

Other HHS-Related Reviews

Certain financial, performance, and investigative issues cut across HHS programs. The OIG's work in progress and its planned work address Departmentwide matters, such as financial statement audits; financial accounting; information systems management; and other departmental issues, including discounted airfares and protections for people in residential settings who have disabilities.

Although we have discretion in allocating most of our non-Medicare and non-Medicaid resources, a portion is used for mandatory reviews, including financial statement audits conducted pursuant to the Government Management Reform Act of 1994 (GMRA), § 405(b); the Chief Financial Officers Act of 1990 (CFO Act); and information systems reviews required by the Federal Information Security Management Act of 2002 (FISMA).

The GMRA seeks to ensure that Federal managers have the financial information and flexibility necessary to make sound policy decisions and manage scarce resources. The GMRA broadened the CFO Act by requiring annual audited financial statements for all accounts and associated activities of HHS and other Federal agencies and components of Federal agencies, including CMS.

The American health care system is increasingly relying on health information technology (health IT) and the electronic exchange and use of health information. Health IT, including EHRs, offers opportunities for improved patient care, more efficient practice management, and improved overall public health. OIG's future planning efforts may consider the significant challenges that exist with respect to overseeing expenditures for health IT, the interoperability and effective sharing and use of health care data for medical care, and emergency preparedness and response. Future work may also examine practices intended to protect sensitive information and the broad use of data and technology to manage HHS programs.

Acronyms and Abbreviations for Selected Terms:

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| AFR—Agency Financial Report | health IT—health information technology |
| CFO Act—Chief Financial Officers Act of 1990 | GPO—group purchasing organization |
| CMS—Centers for Medicare & Medicaid Services | IPERA— Improper Payment Elimination and Recovery Act of 2010 |
| FISMA—Federal Information Security Management Act of 2002 | OMB—Office of Management and Budget |
| GAO—Government Accountability Office | SAM—System for Award Management |
| GMRA—Government Management Reform Act of 1994 | |

Financial Statement Audits and Related Reviews

➤ Audit of fiscal year 2015 consolidated HHS financial statements and financial-related reviews

We will review the independent auditor's workpapers to determine whether financial statement audits of HHS and its components were conducted in accordance with Federal requirements. The purpose of a financial statement audit is to determine whether the financial statements present fairly, in all material respects, the financial position of the audited entity for the specified time period. (CFO, as amended by GMRA; Government Auditing Standards; and OMB Bulletin 14-02, "Audit Requirements for Federal Financial Statements.") The audited consolidated FY 2015 financial statements for HHS are due to OMB by November 16, 2015. The audit reports on the HHS Special Purpose Financial Statements entered into the Governmentwide Financial Report System are intended to support the preparation of Governmentwide financial statements and reports. The report is prepared by the independent auditor, who audits the HHS Consolidated Financial Statements. We plan to perform a number of ancillary financial-related reviews related to the audits of the FY 2015 financial statements. The purpose of the financial-related reviews is to fulfill requirements in OMB Bulletin 14-02, §§ 6.1 through 13. (OAS; W-00-15-40009; A-17-15-00001; A-17-15-00006; expected issue date: FY 2016)

➤ Fiscal year 2015 Centers for Medicare & Medicaid Services' financial statements

We will review the independent auditor's workpapers to determine whether the financial statement audit of the Centers for Medicare & Medicaid Services (CMS) was conducted in accordance with Federal requirements. The purpose of a financial statement audit is to determine whether the financial statements present fairly, in all material respects, the financial position of the audited entity for the specified time period. (CFO Act, as amended by the GMRA; Government Auditing Standards; and OMB Bulletin 14-02, "Audit Requirements for Federal Financial Statements.") (OAS; W-00-15-40008; A-17-15-02015; expected issue date: FY 2016)

Financial Reviews

➤ Compliance with reporting requirements for improper payments

We will review certain aspects of HHS's compliance with the Improper Payments Information Act of 2002, as amended, regarding reporting improper payments. We will also assess HHS's compliance with the Improper Payment Elimination and Recovery Act of 2010 (IPERA) and the data presented in HHS's Agency Financial Report (AFR) and provide recommendations for modifying the reporting and addressing the goals of the reporting requirements, as needed. Pursuant to the OMB Circular A-123, Appendix C, Requirements for Effective Estimation and Remediation of Improper Payments accompanying IPERA, OIG is required to review how HHS is assessing the programs it reports as well

as the accuracy and completeness of the reporting in the AFR. IPERA requires the head of a Federal agency with programs or activities that may be susceptible to significant improper payments to report to Congress the agency's estimate of improper payments. For any program or activity with estimated improper payments exceeding \$10 million and 1.5 percent, or \$100 million regardless of the improper payment rate, the agency must report to Congress the actions that the agency is taking to reduce those payments. (OAS; W-00-16-40047; expected issue date: FY 2016)

➤ Evaluation of predictive analytics for reducing improper payments

We will evaluate HHS's implementation of predictive analytics technologies and will assess HHS's reporting of actual and projected savings for improper payments avoided and recovered and the relative return on investment, and we will follow up on corrective actions made in response to our prior year's recommendations. We will also assess HHS's use of the technologies and determine whether improvements could be made to increase Medicare savings. The Small Business Jobs Act of 2010 required HHS to implement predictive analytics technologies for reducing improper payments in Medicare fee for service. HHS must report annually on the progress of the programs and certify certain amounts it reports. (OAS; W-00-14-40060; W-00-15-40060; various reviews; expected issue date: FY 2015)

➤ HHS contract management review

We will review the controls the HHS Program Support Center has in place to ensure compliance with requirements specified in appropriations statutes when awarding contracts. We will review HHS's quality assurance procedures to determine the accuracy and completeness of the internal control reviews to ensure full compliance with appropriations laws. HHS, in its July 2011 *Antideficiency Report to the President*, noted that it implemented corrective actions, including adopting quality assurance procedures and conducting procurement management and internal control reviews to validate full compliance with appropriations laws and regulations to ensure that there would be no future violations of the Anti-Deficiency Act. (31 U.S.C. § 1341(a)(1) and Bona Fide Needs Rule.) (31 U.S.C. § 1502.) (OAS; W-00-13-52313; expected issue date: FY 2015)

➤ HHS agencies' annual accounting of drug-control funds

We will review HHS agencies' compliance with the requirement that agencies expending funds on National Drug Control Program activities submit to the Office of National Drug Control Policy an annual accounting of the expenditure of such funds. (21 U.S.C. § 1704.) The policy also requires that an agency submit with its annual accounting an authentication by the agency's OIG in which OIG expresses a conclusion on the reliability of the agency's assertions in its accounting. We will submit this authentication with respect to HHS's FY 2014 annual accounting. (OAS; W-00-15-41020; various reviews; expected issue date: FY 2016)

➤ OIG reviews of non-Federal audits

We will continue to review the quality of audits conducted by non-Federal auditors, such as public accounting firms and State auditors, in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. State, local, and Indian tribal governments; colleges and universities; and nonprofit organizations receiving Federal awards are required to have annual organizationwide audits of all Federal funds that they receive. Our reviews ensure that the

audits and reports meet applicable standards, identify any followup work needed, and identify issues that may require management attention. OIG also provides upfront technical assistance to non-Federal auditors to ensure that they understand Federal audit requirements and to promote effective audit work. We analyze and record electronically the audit findings reported by non-Federal auditors for use by HHS managers. Our reviews inform HHS managers about the management of Federal programs and identify significant areas of internal control weaknesses, noncompliance with laws and regulations, and questioned costs that require formal resolution by Federal officials. (OAS; W-00-00-0000; various reviews; expected issue date: FY 2015)

➤ **OIG reimbursable audits of non-HHS funds**

We will conduct a series of audits as part of HHS's cognizant-agency responsibility under OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. HHS OIG has audit cognizance over all State governments and most major research colleges and universities that receive Federal funds. We enter into agreements with other Federal audit organizations or other Federal agencies to reimburse us as the cognizant audit organization for audits that we perform of non-HHS funds. To ensure a coordinated Federal approach to audits of colleges, universities, and States, OMB establishes audit cognizance, that is, it designates which Federal agency has primary responsibility for audit of all Federal funds the entity receives. (OAS; W-00-15-50012; various reviews; expected issue date: FY 2015)

➤ **Requests for audit services**

Throughout the year, Congress, HHS, and other Federal organizations request that we perform a variety of financial-related audit services, including contract and grant closeouts, indirect cost audits, bid proposal audits, and other reviews designed to provide specific information requested by management. We evaluate requests as we receive them, considering such factors as why the audit is being requested, how the results will be used, when the results are needed, and whether the work is cost beneficial. (OAS; W-00-15-41021; various reviews; expected issue date: FY 2015)

➤ **NEW Review of financial interests reported under the Open Payments Program**

We will determine the number and nature of financial interests that were reported to CMS under the Open Payments Program. We will also determine the extent to which CMS oversees manufacturers' and group purchasing organizations' (GPOs') compliance with data reporting requirements and whether the required data for physician and teaching hospital payments is accurately and completely displayed in the publicly available database. The Affordable Care Act, § 6002, requires that manufacturers disclose to CMS payments made to physicians and teaching hospitals. Manufacturers and GPOs must also report ownership and investment interests held by physicians. The Open Payments Program provides public transparency about provider-industry relationships; it is important that the information be complete and accurate to serve the needs of consumers making educated decisions about their health care choices. (OEI; 03-15-00220; expected issue date: FY 2016).

Automated Information Systems

➤ HHS compliance with the Federal Information Security Management Act of 2002

We will review various HHS operating divisions' compliance with FISMA. FISMA and OMB Circular A-130, *Management of Federal Information Resources*, Appendix III, require that agencies and their contractors maintain programs that provide adequate security for all information collected, processed, transmitted, stored, or disseminated in general support systems and major applications. (OAS; W-00-14-40016; W-00-15-40016; W-00-14-42001; W-00-15-42001; various reviews; expected issue date: FY 2015)

➤ Penetration testing of HHS and operating division networks

We will conduct network and Web application penetration testing to determine HHS's and its operating divisions' network security posture and determine whether these networks and applications are susceptible to hackers. Penetration tests are used to identify methods of gaining access to a system by using tools and techniques known to be employed by hackers. There has been an increase in activity from computer hacker groups compromising government systems and releasing sensitive data to the public or using such data to commit fraud. (OAS; W-00-14-42020; W-00-15-42020; various reviews; expected issue date: FY 2015)

Other HHS-Related Issues

➤ HHS efforts to address grantee risks

We will determine how HHS awarding agencies mitigate grantee risks and whether HHS awarding agencies receive and/or share information on grantees for which they have concerns regarding performance expectations and/or accountability requirements. HHS is the largest grantmaking agency in the Federal Government. In FY 2013, HHS awarded nearly \$344 billion in grants. Oversight of these funds is crucial to HHS's mission and to the health and well-being of the public. Federal regulations incorporate uniform administrative requirements governing HHS awards. Guidance for implementing those regulatory requirements is contained in the HHS *Grants Policy Directives*, which apply across HHS. (OEI; 07-12-00110; expected issue date: FY 2015)

➤ Prevent grant awards to individuals and entities that were suspended and/or debarred

We will determine whether HHS operating divisions are taking adequate precautions to ensure that individuals and entities suspended or debarred are not awarded Federal grants or contracts. To protect the Government's interests, Federal agencies are required to make awards only to responsible sources—those that are determined to be reliable, dependable, and capable of performing required work. One way to protect the Government's interests is through suspensions

and debarments, which are actions taken to preclude firms or individuals from receiving contracts or assistance because of various types of misconduct. A suspension is a temporary exclusion typically pending the completion of an investigation or legal proceeding, while a debarment is for a fixed term that depends on the seriousness of the cause, but generally is for a period of 3 years. These exclusions are reported in the System for Award Management (SAM), maintained by the General Services Administration, along with violations of certain statutes and regulations. A previous report by GAO found that some agency programs need greater attention and that governmentwide oversight could be improved. (OAS; W-00-15-59024; expected issue date: FY 2016)

➤ **HHS's Government purchase, travel, and integrated charge card programs**

We will review HHS's charge card programs (e.g., purchase, travel, or integrated cards) to assess the risks of illegal, improper, or erroneous purchases. OMB has instructed IGs to submit annual status reports on purchase and travel card audit recommendations beginning January 31, 2014, for compilation and transmission to Congress and GAO. Further, IGs are required to conduct periodic risk assessments of their agencies' charge card programs to analyze the risks of illegal, improper, or erroneous purchases. (Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act).) The Charge Card Act requires IGs to use the risk assessments to determine the necessary scope, frequency, and number of IG audits or reviews of the charge card programs. It requires Federal agencies, including HHS, to establish and maintain safeguards and internal controls for purchase cards (including convenience checks), travel cards, and integrated cards. HHS's charge card programs enable cardholders to pay for commercial goods, services, and travel expenses. This risk assessment will determine the extent and focus of our subsequent audit efforts. (OAS; W-00-15-00000; expected issue date: FY 2015)