

Department of Health and Human Services

Office of Inspector General Projects



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FINANCIAL STATEMENT AUDITS

The Government Management Reform Act of 1994 seeks to ensure that Federal managers have at their disposal the financial information and flexibility necessary to make sound policy decisions and manage scarce resources. This act broadened the Chief Financial Officers (CFO) Act of 1990 by requiring annual audited financial statements--commencing with Fiscal Year (FY) 1996--for *all* accounts and associated activities of selected Federal agencies, including the Department of Health and Human Services (HHS) and its operating divisions. The audited FY 1999 consolidated HHS financial statements are due to the Office of Management and Budget (OMB) by March 1, 2000.

Audits of FY 1999 Financial Statements

The following audits of FY 1999 financial statements will be completed and reports issued during FY 2000:

Health Care Financing Administration

OAS; W-00-99-40008; A-17-99-01999

Administration for Children and Families

OAS; W-00-99-40010; A-17-99-00003

Health Resources and Services Administration

OAS; W-00-99-40013; A-17-99-00005

Indian Health Service

OAS; W-00-99-40013; A-17-99-00006

National Institutes of Health (NIH)

OAS; W-00-99-40013; A-17-99-00012

Centers for Disease Control and Prevention

OAS; W-00-99-40013; A-17-99-00013

Food and Drug Administration

OAS; W-00-99-40013; A-17-99-00011

Substance Abuse and Mental Health Services Administration

OAS; W-00-99-40013; A-17-99-00004

Program Support Center

OAS; W-00-99-40013; A-17-99-00007

Consolidated HHS Financial Statements

OAS; W-00-99-40009; A-17-99-00002

**Reviews of HHS Service Organizations to Support
FY 1999 Financial Statement Audits**

NIH Computer Center

OAS; W-00-99-40012; A-17-99-00015

Program Support Center--Major Administrative Support Services:

Payment Management System

OAS; W-00-99-40012; A-17-99-00014

Accounting Operations--Division of Financial Operations

OAS; W-00-99-40012; A-17-99-00008

Payroll Operations

OAS; W-00-99-40012; A-17-99-00009

Audits of FY 2000 Financial Statements

Work is expected to begin in FY 2000 on the following audits of FY 2000 financial statements:

Health Care Financing Administration

OAS; W-00-00-40008

Expected Issue Date: FY 2001

Administration for Children and Families

OAS; W-00-00-40010

Expected Issue Date: FY 2001

Health Resources and Services Administration

OAS; W-00-00-40013

Expected Issue Date: FY 2001

Indian Health Service

OAS; W-00-00-40013

Expected Issue Date: FY 2001

National Institutes of Health

OAS; W-00-00-40013

Expected Issue Date: FY 2001

Centers for Disease Control and Prevention

OAS; W-00-00-40013

Expected Issue Date: FY 2001

Food and Drug Administration

OAS; W-00-00-40013

Expected Issue Date: FY 2001

Substance Abuse and Mental Health Services Administration

OAS; W-00-00-40013

Expected Issue Date: FY 2001

Program Support Center

OAS; W-00-00-40003

Expected Issue Date: FY 2001

Consolidated HHS Financial Statements

OAS; W-00-00-40009

Expected Issue Date: FY 2001

**Reviews of HHS Service Organizations to Support
FY 2000 Financial Statement Audits**

NIH Computer Center

OAS; W-00-00-40012

Expected Issue Date: FY 2001

Program Support Center--Major Administrative Support Services:

Payment Management System

OAS; W-00-00-40012

Expected Issue Date: FY 2001

Accounting Operations--Division of Financial Operations

OAS; W-00-00-40012

Expected Issue Date: FY 2001

Payroll Operations

OAS; W-00-00-40012

Expected Issue Date: FY 2001

PROGRAM INTEGRITY AND EFFICIENCY

Year 2000 Computer Renovation Plans

We will continue to determine the adequacy of the Department's planning, management, and assessment of the Year 2000 system compliance problem and assess the risk that mission-critical, internal information systems may not operate effectively and efficiently by January 1, 2000. The Year 2000 remediation effort, likely the largest computer system conversion effort ever undertaken, is necessary to ensure that computerized systems can distinguish the Year 2000 from 1900, 2001 from 1901, etc., and that they can correctly handle leap year calculations involving the Year 2000 and beyond. To avoid widespread system failures, the Federal Government's Year 2000 strategy places emphasis on ensuring that agencies' mission-critical systems are Year 2000 compliant before December 31, 1999.

The Department has reported to OMB that it has 289 mission-critical systems. Many of these systems are now being reported as compliant. However, crucial testing with business partners is still underway. Additionally, the Medicare claim processing system will undergo changes before December 31, 1999. These efforts will be closely monitored by HCFA and the OIG. Our review is part of an initiative of the President's Council on Integrity and Efficiency to monitor Year 2000 preparations throughout the executive branch. Our compliance work at the individual operating agencies is noted, where applicable, in the preceding chapters.

OAS; W-00-98-40007; A-17-00-00000

Escheated Warrants

We will determine whether States with a large percentage of escheated warrants (uncashed and unclaimed checks) are promptly crediting the Federal programs for the warrants. Federal regulations require that States refund the Federal portion of escheated warrants. Previous reviews found that States did not always timely or properly report the warrants.

OAS; W-00-00-40006; Various CINs

State Pensions

These reviews will determine whether the Federal Government received equitable benefit when surplus State pension funds were withdrawn, transferred to other State funds, or used to cover State expenses. Previous reviews disclosed significant problems with pension plan costs charged to Federal programs.

OAS; W-00-00-40006; A-02-00-00000, A-09-00-00000

Preaward and Postaward Contract Audits

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

To ensure maximum return on OIG resources devoted to contract audit work, we will (1) use streamlined, cost-saving audit techniques in conducting preaward audits, (2) rely to the maximum extent possible on nonfederal audits, and (3) focus the collaborative risk-based selection process on those audits that result in savings to the Department.

OAS; W-00-00-50009 & -50011; Various CINs

Nonfederal Audits

Under OMB Circular A-133, State and local governments, colleges and universities, and nonprofit organizations receiving Federal awards are required to have an annual organizationwide audit of all Federal money they receive. We will continue to review the quality of these audits by nonfederal auditors, such as public accounting firms and State auditors, in accordance with the circular. The objectives of our reviews are to ensure that the audits and reports meet applicable standards, identify any follow-up work needed, and identify issues that may require management attention.

We also provide up-front technical assistance to nonfederal auditors to facilitate a clear understanding of the Federal audit requirements and promote effective audit work. In addition, we identify, analyze, and record electronically the audit findings reported by nonfederal auditors for use by Department managers. Our reviews provide Department managers with assurance 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.