SECTION VI:
Overview of Other Performance Information

Compliance and Progress with Certain Financial Management Statutes

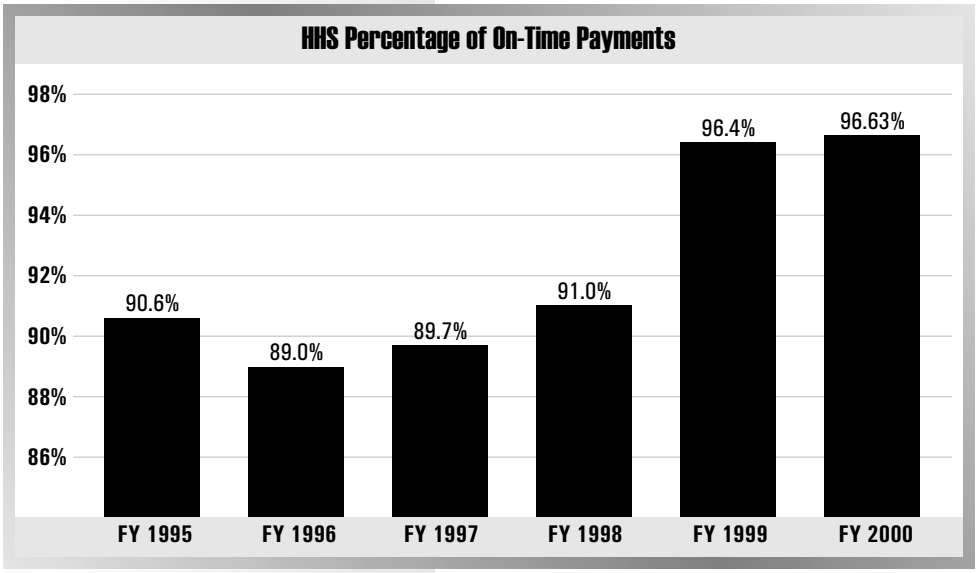
Prompt Payment

HHS Prompt Pay Responses

U.S. Department of Health and Human Services • As of September 30th

	FY 2000 TOTAL	FY 1999 TOTAL
Dollar value of invoices	$ 5,285,542,749	$ 5,442,692,282
Number of invoices	1,006,690	1,269,584
Dollar value invoices paid late	$ 340,525,238	$ 440,713,958
Number paid late	33,921	45,046
Relative frequency	3.37%	3.55%
Interest Penalties Paid		
Dollar value	$ 483,867	$ 692,902
Number of penalties	14,158	21,108
Frequency	1.41%	1.66%
Additional Penalties		
Dollar value	0	–
Number of penalties	0	–
Frequency	–	0.00%
Penalties Due but Not Paid		
Total		
Interest dollar value	$ 16,562	$ 17,630
Number	22,205	23,382
Payments less than $1		
Interest dollar value	$ 16,562	$ 17,227
Number	22,205	23,376
For other reasons		
Interest dollar value	–	$ 403
Number	–	6
Invoices Paid Eight or More Days Early		
Dollar value of invoices	$ 58,886,546	$ 74,894,986
Number of invoices	62,823	67,633
Relative frequency	28.95%	5.33%
Invoices Paid On or Before Due Date		
Dollar Amount	$ 4,945,017,511	$ 5,001,978,324
Number	972,769	1,224,538
ON TIME PERCENT	**96.63%**	**96.45%**

This statement excludes data for IHS field offices.



Civil Monetary Penalties

FY 2000 Civil Monetary Penalties Report

Outstanding Receivables	Number	Amount (in dollars)
Beginning FY 2000 Balances	449	261,865,922
Assessments (+)	182	317,056,046
Collections (-)	(195)	(290,995,261)
Adjustments	(48)	(27,437,272)
Amounts Written Off	–	–
Ending Balance	388	260,489,435
a. Current Receivables	379	130,200,901
b. Non-current Receivables	9	130,288,534
Allowance		75,102,624
Net Receivables	388	185,386,811
Total Delinquent	**363**	**257,711,614**
Total Non-delinquent	**25**	**2,777,821**

Civil Monetary Penalties (CMP) are non-criminal penalties for violation of federal law. The Federal Civil Penalties Inflation Adjustment Act of 1990 provides for periodic evaluation to ensure that CMPs maintain their deterrent value and that the imposed penalties are properly accounted for and collected. HCFA is the only HHS component that has CMPs. Compared to the FY 1999 CMP Report ending balance, the FY 2000 beginning balance was adjusted by approximately $50 million to accurately reflect the correct beginning balance amount.

HHS FY 2000 Federal Financial Management Improvement Act (FFMIA) Compliance

Auditors, who are auditing the financial statements of Executive Agencies, are required to report on whether or not the agencies are in substantial compliance with the requirements of the Federal Financial Management Improvement Act (FFMIA) of 1996. The audits were conducted in accordance with the revised Implementation Guidance dated January 4, 2001 for the FFMIA.

Under FFMIA agencies are required to report whether financial management systems substantially comply with the Federal financial management systems requirements, Federal accounting standards, and the United States Government Standard General Ledger at the transaction level.

The FY 2000 financial statement audit revealed two instances where HHS financial management systems did not substantially comply with Federal Financial Management Systems requirements. HHS concurs with the auditors findings and no additional non-compliances were noted. The two instances identified were:

1. Financial Management accounting systems were not adequate to prepare reliable and timely financial statements
2. EDP control weaknesses were identified at selected Medicare Contractors.

The FY2000 audit recognized the significant steps taken to resolve material weaknesses found in previous years. The following is a summary of some of the corrective actions taken and the current status for each of the areas of non-compliance.

The Financial Management Systems and Processes Used by HHS and Its Components Were Not Adequate to Prepare Reliable, Timely Financial Statements

The auditors recognized the progress made in resolving the material weaknesses reported last year, they have now combined what were two separate weaknesses into one. In last years report the two weaknesses were (1) Financial Systems and Reporting, and (2) Medicare Accounts Receivable.

Our long-term strategic to resolve this material weakness is to modify or replace the existing financial systems in the Department. The short-term focus has been on improving the quality of the data in the accounting systems by increasing periodic reconciliations and analyses. The following are some examples of the FY 2000 efforts:

HCFA successfully developed and fully implemented a Corrective Action Plan (CAP) to resolve the Trust Funds error and to prevent any future recurrence of these events.

HCFA and FDA developed analytical procedures for its account balance activity including the performance of trend analyses on a quarterly basis.

The Program Support Center continued its plan to perform reconciliations for all major accounts as specified by HHS departmental policy and the accounts were reconciled by year-end.

The Program Support Center also implemented a more efficient preparation process for preparing financial statements which allowed them to provided draft FY 2000 financial statements to the auditors on a timely basis as specified in the audit plan.

A new Payment Management System (PMS) was brought online to provide centralized electronic funding and cash management services for federal civilian grants. Management has taken action to address issues identified in the audit. However, the SAS 70 systems review scheduled to start in the Spring and end in December 2001 will provide management assurance that all of the problems have been corrected.

EDP Control Weaknesses Identified at Selected Medicare Contractors

The OIG acknowledged in its findings that HCFA had made improvement in the areas of systems access control, application software development and change control. A number of weaknesses were identified by the auditors at the Medicare Contractors, most of which were at the Medicare Contractors. The auditors also found certain application control weaknesses at the contractors' shared systems. The findings identified at the HCFA Central Office in and of themselves are not considered to be material under FMFIA. HCFA will continue its focus on implementing appropriate corrective action plans to resolve all findings to improve the controls over integrity, confidentiality, and availability of Medicare data processed at the Central Office.

HCFAs Central Office has continued the implementation of enhanced control procedures, specifically in access controls and application development and program change controls.

Task orders were issued to contractors to address issues related to risk assessment, security policies and procedures, independent verification and validation of entity-wide security plans and related procedures for significant systems.

The corrective actions to remedy these issues will be developed by the HHS components and included in the *HHS' CFO Five-Year Plan*.

HHS FY 2000 Federal Managers Financial Integrity Act (FMFIA) Report on Systems and Controls

Background

HHS' management control program under the Federal Managers Financial Integrity Act (FMFIA), reflects the Department's continuing commitment to safeguard the resources entrusted to us by reducing fraud, waste, and abuse and preventing financial losses in HHS programs. HHS continually evaluates its program operations and systems, through CFO annual financial statement audits, as well other OIG and GAO audits, management reviews, systems reviews, etc. to ensure the integrity and efficiency of its operations. Consistent with revised OMB Circular A-123, *Management Accountability and Control* and the *HHS CFO Five-Year Plan*, HHS program managers continue to improve management controls by identifying and correcting management control deficiencies.

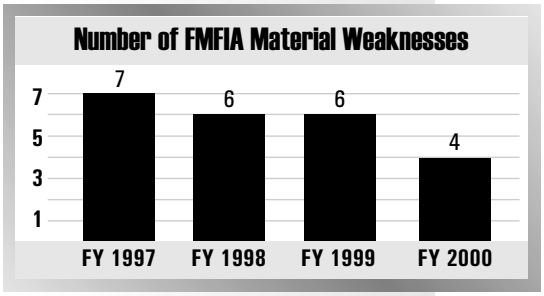
The Department's FMFIA program supports a key objective in our *HHS FY 2000 CFO Five-Year Plan* to respond to our diverse customers' needs by ensuring that the financial information for their programs is accurate and that the financial systems and processes that support them maintain the highest level of integrity. HHS components are to have written strategies for assessing management controls on an ongoing basis and these strategies should be consistent with the *HHS FY 2000 CFO Five-Year Plan* goals and targets and CFO audit Corrective Action Plans (CAPs).

In addition to our goal of obtaining a clean audit opinion on our annual financial statements, we have a related goal of resolving all internal control material weaknesses and reportable conditions cited by the auditors, as well as those identified through FMFIA reviews. HHS has developed corrective action plans to address all of the findings resulting from the financial statement audits, including qualifications/material weaknesses and reportable conditions, and corrective actions are underway. The corrective actions to address the findings from the FY 2000 financial statement audits are described elsewhere in this *Accountability Report*.

Report Summary

The FMFIA annual assurance required by the Act is contained in the Message from the Secretary at the beginning of this *Accountability*

Report. The details of this year's FMFIA Annual Report, in addition to this narrative summary, are in the statistical summary on page VI.13, which reflects the cumulative total of material weaknesses identified and corrected including four pending material weaknesses. A listing of the four material weaknesses is provided on page VI.13. The number of pending material weaknesses has been reduced in this year's report by two as a result of combining two separate material weaknesses from the FY 1999 report into one consistent with the auditors report on the Department's FY 2000 financial statements. Specifically, the Medicare Accounts Receivable material weakness (HCFA 97-02) has been combined with Financial Reporting and Systems (HHS 99-01) and the combined material weakness renamed as "Financial Systems and Processes", and renumbered as (HHS 00-01). In addition, the Child Support Enforcement Program material weakness included in prior year reports (ACF 90-05) is no longer considered to be material based on management's actions taken to address the problem.



Two of the four pending material weaknesses were reported by the auditors in the FY 2000 HHS-wide CFO financial statement audit: 1) Financial Systems and Processes; and 2) Medicare EDP Controls. The FMFIA-style corrective action plans (CAPs) for the pending material weaknesses are contained in pages VI.14 through VI.18 of this report. The remaining two material weaknesses are the result of previous OIG program audits and/or internal management reviews and were included in prior year FMFIA reports.

Financial Systems and Processes – Department-Wide

In the FY 1999 HCFA financial statement audits, as well as the audits of several HHS components, problems related to account analyses and reconciliation were identified which were deemed material in HCFA. HCFA has made significant progress and no longer considers this finding to be material in that HCFA successfully developed and fully implemented a Corrective Action Plan (CAP) to resolve the Trust Funds errors and to prevent any future recurrence of these events. However, certain issues regarding the financial analysis material weakness overlapped with the Medicare accounts receivable weakness. Therefore, for FY 2000, the CAP for Financial Systems and Processes (HHS-00-01), contains Medical Accounts Receivable as well as the milestones for addressing the department-wide financial systems and processes issues.

Although the Department continues to have serious internal control weaknesses in its financial systems and processes for producing financial statements, the HHS components have made substantial progress in addressing account analysis and reconciliation problems identified in the FY 1999 report. For example:

- HCFA successfully developed and fully implemented a Corrective Action Plan (CAP) to resolve the Trust Funds error and to prevent any future recurrence of these events.
- HCFA and FDA developed analytical procedures for their account balance activity including the performance of trend analyses on a quarterly basis.
- During FY 2000 most accounts were reconciled by year-end and the Program Support Center continued its plan to perform reconciliations for all major accounts as specified by DHHS department accounting policy for their customers.
- The Program Support Center, Division of Financial Operations (PSC/DFO) implemented a more efficient preparation process for preparing financial statements.
- The new Payment Management System (PMS) was brought online to provide centralized electronic funding and cash management services for federal civilian grants. However the systems experienced a number of problems with its internal and external reports which have been resolved. Management has taken action to address issues identified in the audit related to the recording and reporting of grant transactions. However, the SAS 70 examination scheduled to start in the Spring and end in December 2001 will seek to provide management assurance that the problems noted have been corrected.
- The Program Support Center provided drafts of the Administration for Children and Family (ACF) FY 2000 financial statements to the certified public accountants on a timely basis as specified in the ACF plan.

Medicare Accounts Receivable

Regarding Medicare Accounts Receivable, while they have worked diligently to improve the financial reporting of their accounts receivable, HCFA remains limited in its ability to ensure the accuracy of account balances and to isolate accounts receivable activities that could have a

material impact on the financial statements. This constraint continues to exist largely because many Medicare contractors are limited in their financial reporting due to the lack of a double entry integrated general ledger accounting system. HCFA's long-range strategy is to implement a fully integrated financial management system to standardize the accounting used by all Medicare contractors using a commercial off-the-shelf software package that has been approved by the Joint Financial Management Improvement Program (JFMIP). As HCFA works toward its integrated general ledger system (IGLAS), they will continue to clarify policy, issue instructions, and provide training to Medicare contractors to promote a uniform method for reporting and accounting for accounts receivable and related financial data. Once the IGLAS is fully operational, HCFA anticipates full resolution of the accounts receivable material weakness.

Medicare EDP Controls

For FY 1999, HCFA reported two EDP related material weaknesses — Medicare Contractors Systems Application Controls (HCFA 98-01a) and Systems/Access Controls at HCFA Central Office (HCFA 98-01b). HCFA recognizes the significance of general and application controls and security issues regarding Medicare EDP issues as they relate to the integrity, confidentiality and availability of sensitive Medicare data. For FY 2000, HCFA made significant progress and has resolved the material weakness at the HCFA central office related to the programming software application and M204 deficiencies (HCFA 98-01b). For the FY 2000 HCFA CFO audit, the auditors found deficiencies at the Medicare contractors and the HCFA Central Office but these deficiencies were not deemed material at the HCFA Central Office. However, the material weakness related to the Medicare contractors (HCFA 98-01a) will remain open until corrective action is complete.

Child Support Enforcement

From 1996 to the present, ACF Office of Child Support Enforcement (OCSE) has been focusing on this issue. OCSE has held training and "issue area" discussions with the States and Federal regional program staff to elevate awareness and increase understanding of the importance of this subject. Beginning in 1998, specific guidance and related "best practice" information, especially in the area of undistributed col-

lections, has been provided to the States, with special attention being focused on the "Big 8" states. This includes the formation of a workgroup and the issuance of two task orders in FY 2000 to explore institutionalized, long term solutions to these problems. An ongoing effort places this issue in every major conference and technical assistance training event. In addition, with the creation of Single Disbursement Units in each State, the potential for the loss of control of funds has been greatly reduced.

OCSE will continue its program of focused technical assistance and support to the States as they fulfill their stewardship responsibilities in this important internal control area. The current Single Audit Compliance Supplement contains references to the applicable OCSE forms that need to be reviewed in this area during a single audit of a State Child Support Program. The OMB Circular A-133 contains the applicable internal control audit steps that would provide the necessary guidance for such a review. OCSE will review and update where necessary, these internal control audit steps and make appropriate changes when and where necessary.

OCSE will also continue its efforts to verify, during certification reviews that all newly developed automated state child support systems contain the necessary management internal control elements to reduce the risk of misappropriation of collections. For example, during the next 12 months, OCSE anticipates reviewing 10-12 states. As we participate in the incremental segments of the system certification reviews, during this period, we will focus on these issues and give feedback to the states on the importance of these issues and the weaknesses and/or condition we find in the segments we have reviewed.

Based upon the activities outlined above, and with concurrence of our OIG staff, we believe that sufficient attention has been placed on this subject area and we no longer consider this a "Material Weakness". OCSE will continue to monitor this issue along with other important issues in State Child Support Programs.

CFO Financial Statement Audits and the FMFIA

Working with an approach developed in conjunction with OIG staff, the 2000 FMFIA Report continues to bring the findings from the CFO audits and the FMFIA closer together. HHS components are to report to the Department all deficiencies (findings) from the audit consistent

with OMB circular A-123, which requires that "a deficiency should be reported if it is or should be of interest to the next level of management." This includes all material weaknesses and instances of systems non-compliance with the Federal Financial Management Improvement Act (FFMIA) identified in the FY 1999 CFO audits, including any which the HHS component may be aware of from the FY 2000 CFO audit at the time they prepared their FMFIA Report. Further, HHS components are asked to recommend which, if any, of their CFO audit material weaknesses and FFMIA non-compliances should be included as an FMFIA material weakness in the Department's Report, i.e., are significant enough to be reported outside the agency to the President and Congress.

Under departmental policy a corrective action plan is required for all CFO audit material weaknesses which are tracked under the CFO audit process. However, for those material weaknesses and FFMIA non-compliances the HHS component recommends for inclusion in the Department's FMFIA Report, HHS components are required to include a corrective action plan in the FMFIA format and submit it with their report. Those material weaknesses which resulted from the FY 1999 and FY 2000 CFO audits are included in the Department's FY 2000 FMFIA report.

However, all of the audit material weaknesses reported by the HHS components, with the exception of those discussed above, are not included in the Department's FMFIA report because HHS believes that the remaining material weaknesses do not reach a level of significance that require reporting to the President and Congress as defined under Revised OMB Circular A-123. Further, as stated previously, HHS requires corrective action plans to address all of the findings resulting from the CFO financial statement audits, including qualifications/ material weaknesses and reportable conditions. However, including all material weaknesses from the CFO audits of the HHS components in the Department's FMFIA report would result in a duplication of the CFO process.

Federal Financial Management Improvement Act (FFMIA) and Section 4 FMFIA

Under FFMIA agencies are required to report whether financial management systems substantially comply with the federal financial management systems requirements, federal accounting standards, and the United States Government Standard General Ledger at the transaction level.

The FY 2000 financial statement audit revealed two instances where HHS financial management systems did not substantially comply with federal financial management systems requirements. HHS concurs with the auditors findings and no additional non-compliances were noted. The two instances identified were:

1. Financial Management accounting systems were not adequate to prepare reliable and timely financial statements
2. EDP control weaknesses were identified at selected Medicare Contractors.

The FY 2000 audit recognized the significant steps taken to resolve material weaknesses found in previous years. The following is a summary of some of the corrective actions taken and the current status for each of the areas of non-compliance.

1. The Financial Management Systems and Processes Used by HHS and Its Components Were Not Adequate to Prepare Reliable, Timely Financial Statements

The auditors recognized the progress made in resolving the material weaknesses reported last year, they have now combined what were two separate weaknesses into one. In last years report the two weaknesses were (1) Financial Systems and Reporting, and (2) Medicare Accounts Receivable.

Our long-term strategy to resolve this material weakness is to modify or replace the existing financial systems in the Department. The short-term focus has been on improving the quality of the data in the accounting systems by increasing periodic reconciliations and analyses. The following are some examples of the FY 2000 efforts:

- HCFA successfully developed and fully implemented a Corrective Action Plan (CAP) to resolve the Trust Funds error and to prevent any future recurrence of these events.
- HCFA and FDA developed analytical procedures for its account balance activity including the performance of trend analyses on a quarterly basis.
- The Program Support Center continued its plan to perform reconciliations for all major accounts as specified by HHS departmental policy and the accounts were reconciled by year-end.
- The Program Support Center also implemented a more efficient

preparation process for preparing financial statements which allowed them to provided draft FY 2000 financial statements to the auditors on a timely basis as specified in the audit plan.

- A new Payment Management System (PMS) was brought online to provide centralized electronic funding and cash management services for federal civilian grants. Management has taken action to address issues identified in the audit related to the recording and reporting of grant transactions. However, the SAS 70 examination scheduled to start in the Spring and end in December 2001 will seek to provide management assurance that the problems noted have been corrected.

2. EDP Control Weaknesses Identified at Selected Medicare Contractors

The OIG acknowledged in its findings that HCFA had made improvement in the areas of systems access control, application software development and change control. A number of weaknesses were identified by the auditors at the Medicare Contractors. The auditors also found certain application control weaknesses at the contractors' shared systems. HCFA will continue its focus on implementing appropriate corrective action plans to resolve all findings to improve the controls over integrity, confidentiality, and availability of Medicare data.

HCFA's Central Office has continued the implementation of enhanced control procedures, specifically in access controls and application development and program change controls.

Task orders were issued to contractors to address issues related to risk assessment, security policies and procedures, independent verification and validation of entity-wide security plans and related procedures for significant systems.

The corrective actions to remedy these issues will be developed by the HHS components and included in the *HHS' CFO Five-Year Plan*.

HHS FY 2000 Statistical Summary of FMFIA Material Weaknesses and Non-Conformances

Management Control

	Number of Material Weaknesses		
	Number reported for the first time in:	For that year, number that have been corrected	For that year, number still pending:
Prior Years	347	338	1 [1]
1998 Report	2	0 *	2 *
1999 Report	1	0	1 *
2000 Report	0	0	0
TOTAL	**350**	**338**	**4** [1]

Of the total number corrected, how many were corrected in 2000? 0

Financial Management Systems

	Number of Material Non-conformances		
	Number reported for the first time in:	For that year, number that have been corrected	For that year, number still pending:
Prior Years	11	8	0 [2]
1998 Report	0	0	0
1999 Report	0	0	0
2000 Report	0	0	0
TOTAL	**11**	**8**	**0** [2]

Of the total number corrected, how many were corrected in 2000? 0

[1] The number of corrected and pending material weaknesses from prior years does not add to the total pending because: a) excludes 1 pending material weakness formerly reported by HHS for the Social Security Administration (SSA) is being reported by SSA in their accountability report; b) excludes 3 HCFA deficiencies formerly reported as material weakneses, since these deficiencies are no longer material and, therefore, do not require reporting outside the agency; and c) includes an adjustment of -1 to reflect combining HCFA Medicare Secondary Payer (HCFA 89-01) with HCFA Accounts Receivable (HCFA 97-02). In addition, consistent with the FY 2000 CFO audit, the number of prior year weaknesses has been reduced by one as a result of combining the HCFA Medicare Accounts Receivable material weakness (HCFA 97-02) with the former Financial Systems and Reporting material weakness (HHS 99-01) and re-titling and re-numbering the combined weakness as Financial Systems and Processes (HHS 00-01). Further, the Child Support Enforcement Program material weakness (ACF-90-05) reported in prior years is no longer considered to be material.

[2] The number of corrected and pending material non-conformances does not add to the total reported because this number excludes 3 pending material non-conformances formerly reported by HHS for the Social Security Administration. SSA now reports on the status of those material non-conformances in their accountability report.

* Two material weaknesses for Medicare EDP Controls reported for 1998: (HCFA 98-01) and HCFA 98-02 were combined into one material weakness and renumbered as HCFA 98-01a and HCFA 98-01b in the 1999 report. HCFA 98-01b has been corrected.

HHS FY 2000 Pending and New Material Weaknesses Under FMFIA Reporting

No.	Title and Identification Code	Year First Reported	Target Date for Correction in 1999 FMFIA Report	Current Target Date for Correction
	Department-wide			
1	Financial Systems and Processes (HHS 00-01)	1999	N/A	FY 2007
	Health Care Financing Administration			
2	Medicare EDP Controls: a) Improve Application Controls for Medicare Contractors (HCFA 98-01a)*	1998	FY 1999	FY 2001
	Food and Drug Administration			
3	Weak Enforcement in the Import Food Inspection Program (FDA 89-02)	1989	FY 1999	FY 2001
	National Institutes of Health			
4	NIH — Deficiencies in Technology Transfer Activities (PHS-93-02)	1993	FY 1999	FY 2001

NOTE: The number of material weaknesses reported on in this section is consistent with the number shown in the statistical table above.

[1] The number of pending material weaknesses has been reduced in this year's report by combining two separate material weaknesses from the FY 1999 report into one consistent with the auditors report on the Department's FY 2000 financial statements. Specifically, the Medicare Accounts Receivable material weakness (HCFA 97-02) has been combined with Financial Reporting and Systems (HHS 99-01) and the combined material weakness renamed as "Financial Systems and Processes," and renumbered as (HHS 00-01). Further, the Child Support Enforcement Program material weakness (ACF-90-05) reported in prior years is no longer considered to be material.

* Of the two material weaknesses for Medicare EDP Controls reported in the HHS 1999 FMFIA Report in two-parts, the part that relates to Systems Access Controls at HCFA central office (HCFA 98-01b) has been corrected. The remaining portion of the EDP material weakness involving system access controls at the Medicare contractors remains uncorrected although progress has been made. See exhibit HCFA 98-01a.

2000 FMFIA Material Weaknesses: Schedule of Corrective Actions (HHS 00-01)

Title and Description of Material Weakness: Financial Systems and Processes: The Department continues to have serious internal control weakneses in its financial systems and processes for producing financial statements. (Note: This material weakness combines two prior year weaknesses into one consistent with the FY 2000 CFO audit. The prior year weaknesses being combined are: 1) Financial Systems and Reporting (HHS 99-01); and 2) Medicare Accounts Receivable (HCFA 97-02). Note: The portion of the 1999 Financial Reporting material weakness related to account analyses and reconciliation involving the HI and SMI Trust Funds which were deemed material at HCFA have been corrected in FY 2000. HCFA successfully developed and fully implemented a corrective action plan to resolve the Trust Fund errors and to prevent any future recurrence.

a) **Department-wide:** While significant progress has been made to improve the financial statement preparation process, because many systems were not fully integrated, and in some cases were in the process of being upgraded or replaced, the preparation of financial statement continued to require numerous manual accounting adjustments involving billions of dollars. In addition, significant analysis by Department staff as well as outside consultants was necessary to determine proper balances months after the close of the fiscal year. The FY 2000 CFO audits of several HHS components identified the following problems in the preparation of adequate, reliable, and timely financial statements:
   - At HCFA, extensive consultant support was needed to establish reliable accounts receivable balances and to oversee Medicare contractors.
   - Grant expenditures, grant advances, and the grant accrued expense calculation contained billions of dollars in errors until final balances corrections were made. The errors were the result of the Payment Management System (PMS) expenditure disbursement subsystem, which is used to produce and process Federal Cash Transactions Reports, was not fully tested when the Program Support Center (PSC) implemented the new PMS in July 2000. The errors delayed conclusion of the audits and the Department's compilation of the financial statements. The financial statements of NIH, ACF, SAMHSA and CDC were most affected.
   - At NIH, an integrated accounting system was not in place to consolidate the accounting results of transactions by the Institutes requiring extensive, time-consuming manual adjustments before reliable financial statements could be prepared.
   - At most HHS components, suitable internal control systems were not in place to adequately explain significant fluctuations in grant transactions.

b) **HCFA:** HCFA has limited assurance whether accounts receivable balances are accurate or supported by the appropriate documentation, and is not well positioned to identify emerging trends in accounts receivable activities and other financial information that may require additional attention. Additionally, HCFA cannot readily isolate or identify activities in accounts receivable that could have a material impact on the financial statements.

Pace of Corrective Action	
Year Identified: 2000	**Lead Managerial Contact:** Department — Sue Mundstuk, Director, Division of Accounting and Fiscal Policy HCFA — Jeff Chaney, Director, Division of Accounting, Financial Service Group, Office of Financial Management
Original Targeted Correction Date: N/A	**Source of Discovery:** FY 2000 financial statement audit by OIG
Correction Date in Last Report: N/A	**Appropriation/Account #:**
Current Correction Date: FY 2007	

For Corrected Items Only

Validation Process Used:

Results Indicators:

Briefly Define (purpose, scope, methodology, resources) the Corrective Action Plan (CAP) That Corrects/Improves This Material Weakness:

Department-wide: For PMS, management has taken action to address issues identified in the audit related to the recording and reporting of grant transactions. However, the SAS 70 examination scheduled to start in the Spring and end in December 2001 will seek to provide management assurance that the problems noted have been corrected. With regard to NIH and HCFA, the long-term solution to these reporting problems is the planned development and implementation of new accounting systems.

Medicare Accounts Receivable: HCFA continues to provide instructions/guidance to the Medicare contractors by clarifying policy on the identification of an account receivable, including, periodic interim payments, under tolerance, claims accounts receivable, voluntary refunds, consent settlements, and incomplete accounts receivable. As HCFA progresses toward its long-term goal of developing an integrated general ledger accounting system, they continue to provide training to the contractors to promote a uniform method for reporting and accounting for accounts receivable and related financial data. HCFA will continue to use consultants to evaluate the validity of the accounts receivable.

Overall Status of Material Weakness: During FY 2000, the following efforts were made to resolve these material weaknesses.

Department-wide:

- HCFA successfully developed and fully implemented a corrective action plan (CAP) to resolve the Trust Funds error and to prevent any future recurrence of these events.
- HCFA and FDA developed analytical procedures for its account balance activity including the performance of trend analyses on a quarterly basis.
- During FY 2000, reconciliations were performed for all major accounts as specified by the Department's accounting policy.
- The Program Support Center, Division of Financial Operations (PSC/DFO) implemented a more efficient preparation process for preparing financial statements.
- The new Payment Management System (PMS) was brought online to provide centralized electronic funding and cash management services for federal civilian grants. Management has taken action to address issues identified in the audit related to the recording and reporting of grant transactions. However, the SAS 70 examination scheduled to start in the Spring and end in December 2001 will seek to provide management assurance that the problems noted have been corrected.

table continues . . .

2000 FMFIA Material Weaknesses: Schedule of Corrective Actions (HHS 00-01), continued

Title of Material Weakness: Financial Systems and Processes, continued

Medicare Accounts Receivable: All short-term corrective actions for FY 2000 have been completed. HCFA has acquired consultant services to ensure that the accounts receivable balances for FY 2000 are valid and properly valued and to review the implementation of prior year CAPs. Specifically, the consultants assisted in:

- reconciling the FY 2000 beginning balance.
- identifying variances between subsidiary records and reports submitted to HCFA.
- documenting appropriate adjustments to accounts receivable for variances.
- reviewing processes and procedures related to receivables.-
- reviewing CAPs.

In addition, HCFA hired a CPA firm to develop trend analysis procedures for accounts receivable, revenues, and expenditures to track fluctuations within balances. HCFA is also developing the HCFA Integrated General Ledger Accounting System (HIGLAS) that will incorporate Medicare contractors' financial data (including claims activity).

Major Milestones — Department-wide	Scheduled Due Dates
NIH to implement new accounting system in phases. First phase is the general ledger module	FY 2003
HCFA to develop and implement an integrated standard General ledger system for all Medicare contractors	FY 2007

Major Milestones for Medicare Accounts Receivable	Scheduled Due Dates
Identify CAP Milestones for FY 2001	
A. Issue Program memorandum (PM) on definition of an account receivable including allowance for uncollectible accounts. *Milestone status: Completed*	February 2001
B. Provide Regional/Central office 750/751 instructions and training. *Milestone status: Completed*	August 2000
C. Reissue PM on non-Medicare Secondary Payer (MSP), currently not collectible debt. *Milestone status: In progress*	January 2001
D. Issue PM on MSP write-off. *Milestone status: In Progress.*	February 2001
E. Issue revised 750/751 contractor instructions. *Milestone status: In Progress*	February 2001
F. CPA firm will provide trend analysis procedures to HCFA. *Milestone status: In Progress*	January 2001
G. Perform trend analysis of quarterly HCFA 750/751 reports received from Medicare contractors in order to identify unusual items and inconsistencies timely. *Milestone status: In progress*	
a. Quarter ending 12/31/00	2/15/01
b. Quarter ending 3/31/01	5/15/01
c. Quarter ending June 30, 2001	8/15/01
d. Quarter ending 9/30/01	11/15/01
H. HCFA will acquire systems integrator and JFMIP approved Commercial off the Shelf software. (Planning and assessment phase). *Milestone status: Ongoing*	August 2001

2000 FMFIA Material Weaknesses: Schedule of Corrective Actions (HCFA-98-01a)

Title and Description of Material Weakness: Medicare EDP Controls. Note: This material weakness was originally in two parts as reported by the auditors in the HCFA FY 1999 financial statement audit: a) Improve Systems Application Controls for Medicare Contractors (HCFA 98-01a); and b) System Access Controls in HCFA Central Office (HCFA 98-01b). Following is a description and corrective action plan (CAP) for (a) Improving Systems Application Controls for Medicare Contractors. The second part of the MW, HCFA 98-01b, was corrected in FY 2000 and, therefore, that exhibit has been deleted for this FMFIA report. For the FY 2000 HCFA CFO audit, the auditors found deficiencies at the Medicare contractors and the HCFA Central Office but these deficiencies were not deemed material at the HCFA Central Office.

There are two parts to this material weakness: 1) One fiscal intermediary had developed and implemented an override library that gave locally changed programs higher execution priority over the standard Fiscal Intermediary Shared System (FISS) Programs provided by the FISS maintainer; and 2) At one fiscal intermediary, the programmers made local changes to the FISS programs outside of the Program Assistance request (PAR) process. Program changes performed locally are not subjected to the same documentation, authorization, testing, quality assurance, and other requirements present in the standard PAR process.

Pace of Corrective Action

Year Identified: 1998
Original Targeted Correction Date: FY 1999
Correction Date in Last Report: 2000
Current Correction Date: FY 2001
Reason for Change in Date: Y2k Activities

Lead Managerial Contact: Edward King, Director, Business Systems Operations Group, Office of Information Services, HCFA
Source of Discovery: FY 1997 financial statement audit by OIG
Appropriation/Account #: Bureau of Program Operations, HCFA

For Corrected Items Only

Validation Process Used:
Results Indicators:

Briefly Define (purpose, scope, methodology, resources) the Corrective Action Plan (CAP) That Corrects/Improves This Material Weakness:

HCFA is addressing the override and changes to the FISS identified above. The fiscal intermediary that made the changes to the FISS code took actions to formally document the changes. We are developing compensating controls and oversight to ensure that no inappropriate changes are made to the source code. A finding identified in the FY 1999 FMFIA report pertaining to the Medicare Contractor System (MCS) has been resolved. The MCS is a carrier shared system application that contains numerous edits and audits. The MCS system findings that related to the exact duplicate edits were resolved during FY 1999 and are no longer considered a material control weakness.

HCFA is revising its information systems security requirements for Medicare contractors. The revision will include *HCFA Core Information Security Requirements*. The core requirements will be based on a synthesis of Office of Management and Budget (OMB) Circular A-130, General Accounting Office Federal Information Systems Control Audit Manual, Internal Revenue Service Publication 1075, Health Insurance Portability and Accountability Act and new HCFA requirements for systems architecture and security handbook. HCFA. HCFA continues the development and enhancement of processes to limit overrides and to provide reasonable assurance that only authorized access to source code and programs is permitted. This will require the development and implementation of policies and procedures for safeguarding programs/systems that support claims processing and financial functions.

Summarize Status of Material Weakness Corrective Action Plan at the Close of FY 1999 (identify progress in correcting/improving this weakness, explain any missed milestones, etc.):

HCFA continued to make progress toward resolving this issue in FY 2000 by revising its information systems security requirements for Medicare contractors. The Core Information Security Requirements adhere to guidelines set forth in OMB circular A-130 and implement effective control procedures. Contractors are now required to document their compliance with HCFA's Core Information Security Requirements.

Major Milestones	Scheduled Due Dates
A. HCFA contractors will be given a tool to document their compliance with HCFA requirements. *Milestone status: In Progress*	November 2000
B. HCFA will conduct and Independent Verification and Validation review of Medicare contractor security program Documentation. Contractors will be required to have independent Reviews conducted of their implementation of the HCFA Core Requirements. *Milestone status: In progress*	June 2001
C. HCFA will develop and issue compensating internal control procedures that will restrict the use of FISS source codes and increase oversight of this area. *Milestone status: In progress.*	September 2001
D. HCFA will develop and issue controls that will restrict the Common Working File (CWF) software from allowing the programmer update access to data files *Milestone Status: Complete*	January 2001

2000 FMFIA Material Weaknesses: Schedule of Corrective Actions (FDA-89-02)

Title and Description of Material Weakness: Weakness in the Enforcement Program for Imported Foods in the Food and Drug Administration (FDA) — (FDA-89-02). The Office of Inspector General reported that FDA did not inspect a large enough sample of imported foods to ensure the safety of the public health.

Pace of Corrective Action

Year Identified: 1989
Original Targeted Correction Date: 1990
Correction Date in Last Year's Report: FY 1999
Current Correction Date: FY 2000

Name of Responsible Program Manager: Dennis Baker
Source of Discovery: OIG (Report A-15-90-00001) and internal FDA management reviews.
Appropriation/Account # 7520600

For Corrected Items Only

Validation Process Used: A corrective action review will be completed following correction of the material weakness.

Results Indicators: FDA determined that a 20 percent minimum inspection rate to assure the safety of the imported foods was unrealistic. As a result, a revised strategy for how the Agency will deal with imported foods has been prepared. FDA's new approach will focus on products and problems which present a high risk to the American public, or firms and countries of origin which have a history of noncompliance.

Major Milestones	Milestone Dates		
	Original Plan	Revised Plan	Actual Date
Completed actions/events:			
FDA uses a structural and selective sampling method, based on both the entry level and product intelligence to provide an effective level of examination coverage. This assessment is supported by historical data covering the period of 1972–1992.			1992/93
FDA developed a Revised Imports Strategy which embodies intelligence based sampling of imports to provide an effective level of coverage, and includes performance indicators. With this new approach, FDA focuses its import activities on products and problems presenting a high health risk to the American public, or firms and countries of origin which has a history of non-compliance. Electronic screening, improved strategic alliances and improved premarket and postmarket surveillance are key components of the revised strategy.			FY 1994
FDA has expanded the use of an electronic entry processing system (EEPS) for imports using the Custom's Automated Commercial System. EEPS enables FDA to screen import entries and electronically make "May Proceed" decisions on products of low risk and high compliance rates. At this time, EEPS has been implemented at all major ports where electronic entry of imports is available.			FY 1995
FDA plans to maintain its pre-market surveillance through a vigorous foreign inspection program designed to identify problems at their source. FDA completed 866 foreign inspections during FY 1995. This represents an increase of 16.7% from FY 1994 accomplishments. This total includes inspection of 65 food firms.			
DIOP received approval from CDER to expand ACS screening criteria for drug products. This should increase the "May Proceed" level from the current rate of 60%. FDA completed 829 foreign inspections during FY 1996. The number of foreign inspections planned in FY 96 was 1418. This represents a decrease of 4.3% from FY 1995 accomplishments.			FY 1996
The number of foreign inspections planned for FY 1997 was 997. This total includes inspection of 50 food firms. FDA completed 811 foreign inspections during FY 1997. This represents a decrease of 2.2% from FY 1996 accomplishments.			FY 1997
FDA completed 938 foreign inspections during FY 1998. The number of foreign inspections planned was 976. This represents a 15.6% increase over FY 1997 accomplishments.	FY 1998		1998
Complete the full roll-out of OASIS version 2 to all district offices.	FY 1998		1998
The default "May proceed" rate for all food commodities has been set at 70% or greater. However, the "May proceed" rate measured at any particular time may be lower as FDA intensifies a problem with a firm, country or product. These adjustments are considered essential to FDA surveillance activities.	FY 1998		1998
FDA completed 810 foreign inspections during FY 1999. This total includes the inspection of 87 foreign food firms.	FY 1999		1999
The FDA completed 956 inspections. This number included165 foreign food firms.	FY 2000		2000
All facets of the Revised Imports Strategy will continue to be implemented and evaluated. The number of foreign inspections planned for FY 2001 is 1221 including inspection of 250 food firms.	FY 2001		

FDA continues to develop and evaluate agreements with foreign governments whose requirements and regulatory infrastructure are equivalent to FDA's. As these agreements are developed and finalized, surveillance resources can be targeted toward countries whose internal requirements supply less assurance of compliance with U.S. requirements.

The rate of increase in imported entries has been too rapid to maintain the projected 4% examination rate given the agency's limited resources. In fact, the number of line items of food in FY 1999 was 4,118,881 which is a 54% increase over FY 1998's 2,765,548 line items of food. During FY 1999, FDA performed 40,048 physical examinations, representing a 1% exam rate. Since maintaining the 4% examination rate is not realistic, FDA believes that identifying forms and countries with inspection systems comparable to those in the United States and in accordance with the Food Safety Initiative combined with targeted physical examinations is a viable and realistic strategy to addressing the surge of imported FDA-regulated products.

2000 FMFIA Material Weaknesses: Schedule of Corrective Actions (PHS-93-02)

Title and Description of Material Weakness: Deficiencies in the Public Health Service Technology Transfer Activities. Deficiencies were noted in the PHS technology transfer activities. The technology transfer deficiencies include: (1) the management information systems are inadequate; (2) the processes to ensure that royalties and other payments are received are inadequate.

Pace of Corrective Action

Year Identified: 1993

Original Targeted Correction Date: 1994

Correction Date in Last Year's Report: FY 1999

Current Correction Date: FY 2001

Reason for Change in Dates: Contractor failed to provide system in accordance with contract terms and budget. Program is contracting through NASA to modify their technology transfer system to meet NIH's requirements. Contract award planned for December 2000 with completion in Dec. 2001.

Name of Responsible Program Manager: Dr. Maria Freire

Source of Discovery: NIH Alternative Management Control Review

Appropriation/Account #: 7530846

For Corrected Items Only

Validation Process Used: NIH management will be required to demonstrate to the Department that corrective actions have been completed. This will be followed by a Corrective Action Review within one year to demonstrate that corrective actions taken remain effective.

Results Indicators: Existence of policies, procedures,, and information system.

Major Milestones	Milestone Dates		
	Original Plan	Revised Plan	Actual Date
1. OTT will improve its information systems so its staff can more easily determine what costs have been incurred, billed and collected.	October 1998	September 2001	
2. OTT will revise the current model license agreements used by NIH to include standard language on auditing; develop criteria for use in determining whether or not an audit should be requested by NIH; and obtain ICD approval to enter into contracts to conduct audits as required.	October 1998		August 1998
3. OTT will improve its information systems, so it can accurately document the status of each patent application.	October 1998	September 2001	
4. OTT will develop an integrated management information system that will effectively track and report on CRADAs, inventions, patent prosecution status and costs, licensing, and receipt of royalty payments for domestic and foreign filed cases.	October 1998	September 2001	
5. OTT will update the Technology Transfer Policy Manual, Chapter 206, and establish clear internal procedures on the processing and content of infringement log items.	March 1998		March 1998
6. Information from the infringement log will be migrated to the new data system where it will be maintained in the future.	October 1998	December 2001	
7. OTT will review how the new process for announcing the availability of technologies is working after it has been in effect for one year.			
Part 1: Conduct an analysis	June 1998		October 1998
Part II: Complete an Evaluation	November 1998		
8. OTT will make further adjustments, as necessary, to reduce the amount of time between the filing of a patent application and publication of the abstract in the *Federal Register*.	November 1998		October 1998
9. OTT will provide assistance and guidance, as necessary, in preparing technology training, and will provide oversight to ensure the training provided by the ICDs is conducted properly.	October 1998 and ongoing		August 1998 and ongoing

Note: Items 1, 3, 4, and 6 are tied to the completion of the new OTT data system.

Management Report on Final Action October 1, 1999 – September 30, 2000

Background

The Inspector General Act Amendments of 1988 (IGAA) require departments and agencies to report twice a year to Congress on the actions they have taken and the amount of funds recovered or saved in response to the IG's audit recommendations. This management report gives the status of IG reports in the Department, and summarizes the results of actions taken to implement IG audit recommendations during the reporting period.

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Departmental Findings

For the fiscal year covered by this report, the Department accomplished the following:

- Initiated action to recover $181 million through collection, offset, or other means (see Table I);
- Completed action to recover $229 million through collection, offset, or other means (see Table I);
- Initiated action to put to better use $4,296 million (see Table II);
- Completed action that over time will put to better use $4,291 million (see Table II).

At the end of this period there are 270 reports over a year old with uncollected balances or unimplemented monetary findings. The reasons these reports are still pending are found in the notes to the tables.

The HHS Process

There are three key elements to the HHS audit resolution and follow-up process:

- The HHS components have lead responsibility for implementing and follow-up on most IG and independent auditor recommendations.
- The Assistant Secretary for Management and Budget (ASMB) establishes policy and monitors HHS component compliance with audit follow-up requirements.
- If necessary, the ASMB or the Deputy Secretary resolves conflicts between the HHS components and the IG.

Departmental Conflict Resolution

In the event that HHS component and IG staff cannot resolve differences on specific report recommendations, a conflict resolution mechanism is available.

There were no disagreements requiring the convening of the Conflict Resolution Council.

Status of Audits in the Department

In general, HHS components follow up on IG recommendations effectively and within regulatory time limits. The components usually reach a management decision within the six-month period that is prescribed by PL 100-504 and OMB Circular A-50. For the most part, they also complete their final actions on IG reports, including collecting disallowed costs and carrying out corrective action plans, within a reasonable amount of time. However, we continue to monitor this area to improve procedures and assure compliance with corrective action plans.

Report on Final Action Tables

The following tables summarize the Department's actions in collecting disallowed costs and implementing recommendations to put funds to better use. Disallowed costs are those costs which are challenged because of a violation of law, regulation, grant etc. Costs associated with recommendations that funds be put to better use through cost avoidances, budget savings, etc. The tables are set up according to the requirements of section 106(b) of the IG Act Amendments of 1988 (PL 100-504).

Table I: Management Action on Costs Disallowed in Inspector General Reports

As of September 30, 2000

	Number	Disallowed Cost (in thousands)
A. Reports for which final action had not been taken by the commencement of the reporting period.[1]	317	$ 513,691
B. Reports on which management decisions were made during the reporting period.[2]	231	$ 181,124
Subtotal (A & B)	**548**	**$ 694,815**
C. Reports for which final action was taken during the reporting period:		
(i) The dollar value of disallowed costs that were recovered through collection, offset, property in lieu of cash, or otherwise.	142	$ 228,515
(ii) The dollar value of disallowed costs that were written off by management.	5	$ 233
Subtotal (i & ii)	**147**	**$ 228,748**
D. Reports for which no final action has been taken by the end of the reporting period.[3]	401	$ 466,067

[1] Includes adjustments of amended disallowances and disallowances excluded from the previous reporting period.

[2] This represents the amount of management concurrences with Inspector General's recommendations. This amount excludes $1,356,285 in management decisions but recorded in Part A ,above, and had been recorded for the 2000 Office of Inspector General's Semi-annual Reports, Table I, Line C.

[3] Includes the following lists of 270 audits over one year old with outstanding balances to be collected. It includes audits under administrative or judicial appeal, under current collection schedule and legislatively uncollectible.

Summary of HHS Component Audit Reports Over One Year Old

As of September 30, 2000

HHS Component	Number of Reports	Amount to be Collected
ACF	106	$ 99,450,563
AoA	0	–
CDC	10	$ 492,393
FDA	1	$ 1,591,000
HCFA	115	$ 225,899,998
HRSA	10	$ 157,174
IHS	8	$ 2,352,712
NIH	0	–
OS	12	$ 832,989
PSC	2	$ 13,435,596
SAMHSA	6	$ 1,257,027
TOTAL	**270**	**$ 345,469,452**

HHS Audit Reports Over One Year Old with Outstanding Balances to Be Collected

As of September 30, 2000

HHS Component	Audit Report Number	Auditee	Date Issued	Amount	Comments
ACF	09-94-28246	Butte County CAC	April, 1990	10,252	Payment Plan.
ACF	02-90-08393	Law Enfrcm Comm/CW	June, 1990	$22,597	Transferred to Treasury Offset Program.
ACF	01-90-05013	Narragansett/ANA	October, 1990	$28,515	Transferred to Treasury Offset Program.
ACF	09-92-06592	Intertribal Cnl/Hs	May, 1991	$181,900	Payment Plan.
ACF	03-91-14545	Pa/Win-Demo	June, 1991	$800,885	Appeal process.
ACF	02-91-14405	Bedford Stuyvesanto/O	March, 1992	$369,770	Referred to DOJ.
ACF	06-90-00052	Mexican Amer/Discret	April, 1992	$1,590,600	Referred to DOJ/payment plan.
ACF	03-92-17167	Nl goal Hisp	June, 1992	$1,555	Transferred to Treasury Offset Program.
ACF	08-92-17549	Rapid City Amer/Seds	June, 1992	$30,248	Transferred to Treasury Offset Program.
ACF	04-91-06594	Mountain Valley/HS	September, 1992	$196,213	Referred to DOJ
ACF	04-92-17186	Mountain Valley/HS	September, 1992	$203,420	Referred to DOJ.
ACF	08-91-15416	Rapid City Amer/Seds	December, 1992	$30,257	Transferred to Treasury Offset Program.
ACF	08-91-15417	Rapid City Amer/Seds	December, 1992	$21,224	Transferred to Treasury Offset Program.
ACF	04-93-23833	Mountain Valley/HS	July, 1993	$212,759	Referred to DOJ.
ACF	08-92-00598	Anishinaubag	August, 1993	$43,267	Transferred to Treasury Offset Program.
ACF	09-92-06550	Butte County CAC	September, 1993	$105,663	Payment Plan.
ACF	09-93-21254	Arizona/HS	September, 1993	$184,274	Transferred to Treasury Offset Program.
ACF	09-93-23668	Center of ED/HS	November, 1993	$12,070	Pursuing collection.
ACF	04-93-20785	Florida Refugee	December, 1993	$64,929	Pursuing collection.
ACF	09-93-26204	Tohono O Odham/HS	February, 1994	$90,077	Appeal process.
ACF	04-94-28234	NW Georgia Service/HS	February, 1994	$578,045	Transferred to Treasury Offset Program.
ACF	01-91-06601	Connecticut/OCS	March, 1994	$224,099	Transferred to Treasury Offset Program.
ACF	03-93-21104	Pa/CSBG	March, 1994	$150,000	Appeal process.
ACF	04-93-00051	Haitian Task	March, 1994	$200,207	Referred to DOJ.
ACF	04-94-30737	Mountain Valley/HS	July, 1994	$39,095	Referred to DOJ.
ACF	04-94-31826	W. Central Ga, CAC/HS	July, 1994	$141,505	Transferred to Treasury Offset Program.
ACF	06-96-40858	Caddo H/S	August, 1994	$47,944	Payment Plan.
ACF	04-97-47475	Wash Cty Opport Inc.	August, 1994	$463,804	Payment Plan.
ACF	09-94-27281	Arizona Affliated H/S	September, 1994	$2,563	Appeal process.
ACF	04-94-26346	Putnam-Clay-Flagler/H	September, 1994	$86,292	Transferred to Treasury Offset Program.
ACF	09-94-30207	Fresno County/HS	November, 1994	$22,062	Appeal process.
ACF	04-95-32922	Putnam-Clay-Flagler/H	January, 1995	$284,172	Transferred to Treasury Offset Program.
ACF	01-94-25904	Massachusetts/CCDBG	February, 1995	$9,225	Appeal process.
ACF	06-94-32825	Texas Migrnt/HS	April, 1995	$70,556	Pursuing collection.
ACF	09-95-35961	Fresno County/HS	August, 1995	$29,215	Appeal process.
ACF	03-94-27065	Pa/CSBG	September, 1995	$150,000	Appeal process.
ACF	03-95-33212	Pa/CSBG	September, 1995	$137,207	Appeal process.
ACF	06-95-36853	Albuq-Bernalilo/HS	November, 1995	$208,445	Appeal process.
ACF	01-95-37194	Indian Township/Liea	March, 1996	$44,244	Appeal process.
ACF	04-96-00105	Delta Foundation	May, 1996	$1,225,291	Payment Plan.
ACF	09-95-31383	Cocopah/HS	May, 1996	$76,861	Appeal process.
ACF	05-95-00022	ILL/IV-E	July, 1996	$2,742,181	Pursuing collection.
ACF	04-89-06323	Tallapossa Caa/HS	August, 1996	$58,774	Payment Plan.
ACF	06-96-42096	Education SV CT/HS	September, 1996	$728,757	Appeal process.
ACF	01-96-38182	Connecticut/FC	September, 1996	$50,292	Appeal process.
ACF	04-96-38688	State of KY	October, 1996	$271,612	Pursuing collection.
ACF	01-96-39813	Pleasant Point/Liea	November, 1996	$18,291	Transferred to Treasury Offset Program.
ACF	09-96-42061	Tohono O Odham/HS	November, 1996	$369	Appeal process.

table continues . . .

HHS Audit Reports Over One Year Old with Outstanding Balances to Be Collected, continued

As of September 30, 2000

HHS Component	Audit Report Number	Auditee	Date Issued	Amount	Comments
ACF	02-95-33649	Puerto Rico	December, 1996	$1,433	Appeal process.
ACF	02-95-02005	Middlesex County/HS	December, 1996	$173,656	Appeal process.
ACF	01-96-43461	Connecticut/IV-E	January, 1997	$1,902	Appeal process.
ACF	04-96-44126	Anderson-Oconee/HS	February, 1997	$143,366	Transferred to Treasury Offset Program.
ACF	06-97-44674	Tri-County	April, 1997	$34,703	Transferred to Treasury Offset Program.
ACF	01-95-32620	Connecticut/FC	May, 1997	$4,070	Pursuing collection.
ACF	09-93-00106	Calif/Rufuge	May, 1997	$29,269	Pursuing collection.
ACF	08-96-01024	Child Opport Program	June, 1997	$1,483,771	Appeal process.
ACF	03-97-43787	Virginia/CCDBG	June, 1997	$952,635	Pursuing collection.
ACF	04-97-45327	Mobile Community Action	July, 1997	$127,705	Transferred to Treasury Offset Program.
ACF	03-95-00451	DC/FC	August, 1997	$420,606	Pursuing collection.
ACF	06-97-47939	Albuq/Bernalillo	August, 1997	$210,330	Transferred to Treasury Offset Program.
ACF	09-93-00083	CALIF/Child Support	September, 1997	$1,429,837	Pursuing collection.
ACF	02-97-47637	Puerto Rico IV-B	September, 1997	$9,703	Pursuing collection.
ACF	03-97-47731	Delaware	September, 1997	$11,880	Pursuing collection.
ACF	06-97-46216	E Texas Family Srv	September, 1997	$12,497	Transferred to Treasury Offset Program.
ACF	01-97-44081	Vermont	October, 1997	$28,252	Pursuing collection.
ACF	05-97-48402	Montgomery Co CAA	November, 1997	$79,374	District Court
ACF	03-97-48850	Little Neighborhood	November, 1997	$91,193	Transferred to Treasury Offset Program.
ACF	03-98-51186	CNL of Southern Mt	November, 1997	$58,721	Payment Plan.
ACF	04-93-00059	Florida/Orr disc	December, 1997	$24,088	Transferred to Treasury Offset Program.
ACF	06-97-47730	Tri-County Head Start	December, 1997	$2,451	Transferred to Treasury Offset Program.
ACF	03-97-00587	Little Neighborhood	January, 1998	$300,465	Transferred to Treasury Offset Program.
ACF	04-97-44101	Tennessee IV-E	January, 1998	$370,446	Pursuing collection.
ACF	09-96-00071	Calif/IV-E	April, 1998	$15,693,626	Pursuing collection.
ACF	09-96-40113	Protective & Adv Mariana	April, 1998	$80,574	Appeal process.
ACF	09-96-40114	Protective & Adv Mariana	April, 1998	$36,988	Appeal process.
ACF	09-96-40115	Protective & Adv Mariana	April, 1998	$56,344	Appeal process.
ACF	01-98-49834	Meri-Weather	May, 1998	$60,864	Transferred to Treasury Offset Program.
ACF	04-97-49121	Florida	May, 1998	$282,553	Transferred to Treasury Offset Program.
ACF	09-96-00066	California	June, 1998	$6,611,640	Pursuing collection.
ACF	06-97-48284	E Texas Family Srv	November, 1998	$9,130	Transferred to Treasury Offset Program.
ACF	04-98-49931	Sumter County Opport	November, 1998	$94,829	Appeal process.
ACF	04-98-00125	North Carolina	November, 1998	$16,118,360	Pursuing collection.
ACF	08-98-01036	Ogden Area CA/HS	November, 1998	$496,407	Appeal process.
ACF	02-97-47931	Puerto Rico	January, 1999	$307,996	Pursuing collection.
ACF	06-97-48531	Texas DHS	January, 1999	$11,209	Pursuing collection.
ACF	06-99-54784	Texas DP&R/FC	January, 1999	$8,057	Pursuing collection.
ACF	03-96-39886	Halifax CCA/HS	February, 1999	$62,525	Payment Plan.
ACF	06-97-47756	Louisiana DSS/FC	February, 1999	$7,470	Pursuing collection.
ACF	09-99-55450	Farm Supp Srv Bay Area	March, 1999	$13,892	Appeal process.
ACF	03-99-53419	Delaware DHSS	March, 1999	$45,404	Pursuing collection.
ACF	09-96-39178	Az Aff Tribes	March, 1999	$258,824	Transferred to Treasury Offset Program.
ACF	09-96-43765	Az Aff Tribes	March, 1999	$66,526	Transferred to Treasury Offset Program.
ACF	05-98-51567	Ohio DHHS	March, 1999	$14,334	Pursuing collection.
ACF	04-99-55653	Tennessee	March, 1999	$41,658	Pursuing collection.
ACF	02-91-14845	Harlem Commwlth/OCS	April, 1999	$551,845	Payment Plan.
ACF	10-97-47406	Idaho/IV-D OCSE	April, 1999	$88,817	Pursuing collection.

table continues . . .

HHS Audit Reports Over One Year Old with Outstanding Balances to Be Collected, continued

As of September 30, 2000

HHS Component	Audit Report Number	Auditee	Date Issued	Amount	Comments
ACF	08-97-43975	Oglala Sioux Tribe	May, 1999	$6,494	Transferred to Treasury Offset Program.
ACF	03-99-59858	Virginia/FC	June, 1999	$4,830	Pursuing collection.
ACF	08-97-44348	Three Affiliated	July, 1999	$68,468	Transferred to Treasury Offset Program.
ACF	03-98-52659	DC/CSBG	July, 1999	$173,116	Pursuing collection.
ACF	10-98-50308	Coastal Community AC	July, 1999	$5,274	Transferred to Treasury Offset Program.
ACF	09-95-00091	Walter McDonald Asso.	July, 1999	$227,082	Payment Plan.
ACF	10-97-49306	Alaska	July, 1999	$5,716	Pursuing collection.
ACF	09-98-00075	California/IV-E	August, 1999	$38,953,679	Pursuing collection.
ACF	04-96-00107	Harambee Child Level	August, 1999	$124,811	Transferred to Treasury Offset Program.
ACF	03-97-44040	Pennsylvania/Liheap	September, 1999	$597,285	Pursuing collection.
Subtotal, ACF				**$99,450,563**	
AoA		None		–	
Subtotal, AoA				–	
CDC	05-96-40217	Wisconsin Assoc. of Black Social Workers, Inc.	March, 1997	$1,649	Pursuing collection.
CDC	09-96-41444	Immigrant Center	March, 1997	$2,495	Pursuing collection.
CDC	01-96-37165	Haitian American Public Health Initiative	March, 1997	$20,209	Pursuing collection.
CDC	03-96-41385	National Assoc. for Equal Opport. In Higher Ed.	April, 1997	$51,654	Pursuing collection.
CDC	06-97-47924	Susan G. Komen Breast Cancer Foundation	May, 1998	$47,893	Pursuing collection.
CDC	03-98-51634	City of Philadelphia, Pa.	June, 1998	$93,690	Pursuing collection.
CDC	04-98-51239	State of Alabama	September, 1998	$227,200	Pursuing collection.
CDC	03-98-50835	Nat'l Organ. of Black County Officials	January, 1999	$19,385	Pursuing collection.
CDC	03-98-50836	Nat'l Organ. of Black County Officials	January, 1999	$27,140	Pursuing collection.
CDC	03-98-50837	Nat'l Organ. of Black County Officials	March, 1999	$1,078	Pursuing collection.
Subtotal, CDC				**$492,393**	
FDA	15-98-00038	Computer Technology Services, Inc.	July, 1999	$1,591,000	Resolution pending.
Subtotal, FDA				**$1,591,000**	
HCFA	01-89-00518	Blue Shield of MA	October, 1990	$216,053	HCFA has instructed the carrier to calculate and recover the overpayments
HCFA	01-90-00500E	B/C of Massachusetts	September, 1990	$7,048,076	Repayment agreement.
HCFA	01-91-00508	Aetna Life-Parts A&B Adm.	January, 1992	$223,655	Additional documentation from the contractor requests for review by OIG.
HCFA	01-92-00517	BC of MA.	April, 1993	$160,122	Pursuing collection.
HCFA	01-92-00523	MA BC/BS-Part B Lab Tests	January, 1994	$2,250,000	Waiting a decision by the Asst. US Attorney in Boston pending criminal charges.
HCFA	01-93-00512	BC/BS of MA-Lab Test	July, 1994	$426,817	Pursuing collection.
HCFA	01-94-00510	BCBS of MS -ADM costs	April, 1995	$130,299	Pursuing collection.
HCFA	01-95-00005	DHS, NH DHS	July, 1996	$30,565	Pursuing collection.
HCFA	01-95-00503	G/A & Capitol Mclean Ho-Adm Costs	August, 1995	$186,190	Pursuing collection.
HCFA	01-96-00001	Massachusetts State Div. of Medical Assist.	July, 1996	$1,711,898	Pursuing collection.

table continues . . .

HHS Audit Reports Over One Year Old with Outstanding Balances to Be Collected, continued

As of September 30, 2000

HHS Component	Audit Report Number	Auditee	Date Issued	Amount	Comments
HCFA	01-96-00513	Separately Billable ESRDL Lab Tests	December, 1996	$6,300,000	HCFA sent tapes and instruction to FIS and ROS. OIG has not yet completed the carrier tapes.
HCFA	01-96-00519	Natl Medical Care ESRD	September, 1997	$4,319,361	Pursuing collection.
HCFA	01-96-00527	Clinical Lab Tests by Hospital Outpatient Labs	December, 1998	$43,632,767	Under review.
HCFA	01-98-00504	Hospital re-admission under PPS	July, 1999	$178,741	Under review.
HCFA	02-86-62015	Empire BC/BS	March, 1988	$1,277,575	Contractor appealed and court has ruled in favor of contractor. HCFA has filed an appeal in July 1993.
HCFA	02-86-62016	Empire BC/BS	August, 1988	$3,027,672	Contractor has signed the closing agreement. An amended OCD is being prepared.
HCFA	02-91-01003	Empire BC/BS	July, 1991	$829,551	Contractor is in the process of recouping the overpayment.
HCFA	02-91-01022	Prudential Ins.-ADM	March, 1992	$6,837,167	HCFA is negotiating with the contractor on the outstanding overpayment.
HCFA	02-91-01043	SSS-Part B/ESRD Patient	April, 1993	$844,292	Pursuing collection.
HCFA	02-92-01004	NJ DHS — Credit Balances for Eight Hosp	September, 1993	$89,839	Pursuing collection.
HCFA	02-92-01021	BCBSNJ Credit Balances	June, 1995	$14,900,000	Pursuing collection.
HCFA	02-92-01023	Beth Israel Med Ctr — G&A	March, 1993	$7,741	Contractor is in the process of removing the unallowable costs from the 1990 Cost Reports.
HCFA	02-93-01005	Empire BC/BS — Part B ADM	March, 1995	$576,683	Pursuing collection.
HCFA	02-93-01023	Island Pro	October, 1994	$155,540	Pursuing collection.
HCFA	02-96-01034	Staff Blders. Home Health Inc. Buffalo-ORT	January, 1998	$2,046,576	Pursuing collection.
HCFA	02-97-01041	Audit Clearance Matter	April, 1999	$687,418	Under review.
HCFA	03-92-00150	Elmira Jeffries MNH	January, 1994	$164,188	The state is in the process of collecting the overpayment.
HCFA	03-92-00201	Commonwealth of Va	January, 1993	$205,177	The state is in the process of making a final determination on the overpayment.
HCFA	03-92-00602	Pa. DPW — Upper limit	September, 1994	$230,520	Pursuing collection.
HCFA	03-93-00013	Omega Med. Lab.	November, 1993	$1,102	Pursuing collection.
HCFA	03-93-00025	PBS — Lab Fee Schedules	September, 1995	$953,377	Pursuing collection.
HCFA	03-95-38380	Commonwealth of Va	March, 1996	$68,333	Pursuing collection.
HCFA	03-99-57965	District of Columbia	September, 1999	$79,355	Under review.
HCFA	04-91-02004	HCFA RO IV (FL BS-MSP)	September, 1993	$3,990,942	Pursuing collection.
HCFA	04-92-01022	NC Dept. of Human Resources	November, 1992	$645,340	HCFA initiated a verification process to determine the final disposition of the hospital credit balances. This verification stage is ongoing, however the audit may be closed in the near future.
HCFA	04-93-20876	State of NC (OGCFM Lead)	July, 1993	$22,244	Awaiting documentation from state to verify funds were returned.
HCFA	04-94-01096	Humana Medical Plans, Inc.	April, 1995	$624,048	Pursuing collection.
HCFA	04-95-02110	SC BC (Hospice of Lake and Sumter, Inc.) ORT	April, 1997	$4,000,000	Reassessing situation.

table continues . . .

HHS Audit Reports Over One Year Old with Outstanding Balances to Be Collected, continued

As of September 30, 2000

HHS Component	Audit Report Number	Auditee	Date Issued	Amount	Comments
HCFA	04-95-02111	SC BC (Hospice of Florida Suncoast, Inc.) ORT	March, 1997	$14,800,000	Reassessing situation.
HCFA	04-95-33005	State of MS (OGM)	August, 1995	$63,140	Reviewing state's supporting documentation to ensure that the payment adjustments have been made.
HCFA	04-95-33088	State of NC (OGM)	September, 1995	$11,098	State is in the process of determining how much of the overpayment has already been returned to HCFA.
HCFA	04-95-38310	State of MS (OGM)	March, 1996	$9,069,408	State is in the process of determining how much of the overpayment has already been returned to HCFA.
HCFA	04-96-01131	Aetna (Integrated Health Services Of Green Briar)-ORT	November, 1997	$202,780	Pursuing collection.
HCFA	04-96-01138	BC/BS of FL-Lawnwood Reg. Med. Ctr. ORT	April, 1997	$111,986	Contractor is pursuing collection of the remaining overpayment.
HCFA	04-96-01148	Aetna Life Insur. Co.	November, 1997	$148,955	Pursuing collection.
HCFA	04-96-02122	BC of Ga (medical therapy serv. Inc.	October, 1998	$791,327	Under review.
HCFA	04-96-38655	State of NC	January, 1997	$5,053	Reviewing state's supporting documentation to ensure that the payment adjustments have been made.
HCFA	04-97-02130	Mutual of Omaha	April, 1999	$1,709,245	Under review.
HCFA	04-97-02132	BC/BS of FL Arlington House CMHC-ORT	February, 1999	$1,277,591	Under review.
HCFA	04-97-02136	BC/BS of FL (Victoria Health Service CMHC)-ORT	February, 1999	$4,510,161	Under review.
HCFA	04-97-02137	BC/BS of FL (Jerome Feldman CMHC)-ORT	February, 1999	$2,554,314	Under review.
HCFA	04-97-02138	Mutual of Omaha (Silver Springs Health Ctr.)-ORT	April, 1999	$2,382,527	Under review.
HCFA	04-97-02139	BC/BS of Fl (comm. Outreach fro recreation)-ORT	February, 1999	$352,061	Under review.
HCFA	04-98-02147	BC/BS of FL (Health Mgmt. Network, Inc. CMHC) -ORT	April, 1999	$2,899,083	Under review.
HCFA	04-98-02148	BC/BS of FL (Behavioral Network, Inc.) — ORT	April, 1999	$645,627	Under review.
HCFA	04-99-03012	First Coast Service Options, Inc. — Fin State	July, 1999	$10,105	Under review.
HCFA	04-99-55388	State of NC (OGM)	June, 1999	$367,984	Under review.
HCFA	04-99-55479	Commonwealth of KY (OGM)	March, 1999	$782,019	Under review.
HCFA	05-90-00013	BC/BS of MI — Admin	December, 1990	$2,413,388	This audit must remain open pending resolution of the contractor's termination audit, any related termination agreement and pending lawsuits.
HCFA	05-97-00028	OH Dept. of Human Services	October, 1998	$12,674,026	Under review.
HCFA	05-97-00029	Office of Medicaid Policy and Planning (Indiana)	March, 1999	$2,000,000	Under review.

table continues . . .

HHS Audit Reports Over One Year Old with Outstanding Balances to Be Collected, continued

As of September 30, 2000

HHS Component	Audit Report Number	Auditee	Date Issued	Amount	Comments
HCFA	06-92-00043	BC/BS of Tx., Inc. — GME Costs	March, 1994	$4,252,743	Collection activity suspended pending resolution of an objection lodged by two Medicare providers' legal counsel with the OIG, OGC on January 26, 1994.
HCFA	06-95-00095	Palmetto Gov. Ben. Admin. (Fam Hospice/Dallas)-ORT	April, 1997	$871,306	Reassessing situation.
HCFA	06-96-00027	Palmetto Gov. Ben. Admin. (VNA of Tx Hospice) — ORT	April, 1997	$1,156,341	Reassessing situation.
HCFA	06-97-00034	Risk base Health Maint.	June, 1999	$55,895	Under review.
HCFA	06-97-00055	Texas Dept. of Health	December, 1998	$1,100,000	Under review.
HCFA	06-97-47756	State of La. (OGM)	September, 1997	$357,089	The amount identified in the audit is a statistical projection. The state is in the process of determining the actual provider overpayments.
HCFA	06-99-56489	State of La. (OGM)	August, 1999	$368,258	Under review.
HCFA	07-91-00471	BC/BS of MI — Pension Seg.	December, 1992	$5,021,873	This audit must remain open pending resolution of the contractor's termination audit, any related termination agreement and pending lawsuits.
HCFA	07-91-00473	BC/BS of Florida, Inc.-Seg.	August, 1993	$4,755,565	HCFA is working with all Medicare Pension contractors to obtain signed advance agreements which set forth the terms and conditions of the amended Cost accounting Standards (CAS 412). Implementation of the advance agreements will subsume and close out the currently outstanding pension audits.
HCFA	07-92-00525	BC/BS of MI, Inc.-Pension	December, 1992	$2,135,884	This audit must remain open pending resolution of the contractor's termination audit, any related termination agreement and pending lawsuits.
HCFA	07-92-00604	WVA BC/BS Term Pension	January, 1993	$617,644	Contractor was declared insolvent and placed in receivership. The DOJ has filed a claim on behalf of HCFA for the amount due HCFA. The courts will determine how much, if any, Medicare will recover.
HCFA	07-92-00608	BC/BS of Missouri	June, 1993	$960,615	HCFA will be verifying that corrective action has been completed by the fiscal intermediary.
HCFA	07-93-00680	BC/BS of NC — Unfunded Costs	October, 1994	$293,629	HCFA is working with all Medicare Pension contractors to obtain signed advance agreements which set forth the terms and conditions of the amended Cost accounting Standards (CAS 412). Implementation of the advance agreements will subsume and close out the currently outstanding pension audits.
HCFA	07-93-00712	PA BS — Pension	May, 1995	$521,675	Pursuing collection.
HCFA	07-93-00713	PA BS — Pension	June, 1995	$5,490,995	Pursuing collection.
HCFA	07-94-00744	IASD Health Services Pension Seg.	September, 1994	$3,079,484	HCFA is working with all Medicare Corp. — contractors to obtain signed advance agreements which set forth the terms and conditions of the amended Cost accounting Standards (CAS 412). Implementation of the advance agreements will subsume and close out the currently outstanding pension audits.

table continues . . .

HHS Audit Reports Over One Year Old with Outstanding Balances to Be Collected, continued

As of September 30, 2000

HHS Component	Audit Report Number	Auditee	Date Issued	Amount	Comments
HCFA	07-94-00745	IASD Health Services Corp. — Unfunded Pension	May, 1994	$574,804	HCFA is working with all Medicare contractors to obtain signed advance agreements which set forth the terms and conditions of the amended Cost accounting Standards (CAS 412). Implementation of the advance agreements will subsume and close out the currently outstanding pension audits.
HCFA	07-94-00746	IASD Health Services Corp. — Pension Seg.	May, 1994	$842,979	HCFA is working with all Medicare contractors to obtain signed advance agreements which set forth the terms and conditions of the amended Cost accounting Standards (CAS 412). Implementation of the advance agreements will subsume and close out the currently outstanding pension audits.
HCFA	07-94-00747	IASD Health Services Corp. — Unfunded Pension	May, 1994	$10,331	HCFA is working with all Medicare contractors to obtain signed advance agreements which set forth the terms and conditions of the amended Cost accounting Standards (CAS 412). Implementation of the advance agreements will subsume and close out the currently outstanding pension audits
HCFA	07-94-00768	BC/BS of SC — Pension	September, 1994	$840,493	HCFA is working with all Medicare contractors to obtain signed advance agreements which set forth the terms and conditions of the amended Cost accounting Standards (CAS 412). Implementation of the advance agreements will subsume and close out the currently outstanding pension audits.
HCFA	07-94-00769	BC/BS of SC — Pension Costs	September, 1994	$329,001	HCFA is working with all Medicare contractors to obtain signed advance agreements which set forth the terms and conditions of the amended Cost accounting Standards (CAS 412). Implementation of the advance agreements will subsume and close out the currently outstanding pension audits.
HCFA	07-94-00770	BC/BS of SC- Unfunded Pension	September, 1994	$793,508	HCFA is working with all Medicare contractors to obtain signed advance agreements which set forth the terms and conditions of the amended Cost accounting Standards (CAS 412). Implementation of the advance agreements will subsume and close out the currently outstanding pension audits.
HCFA	07-94-00777	BC/BS of GA — Pension Costs	October, 1994	$90,736	HCFA is working with all Medicare contractors to obtain signed advance agreements which set forth the terms and conditions of the amended Cost accounting Standards (CAS 412). Implementation of the advance agreements will subsume and close out the currently outstanding pension audits.

table continues . . .

HHS Audit Reports Over One Year Old with Outstanding Balances to Be Collected, continued

As of September 30, 2000

HHS Component	Audit Report Number	Auditee	Date Issued	Amount	Comments
HCFA	07-94-00778	BC/BS of GA — Unfunded Pension	October, 1994	$363,921	HCFA is working with all Medicare contractors to obtain signed advance agreements which set forth the terms and conditions of the amended Cost accounting Standards (CAS 412). Implementation of the advance agreements will subsume and close out the currently outstanding pension audits.
HCFA	07-94-00779	BC/BS of GA — Pension Seg.	October, 1994	$113,256	HCFA is working with all Medicare contractors to obtain signed advance agreements which set forth the terms and conditions of the amended Cost accounting Standards (CAS 412). Implementation of the advance agreements will subsume and close out the currently outstanding pension audits.
HCFA	07-94-00805	BC/BS of TN. -pension Seg.	January, 1995	$1,400,603	HCFA is working with all Medicare contractors to obtain signed advance agreements which set forth the terms and conditions of the amended Cost accounting Standards (CAS 412). Implementation of the advance agreements will subsume and close out the currently outstanding pension audits.
HCFA	07-94-00816	BC/BS of TN. -Unfunded pension	January, 1995	$352,026	HCFA is working with all Medicare contractors to obtain signed advance agreements which set forth the terms and conditions of the amended Cost accounting Standards (CAS 412). Implementation of the advance agreements will subsume and close out the currently outstanding pension audits.
HCFA	07-94-00817	BC/BS of AL — unfunded pension	July, 1995	$912,730	HCFA is working with all Medicare contractors to obtain signed advance agreements which set forth the terms and conditions of the amended Cost accounting Standards (CAS 412). Implementation of the advance agreements will subsume and close out the currently outstanding pension audits.
HCFA	07-94-00818	BC/BS of AL — Pension Seg.	July, 1995	$951,281	HCFA is working with all Medicare contractors to obtain signed advance agreements which set forth the terms and conditions of the amended Cost accounting Standards (CAS 412). Implementation of the advance agreements will subsume and close out the currently outstanding pension audits.
HCFA	07-94-01107	BC/BS of FL — Pension SEG.	April, 1996	$813,122	HCFA is working with all Medicare contractors to obtain signed advance agreements which set forth the terms and conditions of the amended Cost accounting Standards (CAS 412). Implementation of the advance agreements will subsume and close out the currently outstanding pension audits.

table continues . . .

HHS Audit Reports Over One Year Old with Outstanding Balances to Be Collected, continued

As of September 30, 2000

HHS Component	Audit Report Number	Auditee	Date Issued	Amount	Comments
HCFA	07-95-01126	BC/BS of FL — Unfunded Pension	April, 1996	$4,049,889	HCFA is working with all Medicare contractors to obtain signed advance agreements which set forth the terms and conditions of the amended Cost accounting Standards (CAS 412). Implementation of the advance agreements will subsume and close out the currently outstanding pension audits.
HCFA	07-95-01149	BC/BS of Texas — Pension	April, 1996	$874,111	HCFA is working with all Medicare contractors to obtain signed advance agreements which set forth the terms and conditions of the amended Cost accounting Standards (CAS 412). Implementation of the advance agreements will subsume and close out the currently outstanding audits.
HCFA	07-95-01150	BC/BS of Oregon — Pension Seg.	August, 1997	$191,312	Pursuing collection.
HCFA	07-95-01151	BC/BS of Oregon — Unfunded Pension	August, 1997	$260,335	Pursuing collection.
HCFA	07-96-01189	BC of Washington/Alaska Pension Seg.	December, 1997	$96,740	Pursuing collection.
HCFA	07-96-38172	State of IA (OGM)	September, 1996	$29,381	State has processed the credits, however, they are still determining when the credits were returned to HCFA via the HCFA-64.
HCFA	07-96-44051	State of IA (OGM)	February, 1997	$45,958	HCFA is working with the state to resolve this audit.
HCFA	07-97-01205	BC of Washington/Alaska Pension Seg.	December, 1997	$15,688	Review of pension costs claimed for Medicare reimbursement.
HCFA	07-97-01206	BC of Washington/Alaska Unfunded pension	December, 1997	$106,848	HCFA is working to resolve this issue.
HCFA	07-97-01209	BC/BS of MS — Pension Seg.	January, 1998	$224,711	Pension segmentation review.
HCFA	07-97-01210	BC/BS of MS — Unfunded Pension	January, 1998	$482,549	HCFA is working to resolve unfunded pension costs.
HCFA	07-97-01211	BC/BS of MS — Pension Costs	January, 1998	$134,312	Review of pension costs claimed for Medicare reimbursement.
HCFA	07-99-54890	State of IA (OGM)	May, 1999	$29,415	Under review.
HCFA	08-94-00739	BC/BS of ND — Pension Seg.	January, 1995	$730,875	HCFA is working with all Medicare contractors to obtain signed advance agreements which set forth the terms and conditions of the amended Cost accounting Standards (CAS 412). Implementation of the advance agreements will subsume and close out the currently outstanding pension audits.
HCFA	08-94-00740	BC/BS of NC — Unfunded Pension	January, 1995	$671,198	HCFA is working with all Medicare contractors to obtain signed advance agreements which set forth the terms and conditions of the amended Cost accounting Standards (CAS 412). Implementation of the advance agreements will subsume and close out the currently outstanding pension audits.

table continues . . .

HHS Audit Reports Over One Year Old with Outstanding Balances to Be Collected, continued

As of September 30, 2000

HHS Component	Audit Report Number	Auditee	Date Issued	Amount	Comments
HCFA	09-89-00162	Nationwide Employer Project — MSP	March, 1995	$2,218,824	Demand letters were sent to employers listed in the audit. D.C. Circuit Court's decision in the HIAA vs. Shalala case will resulting few recoveries of funds from EGHPs, because of EGHPs timely filing limits. HCFA is attempting to fix the HIAA decision via new legislation.
HCFA	09-95-00072	CA DHS	November, 1996	$4,013,490	Pursuing collection.
HCFA	09-96-00061	BS of CA	June, 1998	$1,006,192	Reviewing administrative costs.
HCFA	09-96-00064	San Diego Hospice Corp. — ORT	November, 1998	$993,779	Under review.
HCFA	09-96-00088	Care Providers- BC of CA	July, 1999	$901,278	Under review.
HCFA	09-96-00089	are Plus Home Hlth Services — BC of CA	July, 1999	$389,497	Under review.
HCFA	14-96-00202	Excluded Unlicensed Health Care Providers	September, 1997	$2,931	pursuing Medicare payments.
HCFA	17-97-00097	HCFA Financial Statement Audit for FY 1997	September, 1998	$141,796	Reviewing financial statements for FY 1997.
Subtotal, HCFA				**$225,899,998**	
HRSA	01-06082	Rural Health Centers Maine	November, 1990	$23,163	Debt referred to Justice Dept. 01/99
HRSA	02-06275	Newark Comm. Health Centers	November, 1990	$14,038	Debt referred to Justice Dept.12/98
HRSA	02-15053	Northwest Buffalo CHCC	December, 1991	$9,281	Debt referred to Justice Dept.12/98
HRSA	02-16577	Newark Comm. Health Centers	November, 1992	$31,708	Demand letter sent.
HRSA	03-18235	Western Pa. Hospital Sch. of Nursing	October, 1992	$5,493	Partial payment 3/00
HRSA	03-21785	DC Dept of Human Services	March, 1994	$7,726	Debt referred to Justice Dept. 12/98
HRSA	04-24751	Vicksburg-Warren CHC	December, 1993	$590	Debt referred to Justice Dept. 1/99
HRSA	04-50281	Aaron E. Henry CHC	September, 1998	$3,017	Demand letter sent 6/99
HRSA	06-27049	Greater Houston HIV Alliance	September, 1994	$20,752	Dept referred to Justice Dept. 12/98
HRSA	07-06845	Model Cities Health Corp.	October, 1990	$41,406	Under appeal, 10/97
Subtotal, HRSA				**$157,174**	
IHS	05-99-60620	Red cliff Band of Lake Superior Chippewa Indians	July, 1999	$1,459	Pursuing collection.
IHS	06-99-56886	Cheyenne Arapaho Tribes of Oklahoma	July, 1999	$64,635	Pursuing collection.
IHS	07-99-54163	Ponca Tribe of Nebraska	May, 1999	$141,475	Pursuing collection.
IHS	08-99-55284	South Dakota Urban Indian Health	June, 1999	$902,046	Pursuing collection.
IHS	08-99-55285	South Dakota Urban Indian Health	June, 1999	$902,377	Pursuing collection.
IHS	08-99-56446	Sisseton-Wahpeton Sioux Tribe	May, 1999	$5,843	Pursuing collection.
IHS	08-99-59826	Crow Creek Sioux Tribe	July, 1999	$291,718	Pursuing collection.
IHS	09-99-57306	Picayune Rancheria	September, 1999	$43,159	Under review.
Subtotal, IHS				**$2,352,712**	
NIH		None		—	
Subtotal, NIH				—	

table continues . . .

HHS Audit Reports Over One Year Old with Outstanding Balances to Be Collected, continued

As of September 30, 2000

HHS Component	Audit Report Number	Auditee	Date Issued	Amount	Comments
OS	06-98-53934	Osage of OK.	February, 1999	$577	Transferred to the Treasury Offset Program.
OS	08-86-43199	Am Indian	January, 1997	$12,696	Transferred to the Treasury Offset Program.
OS	08-87-05251	Devil Lake	September, 1993	$50,333	Transferred to the Treasury Offset Program.
OS	09-93-24906	Calf Institute	April, 1994	$56,758	Transferred to the Treasury Offset Program.
OS	09-96-39220	Public School	April, 1996	$4,396	Transferred to the Treasury Offset Program.
OS	09-97-48247	Karidat	December, 1997	$50,612	Transferred to the Treasury Offset Program.
OS	09-97-48966	Karidat	January, 1998	$2,234	Transferred to the Treasury Offset Program.
OS	09-98-51231	Tonto Apache	October, 1998	$2,257	Transferred to the Treasury Offset Program.
OS	09-98-52613	Marianas	December, 1998	$639,432	Transferred to the Treasury Offset Program.
OS	09-99-55205	Havasupai Tribe	June, 1999	$3,892	Transferred to the Treasury Offset Program.
OS	10-93-22826	Nooksack Indian	November, 1993	$3,323	Transferred to the Treasury Offset Program.
OS	10-99-57229	State of Oregon	September, 1999	$6,479	Transferred to the Treasury Offset Program.
Subtotal, OS				**$832,989**	
PSC/DPM	05-99-04005	University of Wisconsin-Madison	September, 1999	$584,740	At the Departmental appeals Board.
PSC/DCA	03-90-00453	State of W.V.	March, 1991	$12,850,856	At District Court, collection suspended on 3/97.
Subtotal, PSC				**$13,435,596**	
SAMHSA	04-04183	Columbus co. Services . Mgmt	July, 1994	$35,167	Pursuing collection.
SAMHSA	03-00353	DC Dept. of Human Services	April, 1995	$257,195	Pursuing collection.
SAMHSA	09-40113	Marianas Assoc. for Retarded Citizens	May, 1996	$1,023	Pursuing collection.
SAMHSA	09-48966	Karidat	September, 1997	$8,696	Pursuing collection.
SAMHSA	09-39877	Amity, Inc.	July, 1998	$436,371	Pursuing collection.
SAMHSA	03-03316	North Star Youth Services	March, 1993	$518,575	Under appeal.
Subtotal, SAMHSA				**$1,257,027**	
TOTAL, HHS				**$345,469,452**	

Table II: Management Action on OIG Reports with Recommendations that Funds Be Put to Better Use

As of September 30, 2000

	Number	Disallowed Cost (in thousands)
A. Reports for which final action has not been taken by the commencement of the reporting period.	4	9,048,608
B. Reports on which management decisions were made during the reporting period.	12	4,295,941,564
Subtotal (A & B)	**16**	**4,304,990,172**
C. Reports for which final action was taken during the reporting period:		
(i) The dollar value of recommendations that were actually completed: • based on management action:	11	4,291,141,564
• based on legislative action:		
(ii) The dollar value of recommendations that management has subsequently concluded should not or could not be implemented or completed.	0	0
Subtotal (I & ii)	**11**	**4,291,141,564**
D. Reports for which no final action has been taken by the end of the reporting period.1	5	13,848,608

[1] This represents the amount of management concurrences with Inspector General's recommendations. This amount excludes $1,356,285 in management decisions but recorded in Part A ,above, and had been recorded for the 2000 Office of Inspector General's Semi-annual Reports, Table I, Line C.

Reports Containing Recommendations to Put Funds to Better Use Pending More Than One Year

As of September 30, 2000

Audit No	Auditee	Date Issued	Amount	Explanations
04-95-02110	SC BC (Hospice of Lake & Sumter, Inc.) – ORT	04/97	$2,500,000	HCFA is reassessing whether seeking the identified OIG hospice overpayment is the appropriate action to take.
05-95-00060	Wisconsin Department of Health and Social Services	09/97	$2,400,000	The State of Wisconsin plans to establish a workgroup to meet and review HMO financial data related to Medicaid HMOs.
06-92-00043	BC/BS of Texas, Inc. – GME Costs	03/94	$4,078,960	Corrective action cannot be implemented pending the resolution of an objection lodged by the providers legal counsel with the OIG,OGC.
06-95-00095	Palmetto Gov. Ben. Admin. (Fam. Hospice/ Dallas) – ORT	04/97	$69,648	HCFA is reassessing whether seeking the identified OIG hospice overpayment is the appropriate action to take.

SUMMARY

- HHS Component: Health Care Financing Administration
- Total Number of Reports: 4
- Total Amount for Better Use: $9,048,608

Inspector General's Semi-Annual Report Summary and Assessment of Top Management Challenges

Table I: Office of Inspector General Reports with Questioned Costs

	Number	Dollar Value	
		Questioned	Unsupported
A. For which no management decision had been made by the commencement of the reporting period.[1]	461	$319,454,000	$11,542,000
B. Which were issued during the reporting period	256	$387,139,000	$88,311,000
Subtotal (A + B)	**717**	**$706,593,000**	**$99,853,000**
Less:			
C. For which a management decision was made during the reporting period	302	$192,929,000	$4,841,000
(i) dollar value of disallowed costs		$182,808,000	$2,855,000
(ii) dollar value of costs not disallowed		$10,121,00	$1,986,000
D. For which no management decision had been made by the end of the reporting period	415	$513,664,000	$95,012,000
E. Reports for which no management decision was made within six months of issuance	614	$524,810,000	$47,268,000

[1] The opening balance was adjusted to reflect a net revaluation of recommendations in the amount of $16.4 million.

Source: FY 2000 OIG Semiannual Reports

Table II: Office of Inspector General Reports with Recommendations that Funds Be Put to Better Use

	Number	Dollar Value
A. For which no management decision had been made by the commencement of the reporting period.[1]	25	$1,466,327,000
B. Which were issued during the reporting period	13	$3,336,499,000
Subtotal (A + B)	**38**	**$4,802,826,000**
Less:		
C. For which a management decision was made during the reporting period		
(i) dollar value of recommendations that were agreed to by management		
(a) based on proposed management action	12	$1,245,341,000
(b) based on proposed legislative action		
Subtotals (a + b)	**12**	**$1,245,341,000**
(ii) dollar value of recommendations that were not agreed to by management	3	$3,194,378,000
Subtotals (i + ii)	**15**	**$4,439,719,000**
D. Reports for which no management decision was made by the end of the reporting period	23	$363,107,000

[1] The opening balance was adjusted to reflect a upward revaluation of $30.4 million.

Source: FY 2000 OIG Semiannual Reports

Top Management Issues Identified by the Office of Inspector General

At the end of each fiscal year, the Office of Inspector General (OIG) is asked by the Congress to update its list of the most serious management challenges facing the Department of Health and Human Services. In response, the OIG prepares a summary of several areas that it believes present significant challenges to Department managers and policy-makers. The challenges are presented in random order. The OIG's December 1, 2000 report is summarized in the tables that follow. Included in each table are brief comments by the Department.

Management Issue 1: Medicare Payment Error Rate

Management Challenge	Assessment of Progress in Addressing the Challenge
While the OIG's four-year analysis indicates continuing progress in reducing improper payments, documentation errors and medically unnecessary services remain pervasive problems. By projecting sample results for all types of improper payments, OIG estimated that FY 1999 net overpayments totaled about $13.5 billion nationwide, or about 7.97 percent of the total benefit payments.	The FY 1999 error rate estimate is about $1 billion more than the FY 1998 estimate and $9.7 billion less than that for FY 1996 – a 42 percent reduction. While this latest estimate is higher than the previous year's, OIG cannot conclude that it is statistically different. Medicare contractors' claim processing controls were generally found adequate for: (1) ensuring beneficiary and provider Medicare eligibility, (2) pricing claims based on information submitted, and (3) ensuring that the services as billed were allowable under Medicare rules and regulations. However, these controls were not effective in detecting the types of errors found by OIG. OIG"s four-year analysis indicates continuing progress in reducing improper payments, documentation errors and medically unnecessary services remain pervasive problems. The HCFA needs to sustain its efforts to maintain progress in reducing improper payments.

Management's Comments in Brief

Health Care Financing Administration (HCFA) concurs with the Office of Inspector General's (OIG) assessment. In Fiscal Year (FY) 1996, OIG began estimating the national Medicare fee-for-service paid claims error rate. By FY 1999, the error rate was almost cut in half due in part to HCFA's corrective actions which enhanced internal pre-and post-payment controls, targeted vulnerable program areas, and educated providers regarding documentation guidelines and common billing errors.

Additionally, since the OIG's error rate measure is only valid at the national level, HCFA has been developing a new, more precise measure for use in the future. In May 2000, HCFA awarded a Program Safeguarded Contractor contract to implement the Comprehensive Error Rate Testing (CERT) Program. The CERT program will produce national, contractor, provider type, and benefit category specific paid claims error rates. CERT is being phased in over FY 2001 so that eventually all Medicare contractors will be included in the CERT error rate sample.

Management Issue 2: Medicare Contractors

Management Challenge	Assessment of Progress in Addressing the Challenge
The OIG's concerns focus on contractors' financial management problems (such as accounts receivable documentation and electronic data processing control weaknesses), contractor integrity issues, fraud unit performance, and weaknesses in the way that Medicare contractors assign and maintain provider numbers.	**Financial management problems.** The audit of HCFA's FY 1999 financial statements again highlighted the need for improved contractor controls over Medicare accounts receivable, cash, financial reconciliations and electronic data processing. **Accounts receivable.** Some progress, but significant issues still affect HCFA's ability to accumulate and analyze its financial activities. **Electronic data processing.** The OIG found control weaknesses at the HCFA central office and at seven of the eight Medicare contractors and cited two weaknesses as material. **Integrity.** The OIG continued to find misuse of Government funds by contractors, with indications of fraud.

Management's Comments in Brief

HCFA concurs with OIG's assessment. During FY 2000, HCFA has taken significant steps to resolve its financial management weaknesses. For example, HCFA issued it's first Chief Financial Officer (CFO) Comprehensive Plan for Financial Management. The Comprehensive Plan supports HCFA's strategic vision by outlining all of the activities we believe are necessary to ensure that we meet our responsibilities to our nation's citizens in establishing a strong and effective financial operation at HCFA. HCFA also revised and clarified financial reporting and debt collection policies and procedures based on findings from CFO audits, oversight reviews, and Statement of Auditing Standards (SAS) 70 internal control reviews. HCFA contracted with CPA firms to conduct SAS 70 internal control reviews of 26 Medicare contractors. For FY 2001, reviews will be conducted at 13 contractors that were selected through a risk assessment. This effort will concentrate on these functional areas: EDP claims processing, financial management, and debt collection. HCFA also contracted with consultant CPA firms to perform accounts receivable reviews at 14 contractors comprising 68 percent of the accounts receivable balance.

HCFA will continue to focus on implementing corrective actions in resolving findings to improve the controls over integrity, confidentiality, and availability of Medicare data processed at HCFA central office and the Medicare contractors.

HCFA's long term solution addressing financial management weaknesses is the implementation of the HCFA Integrated General Ledger Accounting System (HIGLAS) project. HCFA is evaluating options for replacing our financial systems. Until this project is implemented, HCFA will continue ongoing projects and activities aimed at compensating for the lack of the modernized system.

HCFA has implemented aggressive efforts to reduce fraud, waste, and abuse in the Medicare program. Increased funding, as well as new contracting authority allowing the agency to contract with new private entities for program integrity services, enabled HCFA to begin innovative approaches to program integrity.

Management Issue 3: Abuses of Medicaid Payment Systems

Management Challenge

The OIG found that some states required public providers to return Medicaid payments to the state governments through intergovernmental transfers (IGT). The states used the funds for other purposes. The OIG identified this practice in two types of payments: Enhanced Payments Available Under Upper Payment Limits and Disproportionate Share Hospital Payments.

Enhanced Payments Available Under Upper Payment Limits. On January 5, 2001, the Department finalized revisions to the upper payment limits. The revisions will help close a loophole in the Medicaid regulations that cost billions of dollars without commensurate increases in Medicaid services. The Department estimates that the final rule will save $55 billion over the next 10 years. OIG believes the revised regulations are a move in the right direction. However, in OIG's opinion, the revisions do not go far enough in protecting the financial integrity of the Medicaid program. Based on audit results to date, OIG believes the transition periods for phasing in the revised regulation are excessive and the higher aggregate payment limit for non-state owned government hospitals is unneeded (the aggregate limit for non-state owned government hospitals is 150 percent of the amount that Medicare would have paid for services, rather than 100 percent). In addition, OIG believes that the Department should take action to ensure that Medicaid payments are retained by Medicaid providers to furnish Medicaid approved services to Medicaid eligible beneficiaries. Medicaid payments returned by providers to the state governments should be treated as refunds and the federal government should receive the appropriate share of the refund.

Disproportionate Share Hospital Payments. OIG's audit work involving this issue is ongoing and when finalized, OIG will report findings to HCFA and make recommendations for improvement. However, the Benefits Improvement and Protection Act of 2000 raised the disproportionate share hospital (DSH) payment limit for public hospitals from 100 percent to 175 percent of uncompensated care cost (UCC). This higher limit will be available to public hospitals in all states for the two state fiscal years beginning after September 30, 2002. By increasing the DSH cap to 175 percent of the UCC, the states OIG is currently reviewing would be able to obtain increased federal Medicaid dollars by requiring the public hospitals to return an even larger amount of the DSH payment through an IGT. Therefore, OIG disagrees with the need for the increased DSH payment limit for public hospitals.

Management's Comments in Brief

HCFA concurs with OIG's assessment. HCFA's regulation on enhanced payments available under upper limits was issued to respond to the problem of States setting excessively high payment rates for Medicaid services furnished by certain providers. HCFA provided transition periods, because our original proposal did not include transition periods. Congress considered and modified our proposed approach by mandating the issuance of the final rule, subject to certain congressional modifications that provided yet a third and longer more generous transition period than the ones HCFA included in the rule for certain States.

Management Issue 4: Medicare Equipment and Supplies

Management Challenge

Medical equipment and supplies continues to be a problematic area of the Medicare program both in terms of excessive reimbursement levels and in high levels of medically inappropriate services. Because fee schedules are based on historical charges, the OIG believes that Medicare still pays too much for some items such as hospital beds, body jackets, and parenteral and enteral nutrition. Further, reviews by OIG's office have demonstrated high levels of inappropriate claims for a number of specific items, such as blood glucose test strips, orthotics, and therapeutic shoes. Finally, OIG believes that structural reforms should be made to the benefit including, improving billing practices, revising coding guidelines, and charging suppliers an application fee.

Assessment of Progress in Addressing the Challenge

A number of significant reforms have been made in the area of medical equipment and supplies over the years, including the creation of four specialty carriers to process these claims. Additionally, competitive bidding demonstrations (authorized by BBA 1997) are currently underway. However, HCFA's ability to use "inherent reasonableness" authority granted by the BBA 1997 has been suspended pending the issuance of a final rulemaking by HCFA.

Management's Comments in Brief

HCFA concurs with OIG's assessment. To improve the efficiency of the Medicare Program, the Balance Budget Act (BBA) of 1997 authorized HCFA to test competitive bidding as a way for Medicare to process and pay for some categories of items and services. Medicare payment for durable medical equipment and supplies currently is based on outdated fee schedules required by law. Studies by the General Accounting Office and the OIG have found that Medicare payments for items of durable medical equipment are far greater than prices paid by other insurers and sometimes greater than prices available to the general public at retail outlets. Competitive bidding is a potential means for using the dynamics of the marketplace to provide incentives for suppliers to produce reasonably priced items and services of high quality in an efficient manner. Using competition to reduce the outdated fee schedule rates should save Medicare funds and lower beneficiary co-payments. This new process also will help stop wasteful payments that are unnecessarily high.

Management Issue 5: Medicare Payments for Mental Health Services

Management Challenge	Assessment of Progress in Addressing the Challenge
Medicare payments for mental health services across a variety of settings are an ongoing concern of the OIG.	**Partial Hospitalization Services.** Based on results of joint HCFA-OIG work, a systematic review in 5 states found that 90 percent of Medicare payments to community mental health centers (CMHCs) for partial hospitalization services were unallowable or highly questionable. To address the problems identified, HCFA developed a 10-point initiative which includes both immediate and long-term actions. The immediate actions include: phased-in terminations of the most egregious non-compliant CMHCs; the release of clarifying instructions on CMHC participation requirements; enhanced scrutiny of new CMHC applicants; intensified medical review by fiscal intermediaries; increased auditing of CMHC cost reports; and collection of overpayments identified by OIG. The HCFA's long-term actions include: the establishment of a new payment system for partial hospitalization program (PHP) services; regulations to require periodic reenrollment of CMHCs; and the enactment of current as well as possible additional legislative, regulatory, and policy changes in PHP benefit. **Hospital Outpatient Mental Health Services.** Based on claims by acute care hospitals in 10 states, the OIG projected that at least $224 million in Medicare payments were unallowable or unsupported. In a similar review of claims by psychiatric hospitals in 10 locations, the OIG projected that at least $57 million in Medicare payments were unallowable or unsupported. As part of its 10-point plan, HCFA has undertaken a comprehensive review of mental health benefits delivered in all settings. In addition, a new PPS for outpatient hospital services was implemented in July 2000. **Part B Mental Health Services.** In a follow-up review, OIG found that more than one-third of psychiatric service in nursing homes are either medically unnecessary, have no mental health documentation, or are questionable. OIG is currently working on an inspection of Part B mental health services in other settings as well. **Oversight Issues.** Inpatient psychiatric services will soon follow outpatient services to a prospective payment methodology, lending additional significance to concerns about quality of services.

Management's Comments in Brief

HCFA concurs with OIG's assessment. HCFA's 10-point initiative included national medical review instruction, benefits education, and intensified claims review. This initiative had a significant effect in reducing billing abuses that occurred from 1993 to 1997 and in improving proper billing practices. This was accomplished without compromising the access and availability of the partial hospitalization (PH) benefit to beneficiaries who met Medicare coverage requirements. In October 2000, hospital outpatient PPS was implemented. HCFA will monitor the hospital outpatient prospective payment system (PPS) to assess the appropriateness of PH medical review strategies based on the outpatient code editor. In addition, we will continue to monitor billing practices for PH claims paid.

Management Issue 6: Home Health

Management Challenge	Assessment of Progress in Addressing the Challenge
The inability of Medicare contractors to effectively identify improper claims before payment, combined with the ease of entry of home health agencies into the program, made the Medicare Trust Fund especially vulnerable to losses from the home health program.	Relatively recent OIG reports indicate that the incidence of home health incorrect payments have been cut in half — from approximately 40 percent to approximately 20 percent. While this improvement is admirable, more needs to be done to assume correct payment of services. The OIG will assist in this endeavor in the following ways: ■ **Collection Policies.** OIG will determine if more can be done to lessen the drain on the Trust Fund when providers leave the program with significant outstanding overpayments. ■ **Bankruptcy Protections.** OIG continues to support legislation to close loopholes. ■ **Physician Involvement.** OIG will assess if a new physician reimbursement plan of care certification has an impact on level of involvement. ■ **Beneficiary Access.** While access to care is available, deficiencies in quality increased, possibly due to less frequent but more intensive survey and certification reviews and the interim payment system. ■ **Enrollment of Home Health Providers.** OIG will monitor development and implementation of new requirements to assess whether the new enrollment processes can effectively screen out potentially dishonest providers.

Management's Comments in Brief

HCFA concurs with OIG's assessment. During FY 2001, HCFA expects to implement a new online provider database system which will enable Medicare contractors to better scrutinize and validate information and data from prospective home health agencies (HHAs) seeking to enroll in the Medicare program. Medicare will also require HHAs to obtain a surety bond prior to participating in the Medicare program. The bonding requirement will act as an additional screening mechanism to keep potentially problematic out of the Medicare program, while also serving a means for recouping some Medicare funds should the HHA default on paying an outstanding debt owed Medicare.

Management Issue 7: Nursing Facilities

Management Challenge	Assessment of Progress in Addressing the Challenge
The OIG is monitoring quality of care and implementation of certain Balanced Budget Act of 1997 provisions pertaining to nursing facilities to ensure that they are working as intended by Congress. **Therapy.** The OIG is examining the medical necessity of Part B therapy provided in nursing homes, both under and overutilization. **Quality of Care.** The OIG is monitoring quality of care issues such as appropriateness of admissions of younger patients, role of physicians, use of psychotropic drugs, and nurse aide training.	**Consolidated Billing.** In response to an OIG report on consolidated billing, HCFA issued a fraud alert to its contractors. Based on OIG additional work currently in progress, the OIG will recommend that HCFA collect millions of dollars in overpayments and establish edits in its systems to prevent future overpayments.

Management's Comments in Brief

HCFA concurs with OIG's assessment. On August 14, 2000, HCFA contracted to provide a Therapy Review program. Among other issues, the contractor will perform medical review of therapy services for Part B nursing homes, for both under and overutilization. This task order will meet the Balanced Budget Refinement Act requirements and improve management of medical review of physical therapy, occupational therapy and speech-language pathology services.

HCFA's objective is to present a plan for coordinated strategy for the review of therapy services provided in all settings, excluding inpatient hospital, that decreases error rates and encourages the delivery of covered therapy services to Medicare beneficiaries.

Management Issue 8: Medicare Prescription Drugs

Management Challenge

Based on OIG's work, OIG has concluded that Medicare's payment methodology for prescription drugs is fundamentally flawed. Medicare bases its payments on a drug's average wholesale price (AWP). For the most part, AWPs are reported to companies that compile drug pricing data by the drug manufacturers themselves. For the most part, these companies do not verify the manufacturers' numbers. As OIG's reports have indicated, the published AWPs that Medicare uses to establish drug prices bear little or no resemblance to actual wholesale prices available to physicians, suppliers, and other large government purchasers. For example, OIG's review of 24 Medicare covered drugs found that Medicare and its beneficiaries would save $1.6 billion a year if the allowed amounts for the drugs were equal to prices obtained by the Department of Veterans Affairs.

Assessment of Progress in Addressing the Challenge

In recent years, HCFA has attempted to lower drug prices by submitting legislative proposals to pay on the basis of acquisition costs or to reduce the AWP by 17 percent. However, these proposals have not been enacted. Additionally, HCFA has attempted administrative remedies to lower payments for albuterol sulfate through the use of "inherent reasonableness," but the use of this authority has been suspended by the Congress pending the issuance of federal rulemaking. Lastly, HCFA announced plans to utilize newly available AWPs developed for Medicaid as a result of Department of Justice investigations to lower prices for certain drugs. However, legislation passed by the Congress on December 21, 2000 requires GAO to complete a comprehensive drug pricing study before HCFA can begin using this new data. As a result, Medicare payments for outpatient prescription drugs continues to be excessive.

Management's Comments in Brief

HCFA concurs with OIG's assessment. However, HCFA has no additional comments on prescription drugs at this time.

Management Issue 9: Medicare Managed Care

Management Challenge	Assessment of Progress in Addressing the Challenge
The OIG's concerns are with managed care payment rates, adjusted community rate (ACR) proposals, related Medicaid fee-for-service payments, withdrawal of managed care organizations (MCOs) from Medicare, and confusing information given to beneficiaries.	**Payment Rates.** Some of the provisions of the Balanced Budget Act (BBA) of 1997 and the Balanced Budget Refinement Act (BBRA) of 1999 reduced payments to Medicare + Choice (MCO). At HCFA's request, the OIG examined the overall impact of the provisions finding that MCO payments are still overstated. This is primarily due to the overstatement of the actuarial assumptions used to establish the 1997 base rate, which inflated MCO payments starting in 1998. In addition, OIG's reviews indicate that MCOs receive more than an adequate amount of funds to deliver services, and HCFA should modify payment rates based on empirical data. OIG's reviews showed: ■ The basis on which the monthly capitation payment amounts were calculated were flawed; ■ Medicare payments were being used to fund unnecessary administrative costs and excess profits; ■ Investment income was not accounted for by MCOs in the Medicare payment formula; ■ Improper payments were made to MCOs for erroneously classified beneficiaries. The cumulative impact of these issues is that MCOs receive more than an adequate amount of funds to deliver the Medicare package of covered services, i.e., those services received by 85 percent of Medicare beneficiaries in the Medicare fee-for-service program. The HCFA agreed with this overall finding. The BIPA of 2000 did not address OIG concerns. It raised MCO payments and delayed full implementation of the risk adjustment factor that would adjust for healthier beneficiaries enrolled in MCOs. **Confusing Information.** OIG noted the potential for confusion in some MCO marketing materials that HCFA provided to beneficiaries. The HCFA has begun to implement many of the OIG recommendations, including requiring a standard format for plan benefit summaries.

Management's Comments in Brief

HCFA concurs with OIG's assessment. In FY 2000, HCFA initiated a new adjusted community rate (ACR) methodology to more closely account for these costs. The procedures call for using administrative costs incurred during the previous calendar year. In addition, HCFA has begun to audit ACRs as submitted by organizations to better identify reasonable costs and to modify future submittals by managed care organizations.

Additionally, HCFA has agreed that policies should ensure that Medicare Managed Care Organizations (MCO) are held accountable for investment income earned on current Medicare funds and should assure that this income is used to benefit Medicare beneficiaries.

HCFA's Medicare MCO Group investigates specific allegations of fraud at Medicare managed care organizations through review of ACRs, including looking for improper payments. HCFA is also hiring an outside contractor to provide ongoing oversight of Medicare managed care organizations operations as part of the Medicare Integrity Program. While the OIG description of the management challenge facing HCFA focuses on payment issues, it neglects to mention oversight of whether covered services are being delivered as appropriate. Medical record review is included in the request for proposal, which may assist HCFA in determining if Medicare coverage rules are being followed by Medicare Managed Care Organizations.

Management Issue 10: Oversight of PPS Implementations

Management Challenge	Assessment of Progress in Addressing the Challenge
The OIG is monitoring HCFA's implementation of prospective payment systems for hospitals, inpatient rehabilitation facilities, home health agencies, and nursing homes.	As required by law, HCFA implemented a prospective payment system for hospital outpatient services on August 1, 2000 and a prospective payment system for home health on October 1, 2000. A prospective payment system for inpatient services in rehabilitation hospitals is scheduled to be implemented on April 1, 2001. The OIG has previously expressed its concerns about HCFA's ability to oversee the implementation of three large, complex systems over a relatively short period of time. The OIG plans to perform in-depth reviews of HCFA's controls established to monitor and evaluate the new systems. **Nursing Homes and Home Health Agencies.** The OIG has been and will continue to conduct annual assessments of Medicare beneficiaries' access to nursing home and home health services in the wake of these payment reforms. So far, no significant access problems have been found.

Management's Comments in Brief

HCFA concurs with OIG's assessment. HCFA continually strives to improve its oversight of prospective payment systems implementation for outpatient hospitals, home health agencies and nursing homes. These efforts are appropriate to ensure high quality health care for all of our beneficiaries. The implementation of prospective payment systems is designed to give providers the incentive to manage their operations more efficiently by evaluating those areas in which increased efficiencies can be instituted without affecting the quality of care and by treating a mix of patients to balance cost and payments.

Management Issue 11: Child Support Enforcement

Management Challenge	Assessment of Progress in Addressing the Challenge
Child support is an important part of family self-sufficiency. In conjunction with OCSE, the OIG established multi-agency, multi-jurisdictional task forces to identify, investigate and prosecute the most egregious criminal nonsupport matters at the state and federal levels and conducted a number of studies to improve the efficiency and effectiveness of the child support program.	Task forces have over 2,650 cases from state child support agencies. These have resulted in over 340 arrests and 270 convictions of civil adjudications, with over $11.3 million in restitution ordered. In addition, based on the findings in OIG reports, the Administration for Children and Families expressed its intent to educate and provide technical assistance to states concerning the implementation of many of the OIG's recommendations.

Management's Comments in Brief

The Office of Child Support Enforcement (OCSE) in the Administration for Children and Families, in FY 2001, is supporting the efforts of the Inspector General described in the Assessment of Progress section. OCSE continues to operate, and expand the number and role of, the OCSE-PSOC (Project to save Our Children) Screening units throughout the country. Recently the sixth office was opened, in Atlanta, and the seventh office is scheduled to open within the second quarter of the fiscal year. These new offices will expand the service area to the Southeastern United States and to the Rocky Mountain States. The PSOC training, a cooperative activity undertaken with staff from the Department of Justice, US Attorney's offices, the FBI, State agencies, and the Office of Inspector General will also continue. The next session (for the Rocky Mountain States) is scheduled for June of 2001.

In addition, OCSE is publicizing and re-distributing many of the OIG's reports within the field, especially those that are written in such a way as to serve as technical assistance documents. In the case of two OIG reports on State Disbursement Units, for example, OCSE convened a national audioconference at which the OIG staff who wrote the reports presented their findings and answered questions from State staff and others on the call. Another OIG report, on Child Support for Low Income Noncustodial Parents, resulted in the issuance by OCSE of a major policy clarification, in addition to the provision of technical assistance. The resultant policy issuance was also featured in a guidance document on responsible fatherhood released by the White House, and the OIG report was cited in that document as well.

Management Issue 12: Protection of Critical Infrastructure

Management Challenge	Assessment of Progress in Addressing the Challenge
Pursuant to Presidential Decision Directive 63 (May 1998), the Department must ensure the security of those physical and cyber-based systems that are essential to operations. The DHHS is a Tier I agency, meaning there could be a dramatic negative national impact if the agency's systems were compromised.	OIG has prioritized its work consistent with the Department's ongoing asset evaluation. Accordingly, initial OIG reviews will focus on the Centers for Disease Control and Prevention, the Food and Drug Administration, the Health Care Financing Administration, and the Administration for Children and Families.

Management's Comments in Brief

HHS sponsored and completed the identification of HHS' critical Infrastructure assets. Out of 283 mission critical system 97 were identified as requiring critical Infrastructure protection. Out of these 97 assets, 18 were identified are high priority. Of the 18 high priority systems 10 were located in CDC, 3 were located in HCFA, 2 were located in OS, 1 was located in FDA, 1 was located in NIH, and 1 was located in PSC. HHS has established the Office of Information Technology Security and Privacy to establish IOT security and privacy procedures and provide monitoring, advise and response to HHS component capabilities to conform to the IT security requirements.

Grants Management

As the largest granting component in the federal government, the Department of Health and Human Services (HHS) plays a key role in the federal grants management arena. Through its 300 plus assistance programs, HHS awards more than $170 billion of the total federal grants awarded (estimated to be $300 billion).

Grant awards are considered to be financial assistance that provides support or stimulation to accomplish a public purpose. Awards include grants and other agreements in the form of money, or property in lieu of money, to an eligible recipient. Most of the HHS grant dollars awarded are in the form of mandatory grants.

- **Mandatory grants** are those that a federal agency is required by statute to award if the recipient, usually a state, submits an acceptable State Plan or application, and meets the eligibility and compliance requirements of the statutory and regulatory provisions of the grant program. In the past, mandatory grants were sometimes referred to as "formula grants." Mandatory grants include block grants, closed-ended grants, and open-ended entitlement grants.
- The HHS **discretionary grant** awards comprise only 13 percent of the total HHS FY 1999 grant funds, but they account for 92 percent of the total number of HHS grant awards made in FY 1999. Discretionary grants are those that permit the federal government, according to specific authorizing legislation, to exercise judgment, or "discretion," in selecting the applicant/recipient organization, through a competitive grant process. The types of activities commonly supported by discretionary grants include demonstration, research, training, service, and construction projects or programs. Discretionary grants are sometimes referred to as "project grants."

Stewardship and oversight responsibilities for HHS grant programs involve a variety of administrative functions being performed on an ongoing basis. These administrative functions include: assisting OMB in its revisions of key OMB Circulars pertinent to grants administration; providing training and developing related guidance documents on these revised OMB Circulars; conducting oversight through a "balanced scorecard" approach; strengthening HHS indirect cost negotiation capabilities; updating internal Departmental grants administrative procedures; and utilizing a department-wide grants

management information system to organize and consolidate grants award data across all HHS grant programs.

During FY 2000, HHS took the lead in working with OMB to establish an appropriate interagency structure for accomplishing all aspects of new grants simplification legislation. The Federal Financial Assistance Management Improvement Act of 1999 (Public Law 106-107) requires OMB and the federal agencies to work together with the various grantee communities to streamline, simplify, and provide electronic options for the grants management processes employed by the federal agencies. Also during FY 2000, HHS continued to provide assistance to OMB on the government-wide cost principles for non-profits and universities and on various cost and grant management projects.

HHS continued with its implementation of the Grants Policy Directive (GPD) system, which is replacing the Departmental Grants Administration Manual with current and concise policy guidance. Training sessions were conducted for headquarters and regional operations to update HHS grants management staff on the OMB Circular changes, and to provide clarification on existing regulatory guidance and internal grants administrative policies.

HHS also continues to operate the Tracking Accountability in Government Grants System (TAGGS) containing department-wide grants award information. TAGGS training was offered to grants management and program staff across HHS. Access to TAGGS information was made available to HHS staff via the Department's Intranet.

GrantsNet, an Internet application, continues to provide online access to the most up-to-date policies, regulations, and other pertinent grants-related information.

HHS FY 1999 Grant Awards

	Total		Mandatory		Discretionary	
	Number	Dollars	Number	Dollars	Number	Dollars
ACF	7,271	$36,869,174,462	2,910	$31,816,000,473	4,361	$5,053,173,989
AHRQ	399	$82,425,451	0	$0	399	$82,425,451
AoA	816	$867,191,213	607	$841,855,531	209	$25,335,682
CDC	2,640	$1,981,988,387	0	$0	2,640	$1,981,988,387
FDA	152	$20,788,788	0	$0	152	$20,788,788
HCFA	366	$111,799,642,935	272	$111,764,735,663	94	$34,907,272
HRSA	4,889	$3,643,353,720	111	$625,261,043	4,778	$3,018,092,677
IHS	467	$706,430,996	439	$702,196,237	28	$ 4,234,759
NIH	42,073	$11,835,424,278	0	$0	42,073	$11,835,424,278
OS	301	$257,394,174	0	$0	301	$257,394,174
SAMHSA	1,360	$2,246,751,101	231	$1,827,809,505	1,129	$418,941,596
TOTAL	**60,734**	**$170,310,565,505**	**4,570**	**$147,577,858,452**	**56,164**	**$22,732,707,053**

The grants data provided in this report reflect awards made during FY 1999 since FY 2000 data is in the process of full reconciliation. The data will not necessarily agree exactly with the FY 1999 budget and accounting records (e.g., Medicaid's accounting adjust-

ments) for several reasons. First, in some instances the data for awarded grants reflect, in addition to current year funds, the reobligations of prior years' funds. Second, costs of furnishing personnel in lieu of cash are included in the grants data, but are recorded as personnel service costs in accounting records. Third, grants jointly funded are included in accounting records, but are not included herein unless awards are made by HHS programs. The number of grants is a count of projects or programs receiving grant funds, and is therefore less than a count of grant actions, since there may be multiple actions for a project in any fiscal year.

Highlights

- In FY 1999 HHS awarded over $170 billion in grants; this included both discretionary awards totaling almost $23 billion, and mandatory awards totaling over $147 billion.
- HCFA, which administers the Medicaid Program, awarded 66 percent ($111.8 billion) of the total HHS grant funds, representing less than 1 percent of the total number of grants. ACF awarded the next highest percentage (22 percent, $36.9 billion) of the total HHS grant funds, representing 12 percent of the total number of grants.
- The other ten HHS components awarded between 1 and 7 percent of the remaining 13 percent of HHS FY 1999 grant funds.
- NIH awarded 69 percent (42,073) of the total number of HHS grants in FY 1999, which is 52 percent of the discretionary grant funds, but only 7 percent of the total HHS grant funds in FY 1999. The remaining HHS components awarded between 1 and 12 percent of the total number of grants.
- The six states receiving the most HHS mandatory grant funds (in billions) in FY 1999 are New York ($18.6), California ($18.4), Texas ($9), Pennsylvania ($7.1), Ohio ($6), and Florida ($5.6).

Procurement Management

In FY 2000, approximately 700 HHS contracting personnel awarded and administered over 220,000 procurement actions [excluding purchase card transactions], worth more than $4.4 billion. Also, HHS obligated an additional $1.6 billion from the Medicare Trust Funds for contracts with Medicare intermediaries and carriers. These procurement actions and contracts helped to meet the Secretary's goals of ensuring cost-effective health care and human services; ensuring the integrity of the Medicare Program; enhancing health promotion and disease prevention; improving access to health care for all Americans; and providing adequate support for biomedical research.

Major procurement accomplishments in FY 2000 included the following:

- The Department awarded 600 performance-based contracts and modifications for a total of $2.19 billion. This represents over a 250% and 10% increase in the volume and dollar value of performance-based contracting — respectively — from the previous fiscal year.
- HHS used purchase cards to conduct over 560,000 micro-purchases.
- HHS used three Electronic Commerce methodologies — Internet-posted solicitations, FACNET, and ECWeb to issue 1,073 electronic solicitations for simplified acquisitions and major procurements.
- On behalf of the Department, CDC used its FACNET-equivalent Electronic Commerce methodology to place 83,256 electronic delivery orders with vaccine manufacturers and other vendors.
- The Department submitted its second annual Commercial Activities Inventory under the FAIR Act, and clarified its procedure for responding to challenges and appeals.
- The Department successfully conducted its first acquisition benchmarking forum to promote organizational improvement. Adapting and integrating best practices serves to strengthen our acquisition systems. Benchmarks were based on the results of our Acquisition Balanced Scorecard surveys.
- Using Web-based and JAVA-oriented technologies, HHS continued to enhance the query and reporting capabilities of its Departmental Contracts Information System [DCIS]. This has resulted in improvements to the reliability, timeliness and utility

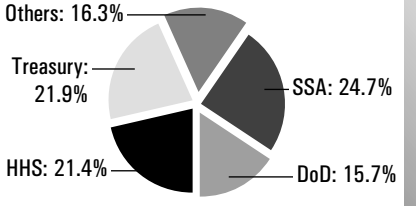
of HHS's procurement data, as well as better support for executive decision-making. Also, in addition to servicing its HHS component clients and the Treasury Department, HHS began to provide DCIS support to a new customer — the Department of Transportation — under a reimbursable agreement.

- The Department's Acquisition and Project Officer Training Program provided comprehensive, formal training for both contracting professionals and project officers. Contracting personnel used 1,230 training slots and project officers used 3,263 training slots. HHS experienced success with its new Earned Value Project Management course; and developed a Web-enabled and customer-oriented Performance-based Contracting Desk Reference. The Department also refined its overall curricula to reflect a new competency-based, matrix-oriented training approach.
- HHS sponsored 3 of 12 high-caliber management interns — and played an important role in initiating and successfully implementing — the new Government-wide Acquisition Management Intern Program. This program is designed to attract college graduates to the field of government acquisition.
- On behalf of the Department, NIH continued to refine HHS's user-friendly "Contractor Performance System" — which gauges the past performance of government contractors. Also, NIH continued to add other organizations to its customer base, which now includes over one dozen Departments and major agencies.

HHS Program Net Outlays

Highlights of HHS Budgetary Outlays

Federal FY 2000 Net Outlays by Agency



Source: Final Monthly Treasury Statement of Receipts and Outlays of the United States Government. (Treasury includes interest on federal debt.)

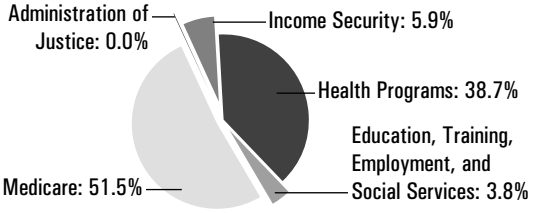
In FY 2000, HHS had net outlays of $382.6 billion, representing 21.4% of all federal net outlays. This represents an increase from $359.7 billion (21.1% of federal net outlays) in FY 1999. Only the Social Security Administration (which became independent from HHS in 1995) and the Department of the Treasury exceeded HHS spending in FY 2000.

The portion of the federal budget allocated to HHS has grown significantly over the last three decades. The nature of the HHS entitlement programs is the reason for the growth in spending. We cannot limit the number of enrollees in our programs; every individual who meets the programs' criteria must be enrolled. Nine out of every ten HHS dollars are now spent on entitlements.

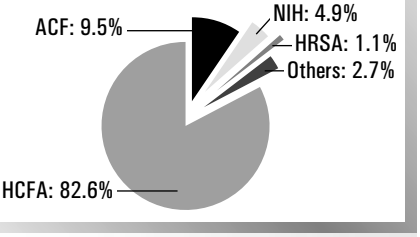
When the Medicare and Medicaid entitlement programs were enacted in 1966, HHS net outlays accounted for only 4% of federal net outlays. As the ranks of the enrollees and beneficiaries of these entitlement programs has swelled along with the increasing costs of health care treatment, the impact on the federal budget has been quite significant. The net outlays for Medicare alone now account for 11% of the federal budget.

HHS dollars are allocated to the components across budget functions. The accompanying matrix chart of "HHS FY 2000 Net Outlays by Budget Function and Component" details this distribution and facilitates the identification of concentrations of outlays. The largest single budget function is Medicare (which has a category all its own), with $197.1 billion in spending. The second largest functional category, at $148.1 billion, is Health where most of the funds are spent by HCFA (for Medicaid) and by NIH (for research). ACF has the bulk of responsibility for budget function dollars categorized as Education, Training, Employment and Social Services, and also for Income Security through the Temporary Assistance to Needy Families and Child Support Enforcement programs.

HHS FY 2000 Net Outlays by Budget Function



HHS FY 2000 Net Outlays by Component



Measured by program spending, HCFA is by far the largest of the HHS components, followed by ACF, then NIH, HRSA, CDC, SAMHSA, and other components. The relative portion of total HHS net outlays by component is illustrated in the accompanying pie chart.

Outlays by budget function are largely concentrated in the Medicare and Health (which includes Medicaid) budget functions.

Readers will note in Section IV that the Statement of Net Cost allocates costs by component and by budget function. Costs reported will be concentrated in a similar fashion as the budget figures, noted above, for net outlays reported in this section of the *Accountability Report*.

HHS FY 2000 Net Outlays by Budget Function and Component (in thousands)

HHS Component	Education, Training, Employment, and Social Services	Health	Medicare	Income Security	Administration of Justice	TOTAL
HCFA		$119,028,395	$197,110,324			$316,138,719
ACF	$13,691,677			$22,712,912	$100,794	$36,505,383
NIH		$15,405,474				$15,405,474
HRSA		$4,311,857				$4,311,857
CDC		$2,477,633			$52,563	$2,530,196
SAMHSA		$2,498,967				$2,498,967
IHS		$2,374,633				$2,374,633
FDA		$1,021,622				$1,021,622
AoA	$884,480					$884,480
OS		$767,937				$767,937
PSC*		$137,124				$137,124
AHRQ		$50,802				$50,802
HHS Subtotal	**$14,576,157**	**$148,074,444**	**$197,110,324**	**$22,712,912**	**$153,357**	**$382,627,194**

* Though PSC's services are fee-based and self-sustaining, net outlays shown include $216,598 thousand for Retirement Pay and Medical Benefits for Commissioned Officers with the remainder attributable to the HHS Service and Supply Fund and miscellaneous trust funds.

Note: The FY 2000 financial statements' supplemental schedules present data under six budget functions, rather than just the 5 shown here. This is because ATSDR's expenditures under the Natural Resources budget function are included in HHS financial statements, but excluded from HHS outlay figures; they are included in EPA's outlay figures.

Source: *United States Government Annual Report Fiscal Year 2000* Appendix. $98 billion in receipts (proprietary receipts from the public and intrabudgetary transactions) has been distributed to the appropriate HHS components based on detailed amounts in the September Monthly Treasury Statement. While the total HHS outlay reported by Treasury includes these receipts, the Statement of Budgetary Resources does not. Therefore, these receipts may be netted against total outlays reported in the Statement of Budgetary Resources to bridge to the net outlay figure reported by Treasury.

HHS FY 2000 Net Outlays (in millions)

HHS Component	FY 2000	FY 2000 %	FY 1999	FY 1998	FY 1997	FY 1996	FY 1995	FY 1994	FY 1993	FY 1992	FY 1991
FDA	1,022	0.3%	950	837	873	865	858	801	733	752	648
HRSA	4,312	1.1%	3,860	3,473	3,526	3,960	2,612	2,695	2,467	2,333	1,763
IHS	2,375	0.6%	2,193	2,145	2,139	1,997	1,975	1,771	1,699	1,522	1,275
CDC	2,530	0.7%	2,428	2,409	2,248	2,166	1,785	1,570	1,410	1,198	1,127
NIH	15,405	4.0%	13,802	12,486	11,171	10,209	10,875	10,148	9,532	8,374	7,666
SAMHSA	2,499	0.7%	2,214	2,235	1,622	2,084	2,444	2,371	2,667	–	–
AHRQ[5]	51	0.0%	79	77	110	81	133	111	84	113	12
HCFA	316,139	82.6%	299,014	294,016	285,523	266,164	248,920	225,967	205,687	186,743	157,140
ACF	36,505	9.5%	33,624	31,584	31,023	31,023	31,993	31,354	27,545	26,703	–
OS	768	0.2%	377	233	206	195	275	221	223	165	159
AoA	884	0.2%	879	828	828	818	951	859	820	544	–
PSC	137	0.0%	280	247	224	240	–	–	–	–	–
HHS Subtotal	**382,627**	**100.0%**	**359,700**	**350,570**	**339,493**	**319,802**	**302,821**	**277,868**	**252,867**	**228,447**	**169,790**
"Old" HHS agencies that no longer exist as separate agencies in HHS:											
OASH[1]	–	–	–	–	–	–	254	233	227	248	219
SSA[2]	–	–	–	–	–	–	–	346,617	328,028	307,819	285,826
ADAMHA[3]	–	–	–	–	–	–	–	–	–	2,865	2,601
FSA[4]	–	–	–	–	–	–	–	–	–	–	17,40
OHDS[4]	–	–	–	–	–	–	–	–	–	–	8,093
HHS TOTAL	**382,627**	**–**	**359,700**	**350,570**	**339,493**	**319,802**	**303,075**	**624,718**	**581,122**	**539,379**	**483,936**

[1] OASH accounts were merged into OS and PSC in FY 1996.

[2] SSA separated from HHS at end of FY 1994.

[3] Three components of ADAMHA were transferred to NIH and rest of ADAMHA became SAMHSA.

[4] AoA separated from OHDS when OHDS and FSA combined to become ACF.

[5] Agency name changed from the Agency for Health Care Policy and Research pursuant to Public Law 106-129 enacted on 12/6/99.