

Part IV Public Health, Human Services, and Other HHS-Related Reviews

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Part IV

Public Health, Human Services, and Other HHS-Related Reviews

The Office of Inspector General’s (OIG) public health and human services work reflects the Department of Health and Human Services’ (HHS) top management challenges related to safety of the Nation’s food supply (including facility inspections); contract administration; and grants management, including grantee performance issues and fraud.

In the human services area, we also have a significant role in child support enforcement. Other HHS-related issues reported in this section include reviews that do not pertain directly to programs addressed in prior sections and to subjects that cross-cut HHS agencies, programs, management, and operations.

Public Health Reviews

Public Health Agencies’ Management and Oversight

Selected organizational abbreviations used in this section:

CDC	Centers for Disease Control and Prevention
FDA	Food and Drug Administration
HRSA	Health Resources and Services Administration
NIH	National Institutes of Health
SAMHSA	Substance Abuse and Mental Health Services Administration

Local Public Health Preparedness for Radiological and Nuclear Incidents

CDC – Public health planning for radiological and nuclear (RN) incidents did not always correspond to prioritized threats identified in localities’ risk assessments. Though specific RN plans are not required, according to the 2010 National Security Strategy, the American people face no greater or more urgent danger than a terrorist attack with a nuclear weapon. Thirty-six of the 40 localities we selected from the Nation’s most populous metropolitan statistical areas had conducted risk assessments; however, only 4 had categorized RN incidents as a high-priority threat, and only 1 of

the 4 had developed RN-specific plans. For the five public health areas of responsibility we examined, localities' planning varied. Localities' coordination with Federal, State, and local partners for RN-specific public health planning also varied. Most State and local officials were aware of Federal guidance but requested more comprehensive and specific planning tools.

(Recommendations—CDC should work with selected localities to more closely align incident-specific planning with risk assessments, provide more guidance on RN-incident planning and coordination with other entities, and provide more training to selected localities about the unique aspects of RN incidents. *Local Public Health Preparedness for Radiological and Nuclear Incidents*. OEI-04-10-00250. January 2012. [Web Summary](#). [Full Text](#).

FDA's Oversight of Food Facility Inspections

FDA – Although FDA has increasingly relied on States to inspect food facilities, our report identified significant weaknesses in FDA's oversight of such inspections.

Notably, in some States, FDA failed to ensure that the required number of inspections was completed. Moreover, FDA paid for many inspections that were incomplete. FDA did not ensure that all inspections were properly classified or that all inspection violations were remedied.

An “official action indicated” (OAI) classification is generally assigned when the most serious violations are identified. Officials responsible for several States reported that they would not assign OAI classifications to State inspections under any circumstances, contrary to FDA guidance. Other issues centered on deficiencies in the number of required audits conducted and lack of oversight of corrective actions.

(Recommendations—FDA should ensure that contract inspections are completed, properly documented, and appropriately paid for and contract inspections are properly classified. FDA should routinely track all actions taken to correct violations, meet the minimum audit rate in all States, and address any systemic problems identified by audits.) *Vulnerabilities in FDA's Oversight of State Food Facility Inspections*. OEI-02-09-00430. December 2011. [Web Summary](#). [Full Text](#).

HRSA-Funded Health Centers' Quality Assurance and Care

HRSA – Almost all health centers we reviewed had quality assurance programs, and health services were appropriate for most health center patients. However, insufficient documentation prevented detailed

assessments of some medical records. HRSA's oversight and review activities provided only limited information about the extent to which individual health center patients received required primary health services.

Although HRSA's requirements specify which services health centers must make available to patients, they do not establish specific quality standards for the services. In 2008, health centers funded by HRSA grants provided care to 17.1 million patients in medically underserved urban or rural areas or in medically underserved populations.

(Recommendations—HRSA should specify elements to be included in grantees' quality assurance programs, provide more guidance about how to conduct periodic assessments of services, and provide more guidance about patient records requirements and more specificity about patients' receipt of required primary health services. HRSA should also establish procedures to independently assess patients' receipt of primary health services and the adequacy of patients' records.) *Quality Assurance and Care Provided at HRSA-Funded Health Centers*. OEI-09-06-00420. March 2012.

[Web Summary](#). [Full Text](#).

NIH's Compliance With Appropriations Laws

NIH – We found time and amount issues in four contracts that potentially violated the Antideficiency Act and/or the bona fide needs rule. The Antideficiency Act prohibits an agency from obligating or expending funds in advance of or in excess of an appropriation unless specifically authorized by law.

Federal statutes specify that a fiscal year (FY) appropriation may be obligated only to meet a legitimate (bona fide) need arising in or continuing to exist in the appropriation's period of availability. From November 2008 through February 2009, an HHS internal review group assessed 176 HHS contracts, including 21 NIH contracts.

Our reviews of the NIH contracts assessed compliance with the purpose, time, and amounts requirements specified in appropriations statutes. Recommendations included making monetary adjustments and reporting Antideficiency Act violations as appropriate.

- **Charles River Laboratories, Inc.** – (Recommendations—Record the correct obligation for each program year against the appropriate FY appropriations, record expenditures for each program year against the appropriate FY appropriations, report an Antideficiency Act violation for expending FY 2007 funds in advance of an appropriation, report an Antideficiency Act violation if adequate FY 2009 and subsequent year

funds are unavailable to cover obligations for subsequent program years, return funds that were not required for program years 1 and 2; and reverse the expenditure to the contract for the \$111,000 erroneous payment and charge the correct contract accordingly.) *Appropriations Funding for National Institute on Drug Abuse Contract HHSN271-2007-00009C With Charles River Laboratories, Inc.* A-03-10-03104. October 2011. [Web Summary](#). [Full Text](#).

- **The EMMES Corporation** – (Recommendations—Record the correct obligation for each program year against the appropriate FY appropriations, record expenditures for each program year against the appropriate FY appropriations, report an Antideficiency Act violation for obligating FY 2008 funds in advance of an appropriation, report an Antideficiency Act violation if adequate FY 2009 and appropriate subsequent year funds are unavailable to cover obligations for subsequent program years, and return funds that were not required for program year 1 if it is determined that they are no longer needed during their period of availability.) *Appropriations Funding for National Institute of Allergy and Infectious Diseases Contract HHSN272-2008-00013C With The EMMES Corporation.* A-03-10-03115. October 2011. [Web Summary](#). [Full Text](#).
- **University of South Florida** – (Recommendations—Deobligate \$10.5 million of FY 2008 funds, deobligate any additional funds appropriated for years other than FY 2007 that the National Institute of Diabetes and Digestive and Kidney Diseases may have obligated after our audit, record the remaining \$123.2 million of the \$169.4 million contract obligation against FY 2007 funds, report an Antideficiency Act violation if FY 2007 funds are not available, and obtain a refund for the duplicate payment of \$28,000.) *Appropriations Funding for National Institute of Diabetes and Digestive and Kidney Diseases Contract HHSN267-2007-00014C With the University of South Florida.* A-03-10-03110. October 2011. [Web Summary](#). [Full Text](#).
- **Westat, Inc.** – (Recommendations—Deobligate \$33.2 million of FY 2004 funds and \$33.3 million of FY 2005 funds and return the canceled funds to the Treasury; deobligate \$33.5 million of FY 2006 funds and \$33.7 million of FY 2007 funds; record the remaining \$133.7 million of the \$164.7 million contract obligation against current FY appropriations; report an Antideficiency Act violation if sufficient current year appropriations are not available; and report, in accordance with 31 U.S.C. § 1554, the adjustment to the Contract using current FY appropriations.)

Appropriations Funding for Eunice Kennedy Shriver National Institute of Child Health and Human Development Contract HHSN275-03-3345 With Westat, Inc. A-03-10-03106. October 2011. [Web Summary](#). [Full Text](#).

NIH's Administration of the Clinical and Translational Science Awards Program

NIH – Staff of NIH's Clinical and Translational Science Awards Program (CTSA) did not properly document awardees' progress under their cooperative agreements. CTSA program staff documented a comparison of accomplishments to research objectives for only 1 of 38 awardees throughout the review period (FYs 2006 through 2008). Although reviews for six awardees' files mentioned an inability to fulfill goals, only one file included a note from CTSA program staff regarding resolution. Also, most progress reports and half of financial status reports were late, yet the files contained no evidence that CTSA program staff took action to address timeliness of reports. CTSA program staff did not maintain files in accordance with HHS policy.

Finally, awardees' files contained little or no evidence that CTSA program staff or CTSA-assigned project scientists provided substantial involvement to awardees in accordance with Federal regulations and NIH policy.

(Recommendations—NIH should ensure that CTSA program staff document their monitoring of awardee progress; ensure timely submission of required reports; maintain official files in accordance with Federal policy; and, as required for cooperative agreements, provide substantial involvement to CTSA awardees.) *NIH Administration of the Clinical and Translational Science Awards Program. OEI-07-09-00300. December 2011. [Web Summary](#). [Full Text](#).*

SAMHSA's Management of Grant Files and Grantee Communications

SAMHSA – Our review concluded that SAMHSA maintains grant files in accordance with Federal requirements, and most SAMHSA staff and grantee project directors reported positive interactions with one another. We were able to follow the grant "paper trail" and identify required documents; however, a few grant files were missing initial applications, continuation applications, and Financial Status Reports. Some SAMHSA staff and grantee project directors identified obstacles to communication. In 2009, the period of our review, SAMHSA administered 2,281 discretionary grants, which

ranged from approximately \$17,000 to \$7 million for a total of \$906.8 million.

Given the overall completeness and quality of the grant files and the low incidence of identified problems, we did not make formal recommendations to SAMHSA. Still, we encouraged SAMHSA to obtain and maintain all required documents. Also, we suggested using the information from this report to improve interactions between SAMHSA staff and the grantee project directors. *SAMHSA's Administration of Grants*. OEI-07-10-00220. February 2012. [Web Summary](#). [Full Text](#).

Public Health-Related Legal Actions and Investigations

Health Education Assistance Loan Program

Under the Health Education Assistance Loan (HEAL) program, HRSA guarantees commercial loans to students seeking education in health-related fields. The students are allowed to defer repayment of the loans until after they have graduated and begun to earn income. Although HHS's Program Support Center (PSC) takes steps to ensure repayment, some loan recipients do not resolve their indebtedness. After PSC has exhausted efforts to secure repayment of a debt, it declares an individual in default. Thereafter, the Social Security Act permits exclusion from Medicare, Medicaid, and all other Federal health care programs for nonpayment of these loans.

Exclusion means that the individual may not receive reimbursement under these programs for professional services rendered nor can any other provider receive reimbursement for services ordered or prescribed by the individual. OIG is responsible for excluding individuals who have defaulted on HEAL loans from participation in Federal health care programs.

HEAL Exclusions

During the period covered by this report, 55 individuals and related entities were excluded as a result of PSC referrals of their cases to OIG. Individuals who have been excluded as a result of default may enter into settlement agreements whereby the exclusions are stayed while they pay specified amounts each month to satisfy their debts. If they default on these settlement agreements, they may be excluded until the entire debts are repaid and they may not appeal the exclusions.

After being excluded for nonpayment of their HEAL debts, 2,393 individuals have chosen to enter into settlement agreements or completely repay their debts. That figure includes the 35 individuals who have entered into such settlement agreements or completely repaid their debts during this reporting period. The amount of money being repaid through settlement agreements or through complete repayment is \$181,767,939. Of that amount, \$3,730,061 is attributable to this reporting period.

Practitioners in the following States entered into settlement agreements to repay the amounts indicated:

- Tennessee podiatrist, \$269,961
- Missouri chiropractor, \$57,337
- California psychologist, \$56,673
- California medical doctor, \$16,147

Human Services Reviews

Head Start Program

Head Start Grantees' Health and Safety Violations

Head Start – Of the 24 Head Start grantees that we reviewed, none fully complied with Federal Head Start or State requirements to protect children from unsafe materials and equipment. Twenty-one of the grantees did not fully comply with Federal Head Start or State requirements to conduct criminal records checks, recurring background checks, checks of childcare exclusion lists, or checks of child abuse and neglect registries. The grantees also failed to properly document criminal records checks.

We selected the 24 grantees on the basis of OIG's risk assessment and the Administration for Children and Families (ACF), Office of Head Start (OHS), most recent monitoring reviews that identified grantee's health and safety citations. Of the 24 grantees that were reviewed from May 2009 through October 2010, 3 were terminated and 21 corrected their violations.

(Recommendations—ACF should ensure through onsite monitoring that Head Start grantees comply with health and safety regulations; perform an analysis to determine whether it should seek a legislative amendment of

Federal health and safety requirements that would require periodic background checks for all Head Start employees; and amend current policy and regulations to require that any prospective or current employee be disqualified for or terminated from employment with a Head Start grantee if the individual has been convicted of sexual abuse of a child, other forms of child abuse and neglect, or a violent felony.) *Review of 24 Head Start Grantees' Compliance With Health and Safety Requirements*. A-01-11-02503. December 2011. [Web Summary](#). [Full Text](#). See Also OIG's [Spotlight on Head Start Health and Safety](#) available on our Web site.

Impact of Early Head Start Grantees' Management Deficiencies Funding

Early Head Start – Of 83 Early Head Start program grant applicants that OIG assessed, 75 had problems with financial stability; inadequate systems to manage and account for Federal funds; and inadequate organizational structures, procurement and property management procedures, and personnel policies and procedures. Using our findings, ACF awarded \$15 million in American Recovery and Reinvestment Act of 2009 (Recovery Act) funds to the 8 applicants that had no deficiencies; did not award \$31 million requested by 15 of the 75 deficient applicants; and awarded \$126 million to 60 of the 75 deficient applicants on the condition that they receive increased ACF oversight, training, and technical assistance.

(Recommendations—ACF should use the information in this report as part of its application-review process and in its monitoring and oversight of the 60 funded applicants identified in this report.) *Review of 83 Early Head Start Applicants Under the American Recovery and Reinvestment Act*. A-01-10-02501. November 2011. [Web Summary](#). [Full Text](#).

Child Support Enforcement

Congress annually appropriates funds to OIG to detect, investigate, and prosecute noncustodial parents who fail to pay court-ordered child support. These activities are priorities for OIG. OIG works closely with the Office of Child Support Enforcement (OCSE); the Department of Justice (DOJ); U.S. Attorneys' Offices; the U.S. Marshals Service; and other Federal, State, and local partners to expedite the collection of child support.

Child Support Task Forces

In 1998, OIG and OCSE initiated Project Save Our Children, a child support initiative that united the efforts of multiagency, multijurisdictional investigative task forces for child support enforcement. The task forces are designed to identify, investigate, and prosecute egregious criminal nonsupport cases on the Federal and State levels by coordinating law enforcement, criminal justice, and child support office resources. Task force screening units receive child support cases from the States; conduct preinvestigative analyses; and forward the cases to the investigative task force units, where they are assigned and investigated. The task force approach streamlines the process by which the cases best suited for criminal prosecution are identified, investigated, and resolved.

Investigative Outcomes

OIG investigations of child support cases nationwide resulted in 26 convictions and court-ordered restitution and settlements of \$1.2 million during this semiannual period. Examples of OIG's enforcement results for failure to pay child support included the following:

- **Idaho –** One of OIG's most wanted fugitive deadbeat parents, **Rusty Donnie Gene Haile**, was sentenced to 5 years of probation and ordered to pay \$119,700 in restitution for failure to pay a lawful child support order with respect to his four minor children. Since 2006, Haile had been residing and working in Bermuda. Haile returned to the United States in March 2011 and was arrested in Atlanta, Georgia, upon arrival. On November 2011, Haile pleaded guilty and, as part of the plea agreement, deposited \$30,000 with the court as a payment on his child support arrearage.
- **California – John Clay, Jr.**, was sentenced to 3 years of probation and ordered to pay restitution in the amount of \$80,595 for failure to pay child support. Clay was in the military and has held many private sector jobs. In addition, he has moved several times, living in Washington; Georgia; Ohio; Kentucky; and most recently, Texas. Clay has made sporadic voluntary and involuntary payments. On January 11, 2011, Clay pleaded guilty and was sentenced on October 26, 2011.
- **New Jersey – Richard Davis** was sentenced to 1 year of supervisory release with 5 months of home confinement and ordered to pay \$56,914 in restitution for failure to pay child support. Investigators determined that Davis, who was living and working in Florida, failed to pay child support to his child's custodian, who was living in New Jersey. On

January 10, 2012, Davis was sentenced in the District of New Jersey to time served (he had been held in custody for 3 months prior to being released on bond.)

- **South Dakota – Michael C. Hutchinson** was sentenced to 5 years of probation and ordered to pay restitution in the amount of \$49,905 for failure to pay child support. Hutchinson was indicted for failing to pay past child support to two separate custodial parents. Records indicate that Hutchinson, who was residing in New York, was aware of his legal child support obligations and had the ability to pay them.
- **South Dakota – Karla R. Atkins** was sentenced to 5 years of probation and ordered to pay \$34,368 in restitution for failure to pay child support. In March 1997, Atkins was ordered to pay \$216 per month in child support and failed to comply with the order. Atkins was subsequently arrested at a border crossing in San Diego, California, by Immigration and Customs Enforcement agents because of her outstanding warrant for failure to pay child support.

Highlights of recent enforcement actions to which OIG has contributed are posted on OIG's Web site at:

<http://www.oig.hhs.gov/fraud/enforcement/criminal/>.

Engaging the Public in Capturing Fugitive Deadbeat Parents

OIG launched its new Child Support Enforcement Web Page during this reporting period to enlist the public's help in bringing some of OIG's most wanted child support fugitives to justice. The new site includes photographs and other helpful information on these deadbeat parents and allows for individuals to report helpful tips and information to OIG online.

The site also includes an online fugitive tip form and OIG's hotline number (1-888-476-4453) to report fugitive-related information in either English or Spanish, 24 hours a day, 365 days a year. The Web page is at:

<http://oig.hhs.gov/fraud/child-support-enforcement/>

Other HHS-Related Reviews

Departmental Financial Statement Audit

The Chief Financial Officers Act of 1990 (CFO Act), as amended, requires OIG or an independent external auditor, as determined by OIG, to audit the HHS financial statements in accordance with applicable standards. Independent external auditors provided an unqualified opinion on the FY 2011 HHS financial statements. This means that for the 13th consecutive year, the statements were reliable and were fairly presented. However, the report on internal controls noted one significant deficiency related to financial reporting systems, analyses, and oversight and one material weakness related to financial information systems, and the report on compliance with laws and other matters noted noncompliance with Federal Financial Management Improvement Act of 1996 (FFMIA).

Financial Reporting Systems, Analyses, and Oversight

FFMIA requires Federal agencies to have integrated financial management systems that provide effective and efficient interrelationships involving software, hardware, personnel, procedures, controls, and data in the systems and that are in compliance with the United States Standard General Ledger at the transaction level and applicable Federal accounting standards. HHS's lack of an integrated financial management system continues to impair its ability to support and analyze account balances reported.

Because of continued weaknesses in the financial management systems, management must compensate for the weaknesses by implementing and strengthening additional controls to ensure that errors and irregularities are detected in a timely manner.

The review of internal controls disclosed a series of weaknesses that affect HHS's ability to report accurate financial information on a timely basis. Internal control weaknesses still existed in financial systems and the overall processes for producing financial statements. For example, HHS did not perform sufficient analysis of certain accounts; as a result, HHS's ability to report timely financial information was affected.

In FY 2011, HHS made many improvements in its ability to report accurate and timely financial information. The major improvement was the full implementation of the new Consolidated Financial Reporting System

(CFRS). For the first time, HHS could automatically and consistently consolidate financial information from its three financial systems, the Unified Financial Management System (UFMS), the National Institutes for Health Business System, and the Healthcare Integrated General Ledger Accounting System. Other improvements include more detailed analysis of financial data at the HHS level and more timely closeout of older obligations.

Financial Information Systems

Issues in the design and the operation of key controls in both general and application controls were noted. In particular, weaknesses were identified in information security program and application configuration management. For example, external and internal system vulnerabilities, such as weak password configurations, insecure system configuration, and unnecessary system services, continue to exist and pose a significant risk. Change-management procedures were insufficient to ensure that only properly authorized changes were implemented in production systems. In addition, deficiencies warranting attention were identified in audit log monitoring and contingency management .

HHS expects to have the issues identified for Financial Management Information Systems corrected by September 30, 2012. HHS is currently updating its agency wide corrective action plan to address noncompliance with FFMIA.

See Department of Health & Human Services Fiscal Year 2011 Agency Financial Report, section II. Daniel R. Levinson, Inspector General, Report on the Financial Statement Audit of the Department of Health and Human Services for Fiscal Year 2011. A-17-11-00001. November 2011. (pp. II-5, II-10, II-16, II-24-25, II-42).

Non-Federal Audits

In this semiannual period, OIG's National External Audit Review Center reviewed 1,952 reports covering \$584.8 billion in audited costs. Federal dollars covered by these audits totaled \$140.6 billion, about \$50 billion of which was HHS money.

Office of Management and Budget (OMB) Circular A-133 establishes audit requirements for State and local governments, colleges and universities, and nonprofit organizations receiving Federal awards. Under this circular, covered entities must conduct annual organizationwide "single audits" of all

Federal money they receive. These audits are conducted by non-Federal auditors, such as public accounting firms and State auditors. OIG reviews the quality of these audits and assesses the adequacy of the entities’ management of Federal funds. OIG’s oversight of non-Federal audit activity informs Federal managers about the soundness of management of Federal programs and identifies any significant areas of internal control weakness, noncompliance, and questioned costs for resolution or followup.

We identify entities for high-risk monitoring, alert program officials to any trends that could indicate problems in HHS programs, and profile non-Federal audit findings of a particular program or activity over time to identify systemic problems. We also provide training and technical assistance to grantees and members of the auditing profession. OIG maintains a process to assess the quality of the non-Federal reports received and the audit work that supports the selected reports. The non-Federal audit reports reviewed and issued during this reporting period are categorized in the following table.

Table – Non-Federal Audits, October 1, 2011, Through March 31, 2012

OIG reports issued:	
Not requiring changes or with minor changes	1,788
Requiring major changes	156
Having significant technical inadequacies	8
Total	1,952

The 1,952 reports included 4,434 recommendations for improving management operations. In addition, these audit reports provided information for 28 special memorandums that identified concerns for increased monitoring by management.

Affordable Care Act

CLASS—Community Living Assistance Services and Supports Program

The Patient Protection and Affordable Care Act of 2010 (Affordable Care Act) requires OIG to submit an annual report to the Secretary and Congress on the overall progress of the Community Living Assistance Services and Supports (CLASS) program and the existence of waste, fraud, and abuse in

the program. HHS has suspended program implementation activities. On October 14, 2011, the Secretary informed Congress that HHS had not identified a benefit plan for the CLASS program for long-term insurance that is both actuarially sound for the next 75 years and consistent with the requirements of Title VIII of the Affordable Care Act. Because the Secretary suspended the program, we have no recommendations. *Community Living Assistance Services and Supports Program: 2011 Report to Congress*. OEI-04-11-00450. December 2011. [Web Summary](#). [Full Text](#).

National and State Background Checks for Long-Term-Care Employees

Employee Background Checks – The Affordable Care Act mandates that OIG submit a report to Congress evaluating the Nationwide Program for National and State Background Checks on Direct Patient Access Employees of Long Term-Care Facilities and Providers not later than 180 days after the program's completion. We plan to use the baseline information from this survey in the mandated report to assess the effects of background checks on the availability of long- term-care (LTC) workers.

Our survey of LTC provider administrators revealed that nearly all administrators conduct background checks on prospective employees and that current background check procedures do not appear to greatly reduce the available workforce. Only 4 percent of the administrators encountered individuals who were unwilling to undergo a background check. Twenty-three percent of administrators believed that their organizations' current background check procedures reduced the number of applicants in the pool of prospective employees.

Overall, 81 percent of administrators believed that there is a sufficient number of persons in the pool of qualified applicants for job vacancies. However, survey results indicate that 9 percent of administrators did not receive applications from qualified individuals for at least some job vacancies. *Nationwide Program for National and State Background Checks for Long-Term-Care Employees—Results of Long-Term-Care Provider Administrator Survey*. OEI-07-10-00421. January 2012. [Web Summary](#). [Full Text](#).

Recovery Act Retaliation Complaint Investigations

Section 1553 of the Recovery Act prohibits non-Federal employers that have received funding from the Recovery Act from retaliating against employees who disclose evidence of mismanagement of Recovery Act funds or any violation of law related to Recovery Act funds. Section 1553 also requires OIGs to include in their semiannual reports to Congress the retaliation complaint investigations that they decided not to conduct or continue during the reporting period. OIG did not discontinue or decline to conduct any Recovery Act whistleblower retaliation complaint investigations during this reporting period.

Improper Payments in HHS Programs

Noncompliance With Improper Payment Reporting Requirements

Improper Payments – HHS did not meet one or more requirements in the Medicare Advantage (MA), Children’s Health Insurance (CHIP), Temporary Assistance for Needy Families (TANF), and Child Care Development Fund programs. In addition, the accuracy and completeness of the financial reporting could be improved.

Of nine HHS programs that were deemed by OMB to be susceptible to significant improper payments, four did not meet one or more statutory requirements pertaining to improper payments in FY 2011. To improve accountability of Federal agencies’ administration of funds, Federal OIGs, including the HHS OIG, are required to review and report on agencies’ annual financial reports and accompanying material to determine compliance with the Improper Payments Information Act of 2002 (IPIA), as amended by the Improper Payments Elimination and Recovery Act of 2010 (IPERA).

(Recommendations—HHS should address payment errors, develop improper payment estimates, produce error rates, and develop adjustments as outlined in our report.) *U.S. Department of Health and Human Services Did Not Fully Comply With Federal Requirements for Reporting Improper Payments*. A-17-12-52000. March 2012. [Web Summary](#). [Full Text](#).

Grant Fraud

HHS is the largest grant-making organization in the Federal Government, and its funding of health and human services programs touches the lives of almost all Americans. Increased concerns by Congress and the Administration regarding transparency of and accountability for agency expenditures is creating heightened scrutiny over the administration of grant and contract dollars.

Florida – Jimmy D. Howard, Jr., executive director of **Dream Builders of Tallahassee, Inc.** (DBT), was sentenced to 51 months of incarceration and ordered to pay \$307,075 in restitution for one count of wire fraud related to an ACF grant. DBT is a nonprofit organization established to help individuals with low incomes save money by providing funds to match monies that the participants proved they had saved.

The company received a grant from ACF in 2004 for the purpose of matching the money saved by those enrolled in the program. The funds were to be used to help the enrollees purchase homes, continue their education, or grow small businesses. The grant also required DBT to have an equal amount of non-Federal funds to match the money saved by the individuals. Howard was unable to find matching non-Federal funds and, after approximately 2 years of failing to meet this requirement, began submitting false statements to HHS indicating that his company had the requisite amount of matching non-Federal funds. Howard also allegedly used a portion of the grant money for personal expenses.

Contract Audits

The National Defense Authorization Act for FY 2008, § 845, requires each Inspector General appointed under the Inspector General Act of 1978 to submit, as part of the semiannual report submitted to Congress pursuant to § 5 of such Act, information on final, completed contract audit reports issued to the contracting activity containing significant audit findings issued during the period covered by the semiannual report concerned.

We found time and amount issues in four NIH contracts that potentially violated the Antideficiency Act and/or the bona fide needs rule. The Antideficiency Act prohibits an agency from obligating or expending funds in advance of or in excess of an appropriation unless specifically authorized by

law. Details of the audits begin on page IV-3 of this document (NIH's Compliance With Appropriation Laws).

- *Appropriations Funding for National Institute on Drug Abuse Contract HHSN271-2007-00009C With Charles River Laboratories, Inc.* A-03-10-03104. October 2011. [Web Summary](#). [Full Text](#).
- *Appropriations Funding for National Institute of Allergy and Infectious Diseases Contract HHSN272-2008-00013C With The EMMES Corporation.* A-03-10-03115. October 2011. [Web Summary](#). [Full Text](#).
- *Appropriations Funding for National Institute of Diabetes and Digestive and Kidney Diseases Contract HHSN267-2007-00014C With the University of South Florida.* A-03-10-03110. October 2011. [Web Summary](#). [Full Text](#).
- *Appropriations Funding for Eunice Kennedy Shriver National Institute of Child Health and Human Development Contract HHSN275-03-3345 With Westat, Inc.* A-03-10-03106. October 2011. [Web Summary](#). [Full Text](#).

Employee Misconduct

Washington, DC – Cheng Yi Liang, a former chemist for the FDA Office of New Drug Quality Assessment, was sentenced to 5 years of incarceration for securities fraud and making false statements. Between approximately July 2006 and March 2011, Liang engaged in insider trading with information he had obtained about new drugs while working as an FDA scientist, including experimental drug information submitted to FDA by pharmaceutical companies for review.

According to the investigation, Liang wrongfully used FDA's internal tracking system to access material, nonpublic information relating to the progression of experimental drugs through FDA's drug approval process. He then used this information to trade pharmaceutical company securities in the stock market using the accounts of acquaintances and relatives, including his son.

In addition to receiving a prison sentence, Liang was ordered to forfeit \$3.77 million in proceeds from the scheme. This investigation was a joint effort with the Government-wide Financial Fraud Enforcement Task Force, which coordinates proactive efforts to investigate and prosecute financial crimes.

Legislative and Regulatory Reviews

The Inspector General Act requires us to review existing and proposed legislation and regulations relating to HHS's programs and operations and make recommendations concerning their impact on economy and efficiency or the prevention and detection of fraud and abuse. Most audits and other reviews that we conduct are designed to test compliance with and/or assess the administration and oversight of existing laws and regulations. Our reports of such reviews describe findings, which include questioned costs, inefficiencies, vulnerabilities to fraud, inconsistencies, errors in application, or weaknesses in oversight or supporting systems. Our corresponding recommendations tell HHS and its pertinent operating or staff divisions what administrative, regulatory, or legislative actions we believe are needed to effectively respond to the findings.

Our regularly published core publications reflect the relationship between our work and laws and regulations.

- Our [Semiannual Report to Congress](#) describes findings and recommendations from recently completed reviews, many of which focus on existing laws and regulations.
- Our [Compendium of Unimplemented Recommendations](#), which is published annually, describes priority findings and recommendations from past periods that remain to be implemented, along with pertinent citations of existing laws and regulations.
- Our annual [Work Plan](#), which is published at the start of each fiscal year, provides citations to laws and regulations that are the subject of ongoing or future reviews.

We also review proposed legislation and regulations related to HHS programs and operations. HHS routinely involves us and its other operating and staff divisions in the review and development of HHS regulations through a well-established HHS process. Our audits, evaluations, and investigations are sometimes cited in regulatory preambles as influencing HHS regulations. In addition, we provide independent, objective technical assistance on a bipartisan, bicameral basis to congressional committees and members who request it.