Work Plan
Public Health Service Agencies Projects

Fiscal Year 1998

June Gibbs Brown
Inspector General
MISSION:

Under the authority of the IG Act, we improve HHS programs and operations and protect them against fraud, waste, and abuse. By conducting independent and objective audits, evaluations, and investigations, we provide timely, useful, and reliable information and advice to Department officials, the Administration, the Congress, and the public.

VISION

WE ARE GUARDIANS OF THE PUBLIC TRUST

- Working with management, we will ensure effective and efficient HHS programs and operations.
- Working with decision-makers, we will minimize fraud, waste and abuse in HHS programs.
- Working with our talented and motivated staff, we will manifest the highest standards as a Federal OIG.

VALUES

WE VALUE:

- Quality products and services that are timely and relevant.
- A service attitude that is responsive to the needs of decision-makers.
- Fairness, integrity, independence, objectivity, proficiency, and due care in performing our work.
- Teamwork and open communication among OIG components.
- A positive environment that supports our personal and professional needs and encourages us to be innovative and reach our full potential.
INTRODUCTION

The Office of Inspector General (OIG) Work Plan is set forth in five chapters that encompass the various projects of the Office of Audit Services, Office of Evaluation and Inspections, Office of Investigations, and Office of Counsel to the Inspector General that are to be addressed during Fiscal Year (FY) 1998. The first four chapters present the full range of projects planned in each of the Department of Health and Human Services' (Department) major operating divisions: the Health Care Financing Administration, Public Health Service Agencies, the Administration for Children and Families, and the Administration on Aging. The fifth chapter embraces those projects related to issues which cut across Department programs, including State and local use of Federal funds as well as the functional areas of the Office of the Secretary.

In preparing this edition of the OIG Work Plan, we have provided a brief description of the various project areas and a projected completion date for many of the work items that we perceive as critical to the mission of the OIG and the Department. However, as the work planning process tends to be ongoing and dynamic, the focus and timing of many of these projects can evolve in response to new information, new issues, and shifting priorities of the Congress, the President and the Secretary, and may be altered over time. Given these variables, the OIG objective still remains the targeting of available resources on those projects that best identify vulnerabilities in the Department's programs and activities that have been designed to serve and protect the safety, health and welfare of the American people and promote the economy, efficiency and effectiveness of the Department's programs.
Program Audits

The Office of Audit Services (OAS) conducts comprehensive financial and performance audits of departmental programs and operations to determine whether program objectives are being achieved and which program features need to be performed in a more efficient manner. The OAS also provides overall leadership and direction in carrying out the responsibilities mandated under the Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994 relating to financial statement audits.

The audit portion of the OIG Work Plan represents the most significant audit work that will be conducted in FY 1998.

Program Inspections

The Office of Evaluation and Inspections (OEI) seeks to improve the effectiveness and efficiency of departmental programs by conducting program inspections to provide timely, useful, and reliable information and advice to decision makers. These inspections are program and management evaluations that focus on specific issues of concern to the Department, the Congress, and the public. The inspections identified in this Work Plan focus on programs with significant expenditures of funds and services to program beneficiaries or in which important management issues have surfaced. The results of these inspections should generate accurate and up-to-date information on how well those programs are operating and offer specific recommendations to improve their overall efficiency and effectiveness.

Investigative Focus Areas

The OIG's Office of Investigations (OI) conducts investigations of fraud and misconduct to safeguard the Department's programs and protect the beneficiaries of those programs from individuals and activities that would deprive them of rights and benefits.

The OIG concentrates its resources on the conduct of criminal investigations relating to the programs and operations of HHS. These investigative activities are designed to prevent fraud and abuse in departmental programs by identifying systemic weaknesses
in areas of program vulnerability that can be eliminated through corrective management actions, regulation or legislation; by pursuing criminal convictions; and by recovering the maximum dollar amounts possible through judicial and administrative processes, for recycling back to the intended beneficiaries.

**Legal Counsel Focus Areas**

The Office of Counsel to the Inspector General (OCIG) coordinates the OIG’s role in the resolution of health care fraud and abuse cases, including the litigation and imposition of administrative sanctions, such as program exclusions, and civil monetary penalties and assessments; the global settlement of cases arising under the Civil False Claims Act; and the development of corporate agreements for providers that have settled their False Claims Act liability with the Federal Government. It also develops and promotes industry awareness of models for corporate integrity and compliance programs and monitors ongoing integrity agreements. OCIG also provides all administrative litigation services required by OIG, such as patient dumping cases and all administrative exclusion cases. In addition, OCIG issues special fraud alerts and advisory opinions regarding the application of OIG’s sanction statutes, and is responsible for the development of new, and the modification of existing, safe harbor regulations under the anti-kickback statute. Finally, OCIG counsels OIG components on personnel and operations issues, subpoenas, audit and investigative issues and other legal authorities.

**Internet Address**

_The FY 1998 OIG Work Plan and other OIG materials, including final reports issued and OIG program exclusions, may be accessed on the Internet at the following address:_

http://www.sbaonline.sba.gov/ignet/internal/hhs/hhs.html
AGENCY FOR TOXIC SUBSTANCES AND DISEASE REGISTRY
Superfund Financial Activities for Fiscal Year 1997 .................... 1

CENTERS FOR DISEASE CONTROL AND PREVENTION
Preventing Youth Tobacco Use ................................... 1
Source and Application of Office of Director Costs at CDC .............. 2

FOOD AND DRUG ADMINISTRATION
FDA’s Oversight of Blood Safety .................................. 2
Biennial Inspection Requirement .................................. 2
Review of Citizen Petition Process .................................. 3
Prescription Drug Labeling Initiatives .............................. 3
FDA Warning Letters ........................................... 3
Hospital-Based Institutional Review Boards: Ensuring Human-Subject
   Protections .............................................. 4
Use of Credit Cards for Small Purchases ............................ 4
HEALTH RESOURCES AND SERVICES ADMINISTRATION
Managed Care Organizations Reporting to the National Practitioner Data Bank ................................................................. 5
Primary Care Effectiveness Reviews and Community Health Centers ...... 5
Ryan White Primary Care and Substance Abuse Treatment ...................... 6
Ryan White Comprehensive AIDS Resources Act .................................. 6
Use of CARE Act Funding In New York ........................................ 6
Utilization of PHS 340B Drug Pricing Program ..................................... 7
Training Programs in the Maternal and Child Health Bureau .................. 7
Cash Management Practices at Institutions Participating in the Health Professions and Nursing Student Loan Programs ....................... 8
Reporting of Excluded Individuals and Entities ................................ 8

INDIAN HEALTH SERVICE
Medicare Pricing for the Contract Health Services Program ................... 9
Mental Health Services Provided by IHS ........................................ 9
Impact of Self-Governance on Indian Health Service Services .................. 9
Effectiveness of IHS Tribal Self-Governance Compact Award Process .... 10

NATIONAL INSTITUTES OF HEALTH
The National Cancer Institute’s Cancer Information Service .................. 10
Superfund Financial Activities for Fiscal Year 1997 .............................. 11

SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES
ADMINISTRATION
SAMHSA’s Treatment Improvement Protocols .................................. 11
State Systems Development Program ........................................ 12

PROGRAM SUPPORT CENTER
Health Education Assistance Loan (HEAL) Defaulters ......................... 12

PHS AGENCIES-WIDE ACTIVITIES
Year 2000 Computer Renovation Plans ........................................ 12
Disclosure Statements Filed by Colleges and Universities .................. 13
Preaward and Post Award Contract Audits ..................................... 13
Recipient Capability Audits .................................................. 14
Reimbursable Audits ..................................................... 14
Indirect Cost Audits ..................................................... 14
Follow-Up on Nonfederal Audits .................................. 14
Other Investigative Activities ..................................... 15
AGENCY FOR TOXIC SUBSTANCES AND DISEASE REGISTRY

Superfund Financial Activities for Fiscal Year 1997

As required by Superfund legislation, we will conduct this annual financial audit of the Agency for Toxic Substances and Disease Registry’s Superfund receipts, obligations, reimbursements, and other uses of the Superfund. The Agency carries out its Superfund activities with its own staff and through cooperative agreements with States and private contractors to perform health related studies required by Superfund legislation. During Fiscal Year 1996, agency obligations and disbursements of Superfund resources amounted to about $58.7 million and $59.0 million, respectively.

OAS; W-00-98-50002; A-04-98-00000
Expected Issue Date: FY 1998

CENTERS FOR DISEASE CONTROL AND PREVENTION

Preventing Youth Tobacco Use

We will evaluate the Department’s efforts in reducing tobacco use among youth. This initiative is one of six identified by the Secretary for highest priority within the Department. The CDC was designated as lead agency and was asked to work with participating OPDIVs and STAFFDIVs to develop and execute an implementation plan.

OAS; W-00-98-50003; A-04-98-00000; OEI; 00-98-00000
Expected Issue Date: FY 1998
**Source and Application of Office of Director Costs at CDC**

We will review the methodology used to determine the amount of administrative costs claimed by the CDC for its Office of Director activities. We will also review the adequacy of CDC’s management controls designed to ensure that the costs of those operations are equitably allocated to the CDC’s programs based on the services actually provided.

*OAS; W-00-97-50003; A-04-97-04217*
*Expected Issue Date: FY 1998*

**FOOD AND DRUG ADMINISTRATION**

**FDA’s Oversight of Blood Safety**

We will review FDA’s efforts to strengthen its oversight of blood safety. Building upon our previous work in this critical area, we will examine FDA’s efforts to improve its processes for error and accident reporting, recall classification, and inspections. The area of blood safety, a perennial congressional concern, was the subject of OIG testimony in June 1997.

*OAS; W-00-98-50004; A-03-98-00000*
*Expected Issue Date: FY 1998*

**Biennial Inspection Requirement**

We will assess FDA’s ability to meet its statutory requirement to inspect drug and device manufacturers every 2 years. Such inspections are critical for FDA to ensure that firms are complying with good manufacturing practices. Previous OIG work in this area indicated that FDA is not meeting this requirement. If FDA is unable to meet this legal requirement, we will examine the agency’s efforts to develop alternative methods to assess compliance with good manufacturing practices.

*OAS; W-00-98-50004; A-15-98-00000*
*Expected Issue Date: FY 1999*
**Review of Citizen Petition Process**

We will review FDA’s process for handling citizen petitions to determine if there are ways to make the process efficient and effective. The citizen petition process, which is provided for in the Code of Federal Regulations, allows anyone to request the Commissioner of Food and Drug to issue, amend, or revoke a regulation or order, or take or refrain from taking any other form of administrative action. A recent OIG review in the area of conjugated estrogens pointed to problems in the citizen petition process. In addition, the House Subcommittee on Oversight and Investigations, Committee on Commerce, is interested in improving the process as part of overall FDA reform.

*OAS; W-00-97-50004; A-15-97-50002*

*Expected Issue Date: FY 1998*

**Prescription Drug Labeling Initiatives**

This study will assess the progress on several initiatives FDA has underway to improve labeling for prescription drugs. Critics have charged that outdated labeling discourages optimal prescribing, inhibits promotional efforts, and may adversely affect reimbursement by third-party payers. In response to this criticism, FDA has announced several initiatives working with industry to bring labeling more up-to-date. Some of FDA’s current initiatives include labeling for use by children and the elderly and adding information to now reflect accepted medical practice and treatment advances.

*OEI; 00-00-00000*

*Expected Issue Date: FY 1999*

**FDA Warning Letters**

This review will evaluate the process and effects of issuing warning letters for violations identified during inspections. The FDA issues warning letters to notify regulated entities about violations of a given regulation or policy under the agency’s authority. The warning letter represents the first-line and most readily available of
FDA’s regulatory actions that may be taken against a regulated company not in compliance.

OEI; 09-97-00380
Expected Issue Date: FY 1998

Hospital-Based Institutional Review Boards: Ensuring Human-Subject Protections

This review will examine the challenges facing hospital-based institutional review boards as they seek to ensure that human-subject protections are observed in clinical research. We plan to identify major challenges that face the boards, describe promising approaches that the boards have developed to address these challenges, and assess the implications of these challenges for NIH and FDA efforts to ensure that the boards function effectively.

OEI; 01-97-00190
Expected Issue Date: FY 1998

Use of Credit Cards for Small Purchases

We will review FDA’s management controls related to credit cards used for small purchases under $2,500. In Fiscal Year 1995, FDA issued over 900 VISA credit cards to authorized employees who used the cards 13,000 times to purchase about $4.4 million worth of goods. We will assess FDA’s controls regarding: issuance of the credit cards; pre-approval of purchases; records maintained by cardholders; and the documentation of the disposition of the items purchased. Our review will take into consideration the small purchase reforms suggested by a recent General Accounting Office report.

OAS; W-00-97-50004; A-15-97-80002
Expected Issue Date: FY 1998
HEALTH RESOURCES AND SERVICES ADMINISTRATION

Managed Care Organizations Reporting to the National Practitioner Data Bank

We will evaluate reporting to the National Practitioner Data Bank (Data Bank) by managed care organizations and provide a close look at managed care organizations’ quality assurance activities. When a managed care organization “de-credentials” a physician or dentist or, removes or restricts clinical privileges for a period of more than 30 days on the basis of a professional review action, the “adverse action” against the practitioner must be reported to the Data Bank. Based on the increase nationally in the number of managed care organizations and the low level of reporting to the Data Bank, HRSA has requested that the OIG review the reporting issue.

OEI: 00-00-00000
Expected Issue Date: FY 1998

Primary Care Effectiveness Reviews and Community Health Centers

This study will review the extent to which HRSA’s use of the clinical protocol section of the “Primary Care Effectiveness Reviews” process adequately addresses the quality of care provided by community health centers. This will be the first national evaluation of this process. Primary Care Effectiveness Reviews are the oversight process that HRSA uses to monitor community health centers. They are conducted on site every 5 years and examine finances, administration, governance and clinical or quality of care issues. The clinical portion includes a review of physician credentialing, sample medical records, peer review activities, and patient satisfaction surveys. Our study will focus on “quality of care safeguards,” consistent with other OIG work involving quality of care mechanisms/programs, which in turn is consistent with the Secretarial goal of improving the quality of health care for the HHS service population.

OEI: 00-00-00000
Expected Issue Date: FY 1999
Ryan White Primary Care and Substance Abuse Treatment

This review will determine whether Ryan White Title I grantees (eligible metropolitan areas) ensure that Ryan White funds are used as the payer of last resort for primary medical care and substance abuse treatment services to individuals with HIV/AIDS. The Ryan White Comprehensive AIDS Resources Emergency Act is intended to improve services for HIV positive individuals and their families; funds awarded under the Act are intended to be used as the payer of last resort. Since 1991, over $1.9 billion has been awarded. Historically, over 30 percent of Title I funds are spent on primary medical care and substance abuse treatment. Injection drug users are at great risk of acquiring HIV.

OAS; W-00-98-50005
Expected Issue Date: FY 1998

Ryan White Comprehensive AIDS Resources Act

This study would review the progress made by HRSA and grantees in implementing past OIG recommendations. According to the Department’s FY 1998 budget, HHS is requesting over $1 billion to fund the Ryan White Program for the next fiscal year, a 42 percent increase from FY 1994. In 1995, OIG issued a series of reports on Ryan White. The recommendations contained in these reports reflected our concern that better monitoring and compliance activities (by both HRSA and grantees) were needed and that the program should place more emphasis on outcome evaluations at both the local and systems levels. The size of the Ryan White program has increased significantly since these reports were issued making the need for improved management, monitoring and compliance more urgent. Additionally, sufficient time has elapsed for the development and implementation of better management practices.

OEI; 00-00-00000
Expected Issue Date: FY 1999

Use of CARE Act Funding In New York

We will assess New York State’s administration and use of Ryan White Comprehensive AIDS Resources Emergency (CARE) Act funds relative to the State’s reimbursement pools for uninsured costs. The State administers three programs for HIV uninsured care: AIDS Drug Assistance (ADAP), ADAP Plus (Primary Care
Services), and HIV Homecare Services. The Ryan White CARE Act represents the largest authorization of Federal funds specifically designed to provide health and social services for people infected with HIV/AIDS. As part of this review, we will determine whether the State has systems and procedures in place to ensure the eligibility of the applicant for enrollment in the uninsured program (i.e., medical and income criteria) and the appropriateness and accuracy of payments made to providers. In addition, we will review the reasonableness, allocability, and allowability of the administrative costs claimed by the State for operating the programs.

OAS;W-00-98-50005; A-02-98-00000
Expected Issue Date: FY 1998

**Utilization of PHS 340B Drug Pricing Program**

This review will determine whether eligible PHS-funded entities are effectively utilizing the PHS 340B Drug Pricing Program. With the passage of the Veterans Health Care Act of 1992, some 13,000 PHS entities including State AIDS drug assistance programs became eligible to purchase discounted outpatient drugs through a special pricing program authorized by Section 340B of the Public Health Service Act and administered by HRSA’s Office of Drug Pricing. Currently only 6,400 of the 13,000 eligible entities participate in the PHS 340B program.

OAS; W-00-98-50005; A-01-98-00000
Expected Issue Date: FY 1998

**Training Programs in the Maternal and Child Health Bureau**

We will evaluate the “Special Projects of Regional and National Significance” under the Maternal and Child Health Program. Title V of the Social Security Act provides that approximately 15 percent of the amount appropriated for the Maternal and Child Health Block Grant be set-aside for Special Projects of Regional and National Significance (in FY 1995, funding was $100 million). The funding for training has generally accounted for a major portion of the set-aside. According to HRSA budget data, $37 million was used to fund 161 training grants or projects in FY 1995. The training program has never been evaluated. This study will address several issues including how grants are awarded, what is being done to establish outcome data, to
what extent training is targeted to meet demand, what impact have the grants had on improving Maternal and Child Health services, and auditing of grants.

OEI; 00-00-00000
Expected Issue Date: FY 1998

---

Cash Management Practices at Institutions Participating in the Health Professions and Nursing Student Loan Programs

The Health Professions Student Loan (HPSL) and Nursing Student Loan (NSL) Programs were established by Congress in response to anticipated shortages of doctors, nurses, and other health professionals. The law establishing HPSL in 1963 and NSL in 1964 authorized funds for use by educational institutions in making long-term, low-interest loans to eligible students. Our review will determine how well institutions are managing funds made available to them for these loan programs.

OAS; W-00-98-50005
Expected Issue Date: FY 1998

---

Reporting of Excluded Individuals and Entities

We will coordinate with HCFA and HRSA to develop a system for uploading exclusion data into the National Practitioners Data Bank for use by hospitals, licensing boards, and professional medical societies to obtain information on health care practitioners who have been excluded from participation in the Medicare and Federal health care programs. The OIG’s Office of Investigations is responsible for reporting and updating all exclusion and reinstatement actions of these programs. The implementation and ongoing maintenance of this system will enable hospitals and others to determine whether an individual practitioner has been excluded from participation in the Federal health care programs, the basis for that exclusion, and the practitioner’s current program reimbursement eligibility status.

Expected Completion Date: Ongoing
**INDIAN HEALTH SERVICE**

**Medicare Pricing for the Contract Health Services Program**

We will analyze the potential cost savings and economic impact of a legislative proposal requiring hospitals to provide services at Medicare-like prices to IHS’ Contract Health Services (CHS) program. The CHS program pays hospitals to care for eligible beneficiaries living outside of IHS’ direct care boundaries or requiring specialty care. These hospital services are currently purchased using negotiated contracts, which generally do not reflect competitive rates. The IHS’ proposed legislation will be comparable to similar amendments provided to both the Department of Veterans’ Affairs and the Department of Defense in the late 1980’s. Results of our analysis will be provided for Departmental consideration.

*OAS; A-15-97-50001  
Expected Issue Date: FY 1998*

**Mental Health Services Provided by IHS**

The IHS has requested a review of the impact on Indian children and families of its consolidation of mental health and social services programs. In particular, the IHS would like an assessment of how the consolidation has affected services for addressing child abuse. As part of this study, the IHS asked that we include the management information system in our review.

*OEI; 00-00-00000  
Expected Issue Date: FY 1999*

**Impact of Self-Governance on Indian Health Service Services**

We will assess the effect of Indian self-governance on IHS’ ability to provide needed health care services to the Indian people. As an increasing number of tribes are electing to manage their own health care through self-governance compacts, IHS must ensure that there are no limits or reductions in the direct care it provides to tribes who do not elect to provide their own care. We will determine: (1) if there are adequate controls to ensure that needed health care services are provided with compacting...
funds; and (2) the impact on nearby IHS facilities should compacting tribes be unable to adequately or fully meet the health care needs of their members.

*OAS; W-00-97-50006; A-06-97-00000
Expected Issue Date: FY 1998

**Effectiveness of IHS Tribal Self-Governance Compact Award Process**

We will assess the effectiveness of the process used by IHS to award self-governance compacts to tribes. With more funds being provided to Indian tribes through the compact mechanism--34 compacts totaling $350 million in FY 1997 and slated to increase--the agency needs to have and to follow sound policies and procedures for making compacting decisions. Our review will focus on: the process IHS uses to determine if a tribe is prepared to manage a compacting program (e.g. does the tribe have a business plan, financial and administrative controls, etc.); the propriety of the terms and conditions of the compacts; and the process of developing the compact funding levels.

*OAS; W-00-97-50006; A-15-97-50003
Expected Issue Date: FY 1998

**NATIONAL INSTITUTES OF HEALTH**

**The National Cancer Institute’s Cancer Information Service**

We will identify options that will reduce busy signal rates, abandonment rates, and wait times on the Cancer Information Service toll-free telephone service. A review of Cancer Information Service call data for 1995 through 1997 indicates a sharp increase in busy signal rates, abandonment rates, and wait times from 1995 to 1996. Despite improvements in the first quarter of 1997, callers in some parts of the country still experience busy signal rates of up to 50 percent.

*OEI; 09-97-00360
Expected Issue Date: FY 1998*
Superfund Financial Activities for Fiscal Year 1997

As required by Superfund legislation, we will conduct this annual financial audit of the National Institute of Environmental Health Sciences’ payments, obligations, and reimbursements, and other uses of the Superfund. The Institute carries out its Superfund activities with its own staff and through cooperative agreements to train persons who are engaged in hazardous waste activities and to study effects of exposure to specific chemicals. During Fiscal Year 1996, agency obligations and disbursements of Superfund resources amounted to about $52.4 million and $44.5 million, respectively.

OAS; W-00-98-50025; A-04-98-00000
Expected Issue Date: FY 1997

SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION

SAMHSA’s Treatment Improvement Protocols

We will determine the level of dissemination of specific SAMHSA Treatment Improvement Protocols and practitioners awareness and use of them. Treatment Improvement Protocols are relatively new consensus-based “best practice” guidelines developed by SAMHSA. The guidelines are designed to be used in the treatment of individuals with alcohol and other drug problems. Since 1993, SAMHSA has issued 22 Treatment Improvement Protocols and 3 more are currently in various stages of publication and development. Each has an initial publication of 50,000 copies. The SAMHSA disseminates these Protocols within HHS and to State alcohol and substance abuse directors. The National Clearinghouse for Alcohol and Drug Information is responsible for all other requested dissemination and is paid by SAMHSA $1 million per year for this work.

OEI; 07-96-00130
Expected Issue Date: FY 1998
**State Systems Development Program**

At SAMHSA’s request, we will determine the impact of the agency’s technical assistance to States under the State Systems Development Program. The State Systems Development Program which is administered by the SAMHSA’s Center for Substance Abuse Treatment, consists of management reviews of State treatment programs. These reviews, called “technical reviews,” are done by a private consulting company under contract to the Center and result in reports to the States. Technical assistance plans are developed as a result of these reports and technical assistance is subsequently provided to States. States are reviewed every 3 years.

OEI: 00-00-00000
*Expected Issue Date: FY 1999*

**PROGRAM SUPPORT CENTER**

**Health Education Assistance Loan (HEAL) Defaulters**

The OIG’s Office of Investigations will assist the Program Support Center in its effort to publish its annual list of health care providers who defaulted on their HEAL loans.

*Expected Completion Date: Ongoing*

**PHS AGENCIES-WIDE ACTIVITIES**

**Year 2000 Computer Renovation Plans**

We will determine the adequacy of each of the PHS operating divisions’ plans to meet Year 2000 project renovation and validation goals by the designated time frames. The Federal Government’s Year 2000 project strategy regarding computer systems places emphasis on ensuring that agencies’ mission-critical systems are Year 2000 compliant well before December 31, 1999, to avoid widespread system failures. As of August 31, 1997, the Department reported to OMB that it had 166 mission-critical systems (124 related to PHS agencies). It also reported that over the next 2½ years,
renovation work remains to be done on 72 percent of these systems and that validation testing was necessary on 90 percent.

**Disclosure Statements Filed by Colleges and Universities**

OMB Circular A-21, revised May 8, 1996, now requires that colleges and universities disclose their cost accounting practices by filing a disclosure statement. The disclosure statement is designed to promote uniformity and consistency in the cost accounting practices followed by colleges and universities and to ensure that only allowable costs are claimed and that costs are allocated to Federal projects in an equitable manner. Our reviews of disclosure statements will determine whether they are complete, accurate, and reflect current practices and whether they are compliant with Cost Accounting Standards and pertinent cost principles.

**Preaward and Post Award Contract Audits**

Annually the Department awards contracts/modifications in excess of $5 billion. Selection of the type of audits to be performed (preaward or post award) is based on risk analyses and other factors developed by the Department’s operating divisions, specifically the Contract Audit Users Group, and 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 performed for each of the Department’s operating divisions.

To ensure maximum return on OIG resources devoted to contract audit work we are: (1) utilizing streamlined audit techniques in conducting preaward audits for a cost-saving; (2) relying to the maximum extent possible on nonfederal audits; and (3) focusing the collaborative risk-based selection process on those audits that result in savings to the Department.
Recipient Capability Audits

At PHS agencies’ request we will perform recipient capability audits of new organizations having little or no experience managing Federal funds. These audits determine the adequacy of each organization’s accounting and administrative systems and their financial capabilities to satisfactorily manage and account for Federal funds. Such reviews provide management with strengthened oversight over new grantees.

Reimbursable Audits

We will conduct a series of audits in response to certain requirements in OMB Circular A-21 and audit requests from other Federal agencies. This Circular assigns audit cognizance for approximately 95 percent of the Nation’s nearly 3,000 colleges and universities to the Inspector General of HHS. Audit cognizance requires that we perform required audits at these schools including those requested by other Federal agencies. Our audits may include activities related to the review of disclosure statements filed by universities in conjunction with the newly required Cost Accounting Standards recently incorporated in Circular A-21.

Indirect Cost Audits

We will provide assistance, as requested, to the Department’s Division of Cost Allocation on specific indirect cost issues at selected institutions. In previous years we have reviewed such issues as library allocations, medical liability insurance, internal service funds, fringe benefit rates, and space allocation. These assist audits have aided in substantially reducing indirect cost rates at the institutions reviewed.

Follow-Up on Nonfederal Audits

These reviews will determine whether the recommendations contained in prior nonfederal audit reports have been implemented by the auditee to correct reported findings. Certain prior audits conducted by nonfederal auditors have been identified by OIG’s National External Audit Review group as having circumstances that need further investigation.
Other Investigative Activities

The PHS agencies are responsible for health research, protection, and improvement programs including those of the FDA, NIH, CDC, and IHS. Investigations of fraud in PHS agencies’ programs are diverse, complex, and often critical to protecting the health of the American people. Investigations will address bribery, grant and contract fraud, research fraud, and allegations of wrongdoing in each of these programs.