DEPARTMENT OF HEALTH AND HUMAN SERVICES

OFFICE OF INSPECTOR GENERAL

WASHINGTON, DC 20201

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TO: See Distribution List

FROM: /Amy J. Frontz/
Deputy Inspector General for Audit Services

SUBJECT: OIG Final Report: *Independent Service Auditor's Report on the Department of Health and Human Services' Program Support Center, Grants Finance and Administrative Services, Payment Management Services' Payment Management System for the Period From October 1, 2022, Through June 30, 2023*, A-17-23-00009

The Department of Health and Human Services' (HHS's) Program Support Center, Grants Finance and Administrative Services (GFAS) serves as a major part of HHS finance and accounting operations. Payment Management Services, a component of GFAS, provides grant and grant-like payments, cash management, and grant accounting support services to Federal agencies and processes approximately 75 percent of civilian grant payments made by the Federal Government—more than $821 billion annually. Payment Management Services' Information Systems Branch (ISB) is responsible for the development, operation, and maintenance of the Payment Management System (PMS). The PMS expedites the flow of grant payments between the Federal Government and grant recipients, provides grant recipient payment and expenditure data to awarding agencies, and helps manage cash advances to grant recipients. The ISB oversees the PMS change-control process, develops systems-related operating procedures, maintains system documentation, oversees the resolution of PMS application problems, and monitors production activity.

The attached report presents the results of an examination by Ernst & Young, LLP (EY) of Payment Management Services' description of its PMS, throughout the period from October 1, 2022, to June 30, 2023, for processing user entities' transactions and the suitability of the design and operating effectiveness of controls to achieve the related control objectives based on the criteria identified in Payment Management Services' Management Assertion. EY completed the examination under a contract with the HHS Office of Inspector General.

EY is responsible for the opinions expressed in the report. Our review, as differentiated from an audit in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express—and accordingly we do not express—an opinion over Payment

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The original transmittal letter was accompanied by a report.

Management Services' description of controls, suitability of design, or operating effectiveness of the described controls. Our monitoring review disclosed no instances in which EY did not comply, in all material respects, with U.S. generally accepted government auditing standards.

EY's responsibility was to express an opinion on the fairness of the presentation of the description of Payment Management Services controls, the suitability of the design of those controls, and the operating effectiveness of those controls to achieve the related control objectives stated in the description, based on its examination. Payment Management Services management specified the control objectives described in Section III of EY's report.

The PMS uses IT hosting services provided by the Center for Information Technology (CIT) within the National Institutes of Health, a component of HHS. This examination did not extend to the controls at the CIT computer processing service organization. CIT management has prepared a separate description of the services used by PMS that includes the aforementioned CIT controls. This report should be read in conjunction with CIT management's description included in a separate report (CIT SOC 1 report).

The Payment Management Services' description identified control objectives that can be achieved only if complementary user entity controls are suitably designed and effectively operating. However, the examination did not extend to such complementary user entity controls.

EY concluded that the description fairly presents the System that was designed and implemented throughout the period from October 1, 2022, through June 30, 2023. EY also concluded that the controls related to the control objectives were suitably designed to provide reasonable assurance that the control objectives would be achieved if the controls operated effectively throughout the period from October 1, 2022, through June 30, 2023, and if subservice organizations and user entities applied the complementary controls assumed in the design of PMS's controls throughout this period.

In addition to the procedures that EY considered necessary to render the opinion in the previous paragraph, EY conducted testing of the operating effectiveness of selected controls to provide reasonable assurance that the related control objectives were achieved throughout the period. The specific controls tested, and the nature, timing, and results of those tests, are listed in Section IV of EY's report. EY concluded that the controls operated effectively to provide reasonable assurance that the Control Objectives were achieved from October 1, 2022, through June 30, 2023, if complementary subservice organization and user entity controls assumed in the design of PMS's controls operated effectively throughout this period.

The attached report, including the description of tests of controls and those test results, is intended for the information and use of the management of Payment Management Services and its user entities. The report is also intended for the auditors who audit and report on such user entities' financial statements or internal control over financial reporting and have a sufficient understanding to consider it, along with other information, including information about controls implemented by user entities themselves, when assessing the risks of material misstatements of user entities' financial statements. This report is not intended to be, and should not be, used by anyone other than these specified parties.

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