

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**THE INDIAN HEALTH SERVICE DID
NOT ALWAYS RESOLVE AUDIT
RECOMMENDATIONS IN ACCORDANCE
WITH FEDERAL REQUIREMENTS**

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Office of Inspector General

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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.

Report in Brief

Date: September 2018
Report No. A-07-17-03227

U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES
OFFICE OF INSPECTOR GENERAL



Why OIG Did This Review

HHS, Indian Health Service (IHS), is subject to Federal audits of its internal activities as well as Federal and non-Federal audits of activities performed by its grantees and contractors. As a followup to these audits, IHS is responsible for resolving Federal and non-Federal audit report recommendations related to its activities, grantees, and contractors within 6 months after formal receipt of the audit reports. HHS, OIG, prepares and forwards to IHS monthly stewardship reports that show the status of these reported audit recommendations.

Our objectives were to determine whether IHS resolved audit recommendations in a timely manner during Federal fiscal years (FYs) 2015 and 2016 and to identify all unresolved audit recommendations that were due for resolution as of September 30, 2016.

How OIG Did This Review

We reviewed the "Outstanding Audits and Actions Taken by Cognizance" stewardship reports to identify all outstanding audit recommendations that IHS resolved during FYs 2015 and 2016, as well as all outstanding audit recommendations that remained unresolved and were due for resolution as of September 30, 2016. These stewardship reports identified 125 audit reports and 651 corresponding recommendations.

The Indian Health Service Did Not Always Resolve Audit Recommendations in Accordance With Federal Requirements

What OIG Found

IHS did not always resolve audit recommendations in a timely manner during FYs 2015 and 2016. Specifically, IHS resolved 138 of the 651 recommendations that were outstanding during FYs 2015 and 2016. However, it did not resolve 123 of the 138 recommendations (89.1 percent) within the required 6-month resolution period. In addition, as of September 30, 2016, IHS had not resolved 513 audit recommendations that were past due for resolution.

IHS had policies and procedures in place to ensure that non-Federal audit recommendations were resolved in compliance with Federal requirements, but did not generally follow them. As a result, IHS did not usually issue management decisions and submit the related clearance documents to OIG within the required 6-month resolution period. According to IHS officials, audit resolution was not always given high priority by the contracting officers responsible for obtaining management decisions, due to competing responsibilities and limited resources.

To improve its resolution process, IHS implemented a formal quarterly reconciliation process for unresolved recommendations and provided the results to its contracting officers for followup. IHS put this process into effect at the end of our audit period. IHS also had policies and procedures in place related to resolving Federal audit recommendations; however, these policies and procedures did not include the detailed steps to be taken to ensure that audits are resolved within the 6-month resolution period.

What OIG Recommends and IHS Comments

We recommend that IHS follow, and where necessary update, its policies and procedures related to the non-Federal and Federal audit resolution processes; promptly resolve the 513 outstanding audit recommendations that were past due as of September 30, 2016; follow the reconciliation process that it implemented at the end of our audit period; and give higher priority to audit resolution in accordance with Federal requirements.

IHS concurred with all of our recommendations and described corrective actions that it had taken or planned to take. IHS said that it planned to have Federal audit resolution policies and procedures in place by November 30, 2018. IHS also stated that it would identify and promptly resolve any recommendations that were past due as of September 30, 2016, and that it would continue to perform quarterly reconciliations to identify open audits and to oversee performance by responsible officials.

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INTRODUCTION

WHY WE DID THIS REVIEW

The U.S. Department of Health and Human Services (HHS), Indian Health Service (IHS), is subject to Federal audits of its internal activities as well as Federal and non-Federal audits of activities performed by its grantees and contractors. These audits ensure that recipients of Federal awards have complied with applicable Federal requirements related to management and use of funds. As a followup to these audits, IHS is responsible for resolving Federal and non-Federal audit report recommendations related to its activities, grantees, and contractors within 6 months after formal receipt of the audit reports. The HHS Office of Inspector General (OIG) prepares and forwards to IHS monthly stewardship reports that show the status of these reported audit recommendations. In keeping with our mission of helping to safeguard HHS funds, we focused in this review on the timeliness of IHS's audit resolution process. This process includes, in response to each Federal and non-Federal audit report on IHS's internal activities or on activities performed by IHS's grantees and contractors, the issuance of a management decision and the submission of an OIG clearance document (OCD) to OIG within the required 6-month period.¹ We are not reviewing the actual corrective actions taken by IHS.

In a previous OIG audit report (A-07-06-03077, Mar. 9, 2007; Appendix B), we found that IHS did not always resolve audit recommendations in accordance with Federal requirements during calendar years (CYs) 2003 through 2005. We included the results of our previous review in this audit report to compare them with the current-period results.

OBJECTIVES

Our objectives were to determine whether IHS resolved audit recommendations in a timely manner during fiscal years (FYs) 2015 and 2016 and to identify all unresolved audit recommendations that were due for resolution as of September 30, 2016.

BACKGROUND

IHS is an agency within HHS that delivers clinical and preventive health services to American Indians and Alaska Natives. Indian health care services are provided in more than 630 IHS and tribal health care facilities, including hospitals and outpatient clinics. IHS provides a comprehensive health service delivery system for approximately 2.2 million American Indians and Alaska Natives who belong to 573 federally recognized tribes (as of June 2018) in 36 States.

¹ In this context, the term "management decision" refers to the evaluation by the cognizant HHS operating division's (OPDIV) management of the audit findings and corrective action plan and the issuance of a written decision as to what corrective action is necessary. The OPDIV's management uses an OCD to report to OIG the management decision and actions taken on recommendations; OIG then uses the OCD as the source document to clear recommendations from the stewardship report.

Federal Audits

Section 4(a) of the Inspector General Act of 1978, as amended (5 U.S.C. App.), directs OIG to conduct audits of agency programs and activities. Under this authority, OIG conducts audits of internal IHS activities, as well as activities performed by IHS grantees and contractors. These audits are intended to provide independent assessments of IHS programs and operations and to help promote economy and efficiency. OIG uses its own resources to conduct audits in accordance with generally accepted government auditing standards (GAGAS) and oversees audit work conducted by independent auditors.

Non-Federal Single Audits

Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*,² requires that non-Federal entities (such as IHS grantees) that expend \$500,000³ or more in Federal awards in a year⁴ have a Single Audit or program-specific audit (also referred to as an “A-133 audit”), pursuant to the provisions of OMB Circular A-133, Subpart B, __.200.⁵ These A-133 audits, conducted by independent auditors, are conducted in accordance with GAGAS and OMB Circular A-133. These audits include an examination of the entity’s financial records and financial statements, testing of the entity’s internal controls, and a review of the entity’s compliance with requirements related to expenditures of selected Federal awards. The final audit report contains comments from the entity, including corrective actions planned or taken to address the findings.

Audited entities transmit their final A-133 audit reports to the Federal Audit Clearinghouse (FAC).⁶ In turn, OIG, National External Audit Review Center (NEAR), receives A-133 audit reports from the FAC. NEAR performs a desk review of each A-133 audit report that contains findings related to direct HHS funding to determine whether there are any issues with the report and whether the report meets GAGAS and OMB Circular A-133 requirements. NEAR prepares a transmittal letter and attachment that summarize the audit findings and

² This circular was made applicable by HHS regulations at 45 CFR § 74.26(a). The circular was relocated to 2 CFR part 230. (HHS has promulgated new grant regulations and cost principles at 45 CFR part 75 that apply to awards made on or after December 26, 2014.) None of the audits in our review were subject to the new rule, as they were of awards made prior to that date.

³ The expenditure level for Federal awards was raised to \$750,000 for FYs beginning on or after December 26, 2014 (45 CFR § 75.501(a)).

⁴ Some State and local governments that are required by constitution or statute that was in effect January 1, 1987, to be audited less frequently than annually are permitted to undergo audits biennially. Nonprofit organizations are also allowed to have biennial audits under certain conditions (OMB Circular A-133, § _____.220).

⁵ Commercial entities that met the \$500,000 threshold during the audit period could elect to conduct either an A-133 audit or a financial-related audit (45 CFR § 74.26(d)(i)).

⁶ The FAC operates on behalf of OMB to disseminate A-133 audit reports to Federal agencies.

recommendations and that identify the Federal agency responsible for resolution (cognizant Federal agency). NEAR then distributes the transmittal letter and attachment to the grantee and the cognizant Federal agency.

Federal Requirements Regarding Timeliness of Audit Resolution

In resolving Federal audit recommendations, IHS must comply with OMB Circular A-50, *Audit Followup*, which requires resolution of audit recommendations within a maximum of 6 months after issuance of a final audit report. In resolving non-Federal audit recommendations, IHS must comply with OMB Circular A-133 for audits of grantees that received awards in FYs beginning prior to December 26, 2014, and with 45 CFR § 75.521(d) for audits of grantees that received awards in FYs beginning on or after that date.⁷ OMB Circular A-133 requires resolution within 6 months after receipt of the final report by the Federal Government, and 45 CFR § 75.521(d) requires resolution within 6 months of acceptance of the audit report by the FAC.

IHS's Audit Resolution Process

IHS's *Audit Resolution Process Manual*⁸ (the Manual) provides policies and procedures for IHS to follow in resolving non-Federal audit recommendations. IHS, Division of Audit, is responsible for overseeing all non-Federal audit resolution. Staff auditors within the Division of Audit perform the direct audit resolution work for Title V tribes and tribal organizations and for "other" entity types; contracting officials in IHS area offices perform the direct audit resolution work for Title I tribes and tribal organizations.⁹

After being assigned audit recommendations for a Title V or "other" entity type, an IHS staff auditor reviews the entity's Corrective Action Plan (CAP) to determine whether it is responsive to the recommendations and then uses the CAP to prepare a Management Decision Letter (MDL), which details the action(s) taken (that is, the management decision(s); footnote 1) for

⁷ See footnote 2. Although none of the audits in this review were subject to 45 CFR part 75, we included the relevant provision from the current regulation in this report to support the validity of our recommendations.

⁸ The Manual does not show its issuance date; however, IHS officials told us that it was in place prior to, and effective throughout, our audit period.

⁹ Title I of the Indian Self Determination and Education Assistance Act of 1975 (ISDEAA), P.L. No. 93-638, as amended, deals with federally recognized tribes or tribal organizations that *contract* with IHS to plan, conduct, and administer one or more individual programs, functions, services, or activities (PFSAs), or portions thereof, that IHS would otherwise provide for Indians because of their status as Indians (25 U.S.C. § 450f). Under these provisions, substantial changes that a federally recognized tribe or tribal organization wishes to make to a *contract* must be approved by IHS. Title V of the ISDEAA deals with federally recognized tribes or tribal organizations that *compact* with IHS to assume full funding and control over PFSAs, or portions thereof, that IHS would otherwise provide for Indians because of their status as Indians (25 U.S.C. § 458aaa-3-4(b)). A federally recognized tribe or tribal organization that *compacts* with IHS under Title V may redesign or consolidate PFSAs and reallocate or redirect funding without IHS approval. There are some "other" entity types that do not fall under either of those two categories but that nevertheless receive some type of grants, sanitation, or construction funding.

the audit recommendations. If the entity has any outstanding recommendations from previous audits, the staff auditor determines whether corrective actions have been implemented or planned and then prepares a related MDL. The staff auditor then uses the MDL to prepare an OCD, which IHS sends to OIG for removal of the recommendations from the stewardship report (the Manual §§ B.1. and D.3.).

When IHS receives an audit report for a Title I entity, an IHS staff auditor notifies the entity's contracting official so that the official can review the related recommendations and the entity's CAP. The contracting official then uses the CAP to prepare and approve an MDL, which is submitted to the IHS staff auditor. In turn, the staff auditor uses the MDL to prepare an OCD, which IHS sends to OIG for removal of the recommendations from the stewardship report (the Manual §§ C.1. and C.3.).

Additionally, the Manual states that IHS should resolve or be making progress to resolve recommendations no later than 6 months after receipt of the NEAR transmittal letter (the Manual § B.3.).¹⁰

To assist its staff in this audit resolution process, IHS uses an internal audit tracking and monitoring system. During the last month of our audit period (September 2016), IHS began performing formal reconciliations between its internal system and the stewardship reports to identify differences and help eliminate backlogs of outstanding recommendations.

IHS guidance that supplements its *Indian Health Manual* provides policies and procedures for IHS to follow in resolving Federal audit recommendations ("IHS Staff Interaction with the Office of Inspector General and the General Accounting Office Relating to Audits," IHS Circular No. 95-12, effective May 30, 1995).¹¹ This guidance states that IHS is responsible for audit resolution and corrective action and adds that if recommendations remain open after 6 months, the audit report in question goes into audit followup status, which requires IHS to report quarterly on the status of corrective actions until each of the recommendations has been implemented (§ 7.D.3.).

Stewardship Reports

The OIG Audit Planning and Implementation group prepares, and forwards to IHS (and other HHS OPDIVs as appropriate), monthly stewardship reports on the status of audit recommendations reported in Federal and non-Federal audits. These reports identify all audit reports and corresponding recommendations issued for the selected period and provide the

¹⁰ For the non-Federal audits the status of whose recommendations we evaluated for this review, we considered the date of receipt of the NEAR transmittal letter to be the same as the audit report's issue date. See also Appendix A.

¹¹ Since publication of this document, the General Accounting Office has been renamed the U.S. Government Accountability Office (GAO).

management decisions and the date of that action, or indicate that no action has as yet been taken.

HOW WE CONDUCTED THIS REVIEW

We reviewed the “Outstanding Audits and Actions Taken by Cognizance” stewardship reports to identify all outstanding audit recommendations that IHS resolved during FYs 2015 and 2016, as well as all outstanding audit recommendations that remained unresolved and were due for resolution as of September 30, 2016. These stewardship reports identified 125 audit reports and 651 corresponding recommendations.^{12,13} The issuance dates for these audit reports ranged from October 28, 2005, through March 22, 2016.

We did not review IHS’s overall internal control structure. Rather, we reviewed only those internal controls related to our objective.

We conducted this performance audit in accordance with GAGAS. 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 objectives.

Appendix A describes our audit scope and methodology.

FINDINGS

IHS did not always resolve audit recommendations in a timely manner during FYs 2015 and 2016. Specifically, IHS resolved 138 of the 651 audit recommendations that were outstanding during FYs 2015 and 2016. However, it did not resolve 123 of the 138 recommendations (89.1 percent) within the required 6-month resolution period. In addition, as of September 30, 2016, IHS had not resolved 513 audit recommendations that were past due for resolution. These 513 past-due recommendations were procedural in nature and typically involved policies and procedures and internal controls; none of them involved dollar amounts such as recommended disallowances.

¹² Of the 125 audit reports and 651 corresponding recommendations identified in these stewardship reports, 3 were Federal audit reports that had a total of 19 corresponding recommendations, while 122 were non-Federal audit reports that had a total of 632 corresponding recommendations. Thus, Federal audits accounted for less than 3 percent of the total audits and related recommendations that we reviewed for this audit.

¹³ In contrast, as reported in our previous review of CYs 2003 through 2005, the relevant stewardship reports identified 1,571 audit reports with 9,493 corresponding outstanding recommendations. The 9,493 outstanding recommendations reported in our previous review included 373 recommendations that were unresolved but not due for resolution until after the end of the previous audit period. For purposes of the comparisons that we make in Tables 1 and 3 later in this report, we have removed these 373 recommendations from the totals of previous-review recommendations.

IHS had policies and procedures in place to ensure that non-Federal audit recommendations were resolved in compliance with Federal requirements, and these policies and procedures specifically stated that audit recommendations are considered unresolved if they are not resolved within 6 months of the audit report's issue date. However, IHS did not generally follow these policies and procedures. As a result, for non-Federal audits, IHS did not usually issue management decisions and submit the related OCDs to OIG within the required 6-month resolution period. According to IHS officials, IHS did not always take these steps primarily because audit resolution was not always given high priority by the contracting officers responsible for obtaining management decisions and issuing appropriate documentation, due to competing responsibilities and limited resources.

IHS also had policies and procedures in place related to resolving Federal audit recommendations; however, these policies and procedures did not include the detailed steps to be taken to ensure that audits are resolved within the required 6-month resolution period. As a result, the 513 audit recommendations that were unresolved and past due for resolution as of the end of our audit period included 8 of the 19 recommendations from Federal audit reports.

Without resolving all audit recommendations in a timely manner, IHS runs the risk of noncompliance with Federal requirements and mismanagement of Federal funds. The prompt resolution of audit recommendations helps ensure that Federal funds are effectively and efficiently used to carry out the activities for which they were authorized.

FEDERAL REQUIREMENTS AND IHS POLICIES AND PROCEDURES

In resolving Federal audit recommendations, IHS must comply with OMB Circular A-50. In resolving non-Federal audit recommendations, IHS must comply with OMB Circular A-133 for audits of grantees that received awards in FYs beginning prior to December 26, 2014, and with 45 CFR § 75.521(d) for audits of grantees that received awards in FYs beginning on or after that date (footnote 2).

OMB guidance requires "prompt resolution and corrective actions on audit recommendations. Resolution shall be made within a maximum of six months after issuance of a final report or, in the case of audits performed by non-Federal auditors, six months after receipt of the report by the Federal Government. Corrective action should proceed as rapidly as possible" (OMB Circular A-50, § 8.a.(2)).

OMB guidance states: "The entity responsible for making the management decision shall do so within six months of receipt of the [non-Federal] audit report. Corrective action should be initiated within six months after receipt of the audit report and proceed as rapidly as possible" (OMB Circular A-133, § _____.405(d)).

Federal regulations provide the following management decision time requirements: "The HHS awarding agency or pass-through entity responsible for issuing a management decision must do so within six months of acceptance of the audit report by the FAC. The auditee must initiate

and proceed with corrective action as rapidly as possible and corrective action should begin no later than upon receipt of the audit report” (45 CFR § 75.521(d)).

IHS policies and procedures state that IHS should resolve or be making progress to resolve recommendations no later than 6 months after receipt of the NEAR transmittal letter (the Manual § B.3.); see also footnote 10.

IHS guidance states that IHS is responsible for audit resolution and corrective action and adds that if recommendations remain open after 6 months, the audit report in question goes into audit followup status, which requires IHS to report quarterly on the status of corrective actions until each of the recommendations has been implemented (IHS Circular No. 95-12 § 7.D.3.).

IHS DID NOT ALWAYS RESOLVE AUDIT RECOMMENDATIONS IN ACCORDANCE WITH FEDERAL REQUIREMENTS

IHS Did Not Always Resolve Audit Recommendations in a Timely Manner

IHS did not always resolve audit recommendations in a timely manner during FYs 2015 and 2016. Of the 138 audit recommendations that IHS resolved during FYs 2015 and 2016, 15 (10.9 percent) were resolved within the required 6-month resolution period, but 123 (89.1 percent) were not resolved within that period.¹⁴

Of the 2,840 audit recommendations that IHS had resolved during CYs 2003 through 2005, 2,727 (96.0 percent) were, as reported in our previous review,¹⁵ not resolved within the required 6-month resolution period. Table 1 on the following page shows the timeframes for resolving these recommendations for both reviews.

¹⁴ Of the 15 recommendations that IHS resolved in a timely manner, 11 were conveyed in Federal audit reports, and 4 were conveyed in non-Federal audit reports. All of the 123 recommendations not resolved in a timely manner were conveyed in non-Federal audit reports.

¹⁵ A-07-06-03077.

**Table 1: Timeliness of Audit Recommendations Resolved in FYs 2015 and 2016
Compared With Those Resolved in CYs 2003 Through 2005**

Timeframe To Resolve Recommendation	Current Audit FYs 2015 and 2016		Previous Audit CYs 2003–2005	
	Number of Resolved Recommendations	Percentage of Total	Number of Resolved Recommendations	Percentage of Total
Within 6-month resolution period	15	10.9%	113	4.0%
Not resolved within 6-month resolution period:				
6+ months to 1 year	25	18.1%	285	10.0%
1+ year to 2 years	36	26.1%	375	13.2%
2+ years to 3 years	26	18.8%	642	22.6%
3+ years to 4 years	22	15.9%	462	16.3%
4+ years to 5 years	2	1.4%	780	27.5%
5+ years	12	8.7%	183	6.4%
Subtotal (not resolved within 6-month resolution period)	123	89.1%	2,727	96.0%
Total	138	100.0%	2,840	100.0%

Table 1 also shows that the total number of audit recommendations that IHS resolved was significantly reduced from the CYs 2003 through 2005 timespan covered by our previous review to the (admittedly shorter) FYs 2015 and 2016 timespan covered by our current review. In addition, the percentage of audit recommendations that IHS did not resolve in a timely manner decreased from 96.0 percent in CYs 2003 through 2005 to 89.1 percent in FYs 2015 and 2016.

IHS Had Some Recommendations That Were Unresolved and Due for Resolution

As of September 30, 2016, IHS had not resolved 513 audit recommendations (of the 651 outstanding recommendations for FYs 2015 and 2016) that were past due for resolution.¹⁶ These 513 past-due recommendations were procedural in nature and typically involved policies and procedures and internal controls; none of them involved dollar amounts such as recommended disallowances.

As of December 31, 2005 (the end of the period covered by our previous report), IHS had not resolved 6,280 audit recommendations that were past due for resolution. (As with the 513 past-due recommendations discussed just above, all of these 6,280 recommendations in the period covered by our previous report were procedural in nature.) Therefore, between the period covered by our previous review and the period covered by our current review, IHS significantly reduced the total number of unresolved audit recommendations that were past

¹⁶ Of the 513 recommendations that were unresolved and past due for resolution, 8 were conveyed in Federal audit reports, and 505 were conveyed in non-Federal audit reports.

due for resolution. Tables 2 and 3 below present information on the timeframes for our current review and the timeframes for our previous review, respectively.¹⁷

Table 2: Unresolved Audit Recommendations Past Due for Resolution as of September 30, 2016

Timeframe Beyond Required Resolution Date	Number of Recommendations	Percentage of Total Recommendations	Average Days Beyond Required Resolution Date	Percentage of Dollar Amounts Beyond Required Resolution Date
6+ months to 1 year	75	14.6%	239.3	N/A
1+ year to 2 years	76	14.8%	581.3	N/A
2+ years to 3 years	57	11.1%	930.0	N/A
3+ years to 4 years	71	13.8%	1,297.3	N/A
4+ years to 5 years	31	6.0%	1,569.0	N/A
5+ years	203	39.6%	2,802.9	N/A
Total	513	100.0%		N/A

Table 3: Unresolved Audit Recommendations Past Due for Resolution as of December 31, 2005 (Previous Audit)

Timeframe Beyond Required Resolution Date	Number of Recommendations	Percentage of Total Recommendations	Average Days Beyond Required Resolution Date	Percentage of Dollar Amounts Beyond Required Resolution Date
6+ months to 1 year	574	9.1%	187.0	N/A
1+ year to 2 years	775	12.3%	593.0	N/A
2+ years to 3 years	1,040	16.6%	938.0	N/A
3+ years to 4 years	1,082	17.2%	1,318.0	N/A
4+ years to 5 years	1,540	24.5%	1,628.0	N/A
5+ years	1,269	20.2%	2,214.0	N/A
Total	6,280	100.0%		N/A

IHS DID NOT ALWAYS FOLLOW ITS POLICIES AND PROCEDURES WHEN RESOLVING AUDIT RECOMMENDATIONS

IHS had policies and procedures in place to ensure that non-Federal audit recommendations were resolved in compliance with Federal requirements, and these policies and procedures specifically stated that audit recommendations are considered unresolved if they are not resolved within 6 months of the audit report’s issue date. However, IHS did not generally follow these policies and procedures. As a result, for non-Federal audits, IHS did not usually issue management decisions and submit the related OCDs to OIG within the required 6-month resolution period. According to IHS officials, IHS did not always take these steps primarily because audit resolution was not always given high priority by the contracting officers

¹⁷ A-07-06-03077.

responsible for obtaining management decisions and issuing appropriate documentation, due to competing responsibilities and limited resources.

IHS has taken steps to help address its backlog of outstanding non-Federal audit reports and corresponding recommendations that were awaiting resolution. One step involved the formation of the Division of Audit, tasked with overseeing non-Federal audit resolution, during the latter part of the previous audit period in October 2005.¹⁸ Another step involved implementing a formal quarterly reconciliation process in which IHS reconciled its internal audit tracking and monitoring system to the stewardship reports and then provided results to its contracting officers for followup. IHS put this reconciliation process into effect in September 2016, at the end of our audit period.

IHS also had policies and procedures in place related to resolving Federal audit recommendations; however, these policies and procedures did not include the detailed steps to be taken to ensure that audits are resolved within the required 6-month resolution period. Of the 651 audit recommendations that fell within our audit period, only 19 were Federal audit recommendations (less than 3 percent of the total); however, 8 of those 19 recommendations were unresolved and due for resolution as of the end of our audit period. In addition, some of the policies (in particular, IHS Circular No. 95-12, cited earlier, which has an effective date of May 30, 1995, and which deals specifically with audit resolution and IHS's interactions with OIG and GAO) offer an appropriate framework upon which, when next updated, IHS can add more detailed steps regarding the resolution of Federal audit recommendations.

IHS DID NOT ALWAYS ENSURE THAT FEDERAL FUNDS WERE EFFECTIVELY AND EFFICIENTLY USED

As a result of steps taken by IHS during and since our previous audit period, as well as the fact that IHS had fewer audit recommendations in our current (FYs 2015 and 2016) audit period compared with our previous (CYs 2003 through 2005) audit period, the total number of unresolved recommendations has been reduced (footnote 13). Similarly, the timeliness of resolved recommendations has improved between the previous and current audit periods. However, during our current audit period, 89 percent of resolved recommendations were not resolved within the required 6-month time period. Without resolving all audit recommendations in a timely manner, IHS runs the risk of noncompliance with Federal requirements and mismanagement of Federal funds. The prompt resolution of audit recommendations helps ensure that Federal funds are effectively and efficiently used to carry out the activities for which they were authorized.

¹⁸ The formation of the Division of Audit was a result of a reorganization of IHS Headquarters (70 Fed. Reg. 60350, 60357 (Oct. 11, 2005)).

RECOMMENDATIONS

We recommend that IHS:

- follow its policies and procedures related to the non-Federal audit resolution process to ensure that management decisions are issued within the required 6-month resolution period,
- update policies and procedures related to the Federal audit resolution process to include specifying the detailed steps to be taken to ensure that management decisions are issued within the required 6-month resolution period,
- promptly resolve the 513 outstanding audit recommendations that were past due as of September 30, 2016,
- follow the quarterly reconciliation process that it implemented at the end of our audit period, and
- give higher priority to audit resolution so that the audit resolution process is conducted in accordance with Federal requirements.

IHS COMMENTS

In written comments on our draft report, IHS concurred with all of our recommendations and described corrective actions that it had taken or planned to take. IHS stated that with the transition of the audit recommendation assignment function to the HHS Audit Resolution Division, IHS has been working with the Single Audit Resolution Workgroup to develop and implement procedures and a tracking system to help improve audit resolution timeliness. In addition, IHS said that it has been considering reorganization options related to Federal audit resolution and added that it planned to have related policies and procedures in place by November 30, 2018. IHS also stated that it would identify and promptly resolve any recommendations that were past due as of September 30, 2016, and that it would continue to perform quarterly reconciliations to identify open audits and to oversee performance by responsible officials. Finally, IHS said that it had developed and implemented specific procedures to track the resolution of Title V awards and to ensure that management decisions are issued in a timely manner, and it added that it has been exploring ways to increase transparency and accountability related to Title I awards at the Area Office level.¹⁹

IHS's comments are included in their entirety as Appendix C.

¹⁹ See footnote 9 for an explanation of Titles I and V of the ISDEAA and their relationship to grant awards.

APPENDIX A: AUDIT SCOPE AND METHODOLOGY

SCOPE

We reviewed the “Outstanding Audits and Actions Taken by Cognizance” stewardship reports to identify all outstanding audit recommendations that IHS resolved during FYs 2015 and 2016, as well as all outstanding audit recommendations that remained unresolved and were due for resolution as of September 30, 2016. These stewardship reports identified 125 audit reports and 651 corresponding recommendations (footnotes 12 and 13). The issuance dates for these audit reports ranged from October 28, 2005, through March 22, 2016.

We did not review IHS’s overall internal control structure. Rather, we reviewed only those internal controls related to our objective.

We conducted our audit work from January to April 2018.

METHODOLOGY

To accomplish our objectives, we:

- reviewed applicable sections of OMB Circulars A-50 and A-133, HHS regulations at 45 CFR part 75, and other applicable Federal requirements;
- reviewed IHS’s policies and procedures for resolving audit recommendations and performed a walkthrough of the process;
- interviewed IHS’s staff and reviewed documentation provided by IHS officials;
- obtained IHS’s “Outstanding Audits and Actions Taken by Cognizance” stewardship reports for our audit period and used them to:
 - identify the total number of recommendations that were resolved timely or untimely by:
 - including only the recommendations that had the “management decision” data field populated (which indicated that a management decision had been made) and that had a decision date (i.e., the date that IHS issued the OCD) that fell within our audit period of FYs 2015 and 2016 and

- quantifying the timeframe it took to resolve those recommendations by calculating the number of days between the issued date and the decision date;²⁰
 - quantify the total number of recommendations that were unresolved and beyond the required resolution period by:
 - including only the recommendations that had no decision date documented or that had a decision date that was after our audit period (indicating that a management decision had not been made as of the end of our audit period) and
 - quantifying the timeframe beyond the required resolution date for those recommendations by calculating the number of days between the required resolution date and the last day of our audit period (September 30, 2016); and
 - determine whether there were any dollar amounts associated with any unresolved recommendations that were beyond the required resolution period as of September 30, 2016; and
- discussed the results of our audit with IHS officials on May 15, 2018.

We conducted this performance audit in accordance with GAGAS. 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 objectives.

²⁰ To determine whether a management decision was issued timely for a Federal audit, we reviewed the time period between the date that OIG issued the audit report and the date that IHS issued the management decision. To determine whether a management decision was issued timely for a non-Federal audit, we reviewed the time period between the date that NEAR assigned the single audit finding(s) to IHS and the date that IHS issued the management decision. Both the date that OIG issued the audit report and the date that NEAR assigned the single audit finding(s) are reported on the stewardship report in the “issued date” data field.

**APPENDIX B: PREVIOUSLY ISSUED
OFFICE OF INSPECTOR GENERAL REPORTS**

Report Title	Report Number	Date Issued
<i>The Administration for Children and Families Did Not Always Resolve Audit Recommendations in Accordance With Federal Requirements</i>	<u>A-07-17-03325</u>	7/2/18
<i>Review of the Centers for Disease Control and Prevention's Resolution of Audit Recommendations</i>	<u>A-07-09-03131</u>	5/26/10
<i>Administration for Children and Families Resolution of Audit Recommendations</i>	<u>A-07-09-03118</u>	10/28/09
<i>Centers for Medicare & Medicaid Services Resolution of Audit Recommendations</i>	<u>A-07-07-04112</u>	11/19/08
<i>Indian Health Service's Resolution of Audit Recommendations</i>	<u>A-07-06-03077</u>	3/9/07
<i>Administration on Aging's Resolution of Audit Recommendations</i>	<u>A-07-06-03084</u>	2/21/07
<i>Food and Drug Administration's Resolution of Audit Recommendations</i>	<u>A-07-06-03083</u>	2/15/07



AUG 24 2018

TO: Gloria L. Jarmon
Deputy Inspector General for Audit

FROM: Acting Director

SUBJECT: IHS Comments on OIG Draft Report, “The Indian Health Service Did Not Always Resolve Audit Recommendations in Accordance with Federal Requirements” (A-07-17-03227)

We appreciate the opportunity to review the draft Office of Inspector General (OIG) audit report entitled, “*The Indian Health Service Did Not Always Resolve Audit Recommendations in Accordance with Federal Requirements*” (A-07-17-03227). The Indian Health Service (IHS) concurs with all of the OIG recommendations. Below you will find a description of the status of actions taken to date to implement the OIG recommendations, and those planned in the near future.

Recommendation 1: The IHS concurs with this recommendation.

Follow IHS policies and procedures related to the non-Federal audit resolution process to issue management decision letters within the required 6-month resolution period.

Status of actions planned or taken to address Recommendation 1:

With the transition of the audit recommendation assignment function to the HHS Audit Resolution Division, the IHS has been working with the Single Audit Resolution Workgroup to develop and implement the HHS Standard Operating Procedures and the Audit Tracking and Analysis System (ATAS) to help improve audit resolution timeliness. HHS has scheduled training sessions for IHS Headquarters program staff and contracting officials responsible for audit resolution. The IHS expects all staff to be fully trained on ATAS by December 31, 2018.

Recommendation 2: The IHS concurs with this recommendation.

Update policies and procedures related to Federal audit resolution process to include specifying the detailed steps to be taken to ensure that management decisions are issued within the required 6-month resolution period.

Status of actions planned or taken to address Recommendation 2:

The IHS is considering reorganization options to refocus Federal audit resolution within the Office of the Director. Once a new functional assignment is finalized, a revised policy and related procedures will be developed to ensure that audit resolution activities are accomplished within required timeframes and staff are accountable and clear regarding their roles and responsibilities. Revised policies should be in place by November 30, 2018.

Recommendation 3: The IHS concurs with this recommendation.

Promptly resolve the 513 audit recommendations that were past due as of September 30, 2016.

Status of actions planned to address Recommendation 3:

The IHS will identify and determine the status of the 513 open recommendations that were past due as of September 30, 2016. If recommendations remain open, we will promptly resolve them by issuing a management decision letter and an OCD to the OIG for closure by December 31, 2018.

Recommendation 4: The IHS concurs with this recommendation.

Follow the quarterly reconciliation process that it implemented at the end of our audit period.

Status of actions planned and taken to address Recommendation 4:

The IHS will ensure that the Division of Audit reconciles open audits agency-wide on a quarterly basis to oversee performance by responsible officials. The last quarterly reconciliation was completed on July 7, 2018.

Recommendation 5: The IHS concurs with this recommendation.

Give high priority to audit resolution so that audit resolution is in accordance with Federal requirements.

Status of actions planned or taken to address Recommendation 5:

IHS Headquarters has developed and implemented specific procedures and a management decision tracking tool to track resolution of audit recommendations of Title V awards, and to ensure that management decisions are issued in a timely manner.

The IHS is exploring ways to leverage area office resources related to Title I awards to increase transparency and accountability at the area level. Area Directors have initiated audit review committees and teams to review and prioritize audit recommendations and issue management decisions. Area committees and teams are generally comprised of executive, contracting, and finance officials, as well as Tribal support staff and the Office of the General Counsel. Committees and teams review audit recommendations to determine the follow-up necessary to issue management decisions. Some IHS Area offices have actively closed older audit recommendations and have implemented Area-specific mechanisms to track open recommendations. Other IHS Area offices have requested training and assistance from IHS Headquarters, while also assigning additional staff to address recommendations and issue management decisions.

Page 3 - Gloria L. Jarmon
Deputy Inspector General for Audit

Thank you for the opportunity to comment on this draft OIG report. This feedback will be used to help the IHS improve its overall management control systems. If you have any questions or concerns about the response, please contact Ms. Athena Elliott, Director, Office of Management Services, IHS, by telephone at (301) 443-5104.



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