) 70 Examinations

The following SAS 70 examinations of HHS service organizations will support FY 2000 financial statement audits:

Center for Information Technology (NIH Computer Center)

OAS; W-00-00-40012; A-17-00-00010

Program Support Center - Major Administrative Support Services:

Payment Management System

OAS; W-00-00-40012; A-17-00-00011

Accounting Operations - Division of Financial Operations

OAS; W-00-00-40012; A-17-00-00009

Payroll Operations

OAS; W-00-00-40012; A-17-00-00012

FY 2000 Financial-Related Reviews

Federal Agencies' Centralized Trial Balance System (FACTS) Verification

OAS; W-00-00-40012; A-17-00-00013

Office of Personnel Management Agreed-Upon Procedures

OAS; W-00-00-40012; A-17-00-00015

Payment Management System Agreed-Upon Procedures

OAS; W-00-00-40012; A-17-00-00016

Audits of FY 2001 Financial Statements

Work is expected to begin in FY 2001 on the following audits of FY 2001 financial statements:

Health Care Financing Administration

OAS; W-00-01-40008

Expected Issue Date: FY 2002

Administration for Children and Families

OAS; W-00-01-40010

Expected Issue Date: FY 2002

Health Resources and Services Administration

OAS; W-00-01-40013

Expected Issue Date: FY 2002

Indian Health Service

OAS; W-00-01-40013

Expected Issue Date: FY 2002

National Institutes of Health

OAS; W-00-01-40013

Expected Issue Date: FY 2002

Centers for Disease Control and Prevention

OAS; W-00-01-40013

Expected Issue Date: FY 2002

Food and Drug Administration

OAS; W-00-01-40013

Expected Issue Date: FY 2002

Substance Abuse and Mental Health Services Administration

OAS; W-00-01-40013

Expected Issue Date: FY 2002

Program Support Center

OAS; W-00-01-40003

Expected Issue Date: FY 2002

Administration on Aging

OAS; W-00-01-40010

Expected Issue Date: FY 2002

Consolidated HHS Financial Statements

OAS; W-00-01-40009

Expected Issue Date: FY 2002

FY 2001 SAS 70 Examinations

The following SAS 70 examinations of HHS service organizations will support FY 2001 financial statement audits:

Center for Information Technology (NIH Computer Center)

OAS; W-00-01-40012

Expected Issue Date: FY 2002

Program Support Center - Major Administrative Support Services:

Payment Management System

OAS; W-00-01-40012

Expected Issue Date: FY 2002

Accounting Operations - Division of Financial Operations

OAS; W-00-01-40012

Expected Issue Date: FY 2002

Payroll Operations

OAS; W-00-01-40012

Expected Issue Date: FY 2002

PROGRAM INTEGRITY AND EFFICIENCY

Compliance With Presidential Decision Directive 63

As part of an initiative by the President's Council on Integrity and Efficiency to review the establishment and implementation of critical infrastructure protection plans at Federal agencies, we will oversee the Department's efforts in complying with Presidential Decision Directive (PDD) 63. Issued in May 1998, PDD 63 requires all Federal agencies to assess the risk and vulnerability of their mission-essential infrastructure to combat cyberterrorism. The

HHS is in the midst of complying with this directive by identifying all mission-essential infrastructures and determining their level of criticality.

Our initial efforts will focus on the operating divisions until Departmentwide plans are formalized to include business partners of key mission-essential infrastructures. We will assess the process for identifying mission-essential infrastructures and test the underlying system controls and the effectiveness of the processes intended to ensure data availability, integrity, and confidentiality and to reduce the risk of errors, fraud, and security infractions. Our work at the individual operating divisions is noted, where applicable, in the preceding chapters.

OAS; W-00-00-40001; A-17-00-30030

Annual Accounting of Drug Control Funds

We will determine whether HHS agencies are in compliance with the Office of National Drug Control Policy (ONDCP) requirements for annual accounting of drug control funds. Each year, agencies that participate in the National Drug Control Program are required to submit to ONDCP a detailed accounting of all prior-year drug control funds, along with an accompanying OIG “authentication.” We will make this authentication to express a conclusion on the reliability of the HHS assertions regarding its FY 2000 drug control funds, estimated at \$3.1 billion.

OAS; W-00-01-50019; A-15-01-00000

High-Risk Grantees

The OIG and the office of the Assistant Secretary for Management and Budget will conduct joint on-site reviews of certain ACF and PHS grantees on the Department’s high-risk list. Because of concerns that audits conducted under Office of Management and Budget (OMB) Circular A-133 may not be adequately disclosing problems at grantees, the reviews will address grantee financial management practices and controls. We will determine whether additional grantee audits or reviews of the effectiveness of HHS agencies’ grant administration are warranted.

OAS; W-00-01-20011 & -50019; A-12-01-00000, -15-01-00000

State Use of Self-Insurance Refunds

We will determine whether self-insurance refunds provided by a State to participating agencies were properly credited to the Federal Government. Self-insurance funds provide reserve-type self-insurance for State activities and properties administered by State, county, and municipal governments. The cost of insurance, or premiums, is billed to the appropriate government agencies. Excess reserves result from premiums collected and interest earned in excess of claims and operating expenses. The OMB Circular A-87 cost principles for State and local governments preclude excess charges to Federal programs. Our previous review disclosed that the State had accumulated excess reserves in its self-insurance funds as of June 30, 1996. In an attempt to reduce the excess amounts, the State refunded approximately \$4 million to participating State agencies.

OAS; W-00-01-20011; A-04-01-00000

Expected Issue Date: FY 2002

State Cost Allocation Plan

We will examine the equitableness of a State's allocation of costs to Federal programs. The State Auditor General has cited significant inequities in the State's cost allocation plan, including \$2.6 million that was overcharged to the Federal Government because of improper allocation methods or other errors.

OAS; W-00-01-20011; A-04-01-00000

Escheated Warrants

We will determine whether States with a large percentage of escheated warrants (uncashed and unclaimed checks) are promptly crediting the Federal programs for the warrants. Federal regulations require that States refund the Federal portion of escheated warrants. Previous reviews found that States did not always timely or properly report the warrants.

OAS; W-00-00-20011; Various CINs

State Pensions

These reviews will determine whether the Federal Government received equitable benefit when surplus State pension funds were withdrawn, transferred to other State funds, or used to cover State expenses. Previous reviews disclosed significant problems with pension plan costs charged to Federal programs.

OAS; W-00-00-20011; A-02-00-02000

Preadward and Postaward Contract Audits

The Department awards contracts and contract modifications in excess of \$5 billion annually. Selection of the type of audits to be performed (preaward or postaward) is based on risk analyses and other factors developed by the Department's operating divisions, specifically the Contract Audit Users Group, and is cleared and coordinated by the Office of Grants and Acquisition Management, Assistant Secretary for Management and Budget, and the OIG. A series of annual reviews will be conducted for each of the Department's operating divisions.

To ensure maximum return on OIG resources devoted to contract audit work, we will (1) use streamlined, cost-saving audit techniques in conducting preaward audits, (2) rely to the maximum extent possible on nonfederal audits, and (3) focus the collaborative risk-based selection process on those audits that will result in savings to the Department.

OAS; W-00-01-50009 & -50011; Various CINs

Nonfederal Audits

Under OMB Circular A-133, State and local governments, colleges and universities, and nonprofit organizations receiving Federal awards are required to have an annual organizationwide audit of all Federal money they receive. We will continue to review the quality of these audits by nonfederal auditors, such as public accounting firms and State auditors, in accordance with the circular. The objectives of our reviews are to ensure that the audits and reports meet applicable standards, identify any followup work needed, and identify issues that may require management attention.

We also provide up-front technical assistance to nonfederal auditors to ensure that they understand Federal audit requirements and to promote effective audit work. In addition, we analyze and record electronically the audit findings reported by nonfederal auditors for use by Department managers. Our reviews provide Department managers with assurance 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.