



March 16, 2010

TO: Mary Wakefield, Ph.D., R.N.
Administrator
Health Resources and Services Administration

FROM: Lori S. Pilcher
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and Information Technology Audits

SUBJECT: Health Resources and Services Administration's Bureau of Health Professions —
Internal Control Review of the Process for Awarding American Recovery and
Reinvestment Act Funds (A-03-09-00362)

The attached final report provides the results of our review of internal controls over the process for awarding American Recovery and Reinvestment Act of 2009, P.L. No. 111-5 (Recovery Act), funds at the Health Resources and Services Administration's (HRSA's) Bureau of Health Professions. This review was part of the Office of Inspector General's assessment of whether the Department of Health and Human Services is using Recovery Act funds in accordance with legal and administrative requirements and is meeting the accountability objectives defined by the Office of Management and Budget.

The Recovery Act was signed into law by President Obama on February 17, 2009. The Recovery Act includes measures to modernize our nation's infrastructure, enhance energy independence, expand educational opportunities, preserve and improve affordable health care, provide tax relief, and protect those in greatest need.

At the President's direction, Federal agencies are taking critical steps to carry out the Recovery Act effectively. All Federal agencies and departments receiving Recovery Act funds must maintain strong internal controls, oversight mechanisms, and other approaches to meet the accountability objectives of the Recovery Act.

Our objective was to assess the internal controls HRSA's Bureau of Health Professions has in place over the grant-award process used to award Recovery Act funds and to determine whether the controls have been suitably designed.

The internal controls for awarding Recovery Act funds to grantees, as described by management, are suitably designed to provide reasonable assurance that the specified control objectives would be achieved if the described internal controls were complied with satisfactorily and applied as

designed. However, we did not perform procedures to determine the operating effectiveness of these internal controls. Accordingly, we express no opinion on the operating effectiveness of any aspect of HRSA's internal controls for awarding Recovery Act funds, individually or in the aggregate.

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 me at (202) 619-1175 or through email at Lori.Pilcher@oig.hhs.gov. Please refer to report number A-03-09-00362 in all correspondence.

Attachment

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**HEALTH RESOURCES AND
SERVICES ADMINISTRATION'S
BUREAU OF HEALTH
PROFESSIONS – INTERNAL
CONTROL REVIEW OF THE
PROCESS FOR AWARDING
AMERICAN RECOVERY AND
REINVESTMENT ACT FUNDS**



Daniel R. Levinson
Inspector General

March 2010
A-03-09-00362

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 and 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:

Office of Audit Services

The Office of Audit Services (OAS) provides auditing services for HHS, either by conducting audits with its own audit resources or by overseeing audit work done by others. Audits examine the performance of HHS programs and/or its grantees and contractors in carrying out their respective responsibilities and are intended to provide independent assessments of HHS programs and operations. These assessments help reduce waste, abuse, and mismanagement and promote economy and efficiency throughout HHS.

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The Office of Evaluation and Inspections (OEI) conducts national evaluations to provide HHS, Congress, and the public with timely, useful, and reliable information on significant issues. These evaluations focus on preventing fraud, waste, or abuse and promoting economy, efficiency, and effectiveness of departmental programs. To promote impact, OEI reports also present practical recommendations for improving program operations.

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The Office of Counsel to the Inspector General (OCIG) provides general legal services to OIG, rendering advice and opinions on HHS programs and operations and providing all legal support for OIG's internal operations. OCIG represents OIG in all civil and administrative fraud and abuse cases involving HHS programs, including False Claims Act, program exclusion, and civil monetary penalty cases. In connection with these cases, OCIG also negotiates and monitors corporate integrity agreements. OCIG renders advisory opinions, issues compliance program guidance, publishes fraud alerts, and provides other guidance to the health care industry concerning the anti-kickback statute and other OIG enforcement authorities.

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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 American Recovery and Reinvestment Act of 2009, P.L. No. 111-5 (Recovery Act), was signed into law by President Obama on February 17, 2009. The Recovery Act includes measures to modernize our nation's infrastructure, enhance energy independence, expand educational opportunities, preserve and improve affordable health care, provide tax relief, and protect those in greatest need.

Every taxpayer dollar spent on the economic recovery must be subject to unprecedented levels of transparency and accountability. The five crucial objectives for the Department of Health and Human Services and its agencies are:

- Recovery Act funds are awarded and distributed in a prompt, fair, and reasonable manner.
- Recovery Act funds are transparent to the public, and the public benefits of these funds are reported clearly, accurately, and in a timely manner.
- Recovery Act funds are used for authorized purposes and every step is taken to prevent instances of fraud, error, and abuse.
- Projects funded under the Recovery Act avoid unnecessary delays and cost overruns.
- Projects funded under the Recovery Act ensure program goals are achieved, including specific program outcomes and improved results on broader economic indicators.

At the President's direction, Federal agencies are taking critical steps to carry out the Recovery Act effectively. An Office of Management and Budget memorandum (April 3, 2009) updated initial implementing Recovery Act guidance (February 18, 2009) and requires that all Federal agencies and departments receiving Recovery Act funds must maintain strong internal controls and implement appropriate oversight mechanisms and other approaches to meet the accountability objectives of the Recovery Act.

Health Resources and Services Administration

The Health Resources and Services Administration (HRSA) is charged with increasing access to basic health care for those who are medically underserved. HRSA implements its programs through its six bureaus and 13 offices. The Office of Federal Assistance Management (OFAM) provides assistance and oversight to the bureaus. The bureaus, in conjunction with OFAM, establish goals and policies for the grant programs and activities applicable to the administration of the programs. The Bureau of Health Professions (BHP) tracks trends in the national healthcare workforce, and issues targeted grants to colleges and universities for scholarship, student loan, and debt repayment programs designed to stimulate interest in clinical specialties in

which shortages are expected. BHP grants support scholarship and loan repayment programs at colleges and universities to meet critical workforce shortages and promote diversity within the health professions.

Recovery Act Funding To Address Shortages in the Health Professions Workforce

The Recovery Act provides \$2.5 billion to HRSA to help stimulate the economy through the support of health care access for the underserved. Of the \$2.5 billion, \$2.0 billion was appropriated to support, modernize, and renovate health centers. The remaining \$500 million was appropriated to address workforce shortages of health professionals.

Of the \$500 million that the Recovery Act provided to address workforce shortages, HRSA apportioned \$198 million to BHP. BHP is using the Recovery Act funding to provide grants to institutions for scholarship and loan repayment programs and for grants to training programs.

OBJECTIVE

Our objective was to assess the internal controls HRSA has in place over the grant-award process used by BHP to award Recovery Act funds to determine whether the controls have been suitably designed.

RESULTS OF REVIEW

The internal controls over the grant-award process used to award BHP's Recovery Act funds, as described by HRSA management, are suitably designed to provide reasonable assurance that the specified internal control objectives would be achieved if the described internal controls were complied with satisfactorily and applied as designed.

This report provides a sufficient understanding of HRSA's grant process for awarding Recovery Act funds to grantees as it pertains to control objectives in the following internal control areas: authorization and approval; accuracy, completeness and validity; physical safeguards and security; error handling; and segregation of duties.

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INTRODUCTION

BACKGROUND

Recovery Act Requirements

The American Recovery and Reinvestment Act of 2009, P.L. No. 111-5 (Recovery Act), was signed into law by President Obama on February 17, 2009. The Recovery Act includes measures to modernize our nation's infrastructure, enhance energy independence, expand educational opportunities, preserve and improve affordable health care, provide tax relief, and protect those in greatest need.

According to the Department of Health and Human Services (HHS) Recovery Act Web site,¹ every taxpayer dollar spent on the economic recovery must be subject to unprecedented levels of transparency and accountability.

The five crucial objectives for HHS and its agencies are:

- Recovery Act funds are awarded and distributed in a prompt, fair, and reasonable manner.
- Recovery Act funds are transparent to the public, and the public benefits of these funds are reported clearly, accurately, and in a timely manner.
- Recovery Act funds are used for authorized purposes and every step is taken to prevent instances of fraud, error, and abuse.
- Projects funded under the Recovery Act avoid unnecessary delays and cost overruns.
- Projects funded under the Recovery Act ensure program goals are achieved, including specific program outcomes and improved results on broader economic indicators.

At the President's direction, Federal agencies are taking critical steps to carry out the Recovery Act effectively. An Office of Management and Budget (OMB) memorandum (April 3, 2009) updated initial implementing Recovery Act guidance (February 18, 2009) and requires that all Federal agencies and departments receiving Recovery Act funds must maintain strong internal controls and implement appropriate oversight mechanisms and other approaches to meet the accountability objectives of the Recovery Act.

Health Resources and Services Administration

The Health Resources and Services Administration (HRSA) is charged with increasing access to basic health care for those who are medically underserved. HRSA establishes policies over its

¹Available online at <http://www.hhs.gov/recovery/reports/index.html>, accessed on September 22, 2009.

grant-award process and provides standard terms and conditions for each type of grant program. HRSA implements its programs through its six bureaus and 13 offices, which provide leadership and financial support to health care providers through a wide range of programs and initiatives designed to safeguard the health and well-being of the Nation's most vulnerable populations.

HRSA programs are legislatively authorized by Congress. The legislation defines the purpose and provides appropriations for these programs. The Office of Federal Assistance Management (OFAM) provides assistance and oversight to the bureaus. The bureaus, in conjunction with OFAM, establish goals and policies for the grant programs and activities applicable to the administration of the programs.

Bureau of Health Professions

The Bureau of Health Professions (BHP) awards both discretionary and formula grants and has the authority to determine the recipients of the grants and the amounts awarded. BHP tracks trends in the national healthcare workforce, and issues targeted grants to colleges and universities for scholarship, student loan and debt repayment programs designed to stimulate interest in clinical specialties in which shortages are expected. BHP grants support scholarship and loan repayment programs at colleges and universities to meet critical workforce shortages and promote diversity within the health professions.

Recovery Act Funding To Address Shortages in the Health Professions Workforce

The Recovery Act provides \$2.5 billion to HRSA to help stimulate the economy through the support of health care access for the underserved. Of the \$2.5 billion, \$2.0 billion was appropriated to support, modernize, and renovate health centers. The remaining \$500 million was appropriated to address workforce shortages of health professionals.

Of the \$500 million that the Recovery Act provided to address workforce shortages, HRSA apportioned \$198 million to the BHP.² BHP is using the Recovery Act funding to provide grants to institutions for scholarship and loan repayment programs and for grants to training programs. BHP also provided Recovery Act funding to the Office of Health Information Technology to foster cross-State licensing agreements for healthcare specialists.

This review, one in a series of reviews of HRSA's internal controls over the granting of Recovery Act funds, addresses BHP's award granting processes. Programs funded by the Recovery Act and administered by BHP are designed to promote training in nursing and public health, assist in the recruitment and retention of nurses and faculty, and increase the diversity of the health professions workforce. These programs help disadvantaged individuals who might otherwise have to delay their entry into, or drop out of, training programs.

²We will review controls over HRSA's grant-awarding process for the \$302 million in Recovery Act funds administered by the Bureau of Clinician Recruitment and Service in a separate report (A-03-09-00372).

Health Resources and Services Administration Grant-Award Process

For the most part, HRSA grant applications must be submitted online through Grants.gov, which is the Federal Government's on-line portal to find and apply for Federal grant funding. BHPPr uses HRSA's Electronic Handbooks, a project management system, to set up funding opportunities and accept grantee applications through Grants.gov. The Electronic Handbooks also enables electronic signature.

OFAM provides guidance relating to the laws, regulations, and policies pertinent to the administration of HRSA grants. OFAM conducts operational planning, review, awarding, and management of HRSA's portfolio of grants. Within OFAM, there are four divisions: Division of Financial Integrity, Division of Grants Policy, Division of Grants Management Operations, and Division of Independent Review. Each division has standard operating procedures.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to assess the internal controls HRSA has in place over the grant-award process used by BHPPr to award Recovery Act funds to determine whether the controls have been suitably designed.

Scope

We assessed HRSA's internal controls over the grant-award process used by BHPPr to award Recovery Act funds to colleges and universities to support grant, scholarship, loan, and loan repayment programs, and provide training equipment. Our assessment was limited to determining whether existing internal controls adequately achieved the internal control objectives for: (1) authorization; (2) accuracy, completeness, and validity; (3) physical safeguards and security; (4) error handling; and (5) segregation of duties.

We did not perform procedures to determine the operating effectiveness of these controls. Accordingly, we express no opinion on the operating effectiveness of any aspect of HRSA's internal controls over the grant-award process that the BHPPr used to award Recovery Act funds, individually or in the aggregate.

We performed fieldwork at HRSA Headquarters offices in Rockville, Maryland, from June through August 2009.

Methodology

The internal control environment represents the collective effect of a number of elements in establishing, enhancing, or mitigating the effectiveness of specific policies and procedures. To gain an understanding of BHPPr's control environment, we:

- reviewed relevant Federal laws and regulations, including Recovery Act guidance issued by the OMB, that BHPPr must follow for awarding grants;
- reviewed HRSA's organizational structure, including segregation of functional responsibilities, and its policy statements, operating manuals, and personnel policies;
- reviewed the HRSA Federal Managers' Financial Integrity Act report;
- reviewed the HRSA Grants Management Cycle memorandum for fiscal year (FY) ended September 30, 2009;
- reviewed the BHPPr spending and implementation plans for health professions;
- interviewed HRSA and BHPPr management, as well as operations, administrative, and other personnel responsible for developing, assuring adherence to, and applying internal controls; and
- reviewed the grant-award process for grants funded with Recovery Act funds.

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 findings and conclusions based on our audit objective.

RESULTS OF REVIEW

The internal controls over the grant-award process used to award BHPPr's Recovery Act funds, as described by HRSA management, are suitably designed to provide reasonable assurance that the specified internal control objectives would be achieved if the described internal controls were complied with satisfactorily and applied as designed.

This report provides a sufficient understanding of HRSA's grant process for awarding Recovery Act funds to grantees as it pertains to control objectives in the following internal control areas:

- authorization and approval: transactions and other significant events should be authorized and executed only by persons acting within the scope of their authority;
- accuracy, validity and completeness: all transactions should be consistent with the originating data and fairly represent the economic events that actually occurred, and no valid transactions should be omitted;
- physical safeguards and security: physical controls need to be established to secure and safeguard vulnerable assets and to limit access to resources and records to authorized individuals;

- error handling: errors detected at any stage of processing should receive prompt corrective action and be reported to the appropriate level of management; and
- segregation of duties: key duties and responsibilities need to be divided or segregated among different people to reduce the risk of error or fraud.

AUTHORIZATION AND APPROVAL

Internal Control Objective 1: Internal Controls Provide Reasonable Assurance That Grant Eligibility Requirements Are in Accordance With Laws, Regulations, Recovery Act Guidance, and Agency Policy

- BHP's policy is to look for competitive grant proposals for health professions programs that address some of the most pressing needs across the U.S. health workforce. Each HRSA grant program has its own set of eligibility requirements. Applicants for health professions programs awards can find eligibility information in section III of each funding opportunity announcement.
- HRSA's policy is to prepare guidance to advise applicants about requirements for health professions programs grants. HRSA's policy further states that guidance is sent to OFAM and the Office of General Counsel for review and comments.
- HRSA's "Objective Review Manual" states that HRSA will evaluate grant applications by a fair and impartial process. For health professions programs awards, applications are received in [Grants.gov](https://www.grants.gov), downloaded into the Electronic Handbooks, and provided to OFAM's Division of Independent Review, which arranges for an objective external review by expert reviewers, based on specific published grant criteria.
- HRSA's policy is to include the "HHS Grants Policy Statement" in all Notice of Awards as a term and condition of the award. The "HHS Grants Policy Statement" says that grant awards are for the reimbursement of actual and allowable costs incurred and are subject to Federal cost principles. The cost principles are set forth in OMB Circulars A-21, A-87, and A-122 and incorporated by reference in 45 CFR §§ 74.25 and 92.30. The cost principles address four tests to determine the allowability of costs: reasonableness, allocability, consistency, and conformance. The "HHS Grants Policy Statement" also includes administrative and other remedies the Federal Government may use if a grantee does not comply with requirements.

Internal Control Objective 2: Internal Controls Provide Reasonable Assurance That Information and Methods Used To Publicize the Program Are in Accordance With Laws, Regulations, Recovery Act Guidance, and Agency Policy

- OMB implementation guidance for the Recovery Act requires Federal agencies to provide information on the funding notifications made for all award types on [Recovery.gov](https://www.Recovery.gov) with a link to the agency's Web site. The funding notifications stem from public announcements on the amount of funds available to entities outside of the Federal

Government. The notifications include funds available immediately through formula or block grants, through the solicitation of applications or proposals for award in the future, or through any other public notification. Grants, contracts, loans, loan guarantees, cooperative agreements, and other forms of assistance are all subject to this reporting requirement.

- BHPPr posts the grant eligibility requirements, program objectives, and financial management system requirements on its own Web site and Grants.gov. Each Web site is linked to Recovery.gov. Funding opportunity announcements result in the submission of grant applications through Grants.gov. Funding opportunity announcements are requests for applications and are issued to invite grant applications in the BHPPr's priority areas.
- BHPPr's Web site contains a wide variety of resource materials that educate grantees about applicable regulations and policies governing the administration of grants. BHPPr staff also provide policy interpretation and consultation to the grantee community.

Internal Control Objective 3: Internal Controls Provide Reasonable Assurance That Grant Application Processing Procedures Are Established and in Accordance With Laws, Regulations, Recovery Act Guidance, and Agency Policy

- HRSA's policy is to evaluate grant applications in a fair and impartial manner. HHS's Awarding Agency Grants Administration Manual (2.04.104C-1) requires discretionary competitive grant applications to undergo an independent, objective review to be considered for funding.
- As required, applications for competitive grants are processed through an objective review and assigned a numerical ranking. The Division of Independent Review uses an objective review process in which grant applications are reviewed by a committee of experts qualified by training and experience in fields or disciplines related to the application being reviewed. Potential reviewers are screened for prejudices, biases, predispositions, or conflicts of interest that could taint the review process. The reviewers evaluate each application based on published application guidance and assess the feasibility of each project. The results of the review are recorded in the Electronic Handbooks.
- Before awarding a grant, BHPPr and OFAM ensure that administrative requirements have been addressed, including whether competitive grants were funded in rank order. For all new and competitive continuation awards, Congress is alerted at least 72 hours before the award is issued. The Congressional Liaison Office is automatically notified via the Grants Administration Tracking and Evaluation System. The Grants Management Officer, an OFAM employee, approves the Notice of Award, which is sent to the grantee.

Internal Control Objective 4: Internal Controls Provide Reasonable Assurance That Grantee Procedures for Control, Use, and Reporting of Grant Funded Operations Are in Accordance With Laws, Regulations, Recovery Act Guidance, and Agency Policy

- HRSA requires grantees to meet the standards and requirements for financial management systems set forth or referenced in 45 CFR § 74.21 or 92.20, as applicable. Requirements for grantees' financial and administrative systems are included in the "HHS Grants Policy Statement."
- HRSA may impose corrective actions and/or include special conditions on awards or suspend, terminate, or withhold support. OFAM determines whether the entity has the financial management abilities and practices to use Federal resources in accordance with Federal rules and regulations.

Internal Control Objective 5: Internal Controls Provide Reasonable Assurance That Grant Requirements Are Noted and in Place

- The Authorized Organization Representative certifies that the applicant organization will be accountable both for the appropriate use of funds awarded and for the performance of the grant-supported project or other activities resulting from the application. The Authorized Organization Representative is also responsible to BHP for ensuring that the organization complies with the terms and conditions of individual awards and organizationwide requirements, such as those concerning financial management and property management.
- A grantee acknowledges and accepts a HRSA award and its associated terms and conditions by drawing down or requesting funds made available by the Notice of Award. Once the award is accepted by the grantee, the terms and conditions of the Notice of Award are binding.

ACCURACY, COMPLETENESS, AND VALIDITY

Internal Control Objective 1: Internal Controls Provide Reasonable Assurance That Program Objectives Are Achieved in an Economical and Efficient Manner

- HRSA requires that OFAM review applications for appropriate eligibility and create a ranked listing of them based on local need, the applicant's response other evaluative measures, the project's potential impact, resources/capacity, and budget/support requested.

Internal Control Objective 2: Internal Controls Provide Reasonable Assurance That Procedures Used To Process and Approve Grant Applications and Related Transactions Are Efficient

- BHP requires that all applications be submitted electronically through [Grants.gov](https://www.grants.gov). The Electronic Handbooks contains the official grant files in electronic format. A HRSA

contractor validates, edits, and batches electronic applications and distributes them to BHPPr and OFAM.

- HRSA requires that submitted applications undergo checks at Grants.gov. Grants.gov checks to ensure that no viruses are attached to the application and the DUNS number is correct.³ At BHPPr, the application is checked against an application validation checklist. If there are no errors, then the application moves further into the award process.

Internal Control Objective 3: Internal Controls Provide Reasonable Assurance That the Agency Has Mechanisms in Place To Timely Award Grant and Contract Funds

- BHPPr intends to obligate its Recovery Act funds in fiscal years 2009 and 2010. BHPPr officials said BHPPr will allocate additional staff as needed to address the increased number of grant applications. Communication is expedited with use of the Electronic Handbooks.

Internal Control Objective 4: Internal Controls Provide Reasonable Assurance That Only Those Grant Requests That Meet the Eligibility Requirements Are Approved

- HRSA policy requires that OFAM review the General Services Administration Listing of Parties Excluded From Federal Procurement and Non-Procurement Programs before issuing a grant.
- BHPPr policy requires that it conduct an eligibility and completeness review of applications. Eligible applications are then forwarded to OFAM for objective review. OFAM certifies that all applicable requirements for an independent, competitive review have been carried out before funding a grant application.
- Before awarding the grant, HRSA requires OFAM to perform an assessment that includes a budget review and a review of other information such as information in the Debarment and Suspension List and the Payment Management System. The Division of Financial Integrity performs a more extensive financial review of the potential grantees.

Internal Control Objective 5: Internal Controls Provide Reasonable Assurance That Grantee Records Are Periodically Substantiated and Evaluated

- Pursuant to OMB Circular A-133 and 45 CFR § 74.26, grantees that expend more than \$500,000 in a fiscal year are required to obtain audits of their organizations' operations annually from private accounting firms. Additionally, HRSA provides technical

³Date Universal Numbering System (DUNS) is a unique nine-digit number assigned by Dun and Bradstreet Information Services. It is the universal standard for identifying and keeping track of more than 92 million businesses worldwide. Grants.gov requires a DUNS number for registration. For applicants, the DUNS number in the application must match the DUNS number in the Electronic Handbooks. The Electronic Handbooks allows applicants to access the status of their applications; grantees can access the status of their awards, submit reports, and communicate with the Bureau electronically.

assistance and educational outreach to educate staff and to enhance administrative oversight of program activities.

- OFAM and BHP use progress reports, financial statement reports and performance review reports, correspondence from the grantee, audit reports, site visits, and other available information to monitor costs and program results, identify potential problems, and identify areas where technical assistance or enforcement action may be necessary.

PHYSICAL SAFEGUARDS AND SECURITY

Internal Control Objective 1: Internal Controls Provide Reasonable Assurance That Access to Grant and Accounting Records, Critical Forms, Processing Areas, and Processing Procedures Are Permitted Only in Accordance With Policy

- HRSA maintains an agencywide security program to safeguard and secure access to records. In its Fiscal Year 2008 “Improper Payments Information Act Risk Assessment” (risk assessment), HRSA formalized system security requirements for all its financial and nonfinancial systems. HRSA’s access controls include formal authorization, password requirements, and clearance levels. The risk assessment noted that HRSA also employs firewalls, intrusion detection systems, and anti-virus software at multiple tiers for information technology security. Finally, the risk assessment noted that HRSA has developed an Information Systems Security Plan to evaluate and mitigate potential threats.

Internal Control Objective 2: Internal Controls Provide Reasonable Assurance That Valuable Assets and Information Are Safeguarded From Unauthorized Access or Use

- HRSA officials told us HRSA has actively addressed security issues by providing frequent training to staff. HRSA has developed specialized security training for personnel with significant security responsibilities to comply with OMB requirements. HRSA also recently updated its security awareness course, which is an annual requirement for all personnel who use information systems.
- HRSA has a number of internal controls in place to ensure the safeguarding and security of data. HRSA maintains backup tapes off site to provide recovery of data. It administers a Critical Infrastructure Protection program that emphasizes perimeter protection, incident response, and risk assessment. HRSA completes annual self-assessments, privacy impact assessments, and security reviews for all Federal Information Security Management Act (FISMA) critical systems. HRSA requires certification and accreditation for 100 percent of FISMA systems. Certification and accreditation ensures that safeguards are implemented effectively and commensurate with risks. HRSA also implemented the “HHS Security and Privacy Online Reporting Tool” for tracking FISMA information.

ERROR HANDLING

Internal Control Objective 1: Internal Controls Provide Reasonable Assurance That the Health Resources and Services Administration Accurately and Promptly Classifies, Summarizes, and Reports Adjustments to Grant Application Information and Records

- Grants.gov provides a warning to alert the applicant to a less-than-ideal condition during the application process. Correcting the error allows the application to proceed.
- HRSA's policy does not allow applicants who have submitted their applications to correct errors and resubmit the corrected information through Grants.gov. To eliminate processing errors and ensure that all applicants are treated equally, HRSA accepts an applicant's first electronic submission as the final and only acceptable submission of any competing applications submitted to Grants.gov.

SEGREGATION OF DUTIES

Internal Control Objective 1: Internal Controls Provide Reasonable Assurance That Opportunities for an Individual To Both Cause and Conceal Errors Are Reduced

- BHP's Project Officers establish or participate in the establishment of goals for new programs and are responsible for developing program guidance.
- BHP's Associate Administrator's Office, the Office of General Counsel, and OFAM review, provide comments, and sign off on BHP guidance.
- OFAM's Division of Grants Management Operations is responsible for coordinating all aspects of the grant-award process. Grants Management Officers are independent of BHP.
- OFAM's Division of Independent Review is responsible for planning, directing, and managing the objective review of new competing applications.
- OFAM's Division of Financial Integrity is responsible for performing financial assessments and providing recommendations to OFAM's Division of Grants Management Operations and the bureau to which the award applies.